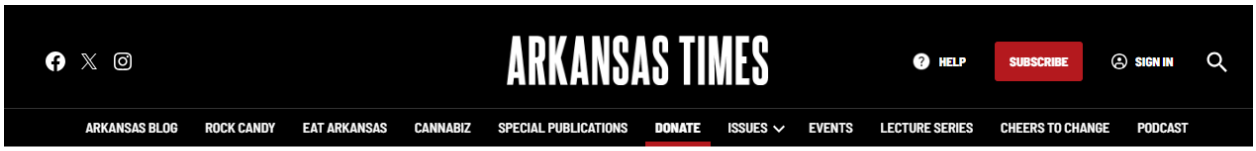
Additional Information

As noted in the Technical Proposal, to further illustrate our capabilities and the value we bring to our partners, we have included the following resources:

Articles & Bylines

Since 2014, ClassWallet has been used to maximize the impact of over $4.5+ billion in public funds. This includes supporting 9 states that have ESAs, as well as recovering two ESA programs (Arkansas and Idaho) from two separate ESA contractors in 2024 after very public challenges.

Please see the following pages.



ARKANSAS BLOG NEWS

State voucher program to return to ClassWallet after nixing contract with other payment vendor

by Benjamin Hardy
October 30, 2024 6:45 pm

In its first year, Arkansas's new school voucher program contracted with a Florida-based company called ClassWallet to run an online platform for voucher families to make payments to private schools and other vendors.

This spring, the state selected a new vendor, Indiana-based Student First Technologies, to run the platform in Year Two of the program. The selection followed a contentious bidding process in which ClassWallet sought to hold on to the contract. But only a couple months into the 2024-25 school year, Education Secretary Jacob Oliva said Arkansas would terminate its contract with Student First by the end of December and seek $563,000 in penalties and damages due to missed deadlines and non-functioning systems.

Now, after a new round of bids, the state is going back to ClassWallet. A state agency that handles procurement for other departments posted notice of its "anticipation to award" the contract to Kleo Inc., the parent company of ClassWallet, on Wednesday afternoon.

The voucher program was created by Arkansas LEARNS, the sweeping K-12 education law championed by Gov. Sarah Sanders. Over 14,000 students statewide are now receiving vouchers, which use taxpayer funds to pay for private school tuition, fees and other approved expenses. In Year Two of the program, homeschool families are newly eligible to receive vouchers, which they can use for expenses including curricula, books, tutors, supplies and equipment, and more. A voucher is worth $6,856 per student in the 2024-25 school.

It's a big job to coordinate the disbursement of tens of millions of dollars in public funds to hundreds of vendors on behalf of thousands of families, so the state is paying a third-party company to handle it. ClassWallet's proposal documents estimate it will cost the state just under $14 million over the next seven years. That covers the payment portals for both the voucher program and a much smaller LEARNS program that provides literacy tutoring grants.

The $14 million figure is lower than the estimated value of the contract awarded to Student First Technologies earlier this year, $15.2 million. It's also significantly lower than the $18.6 million quoted by ClassWallet during the spring bidding process in which it was rejected in favor of Student First.

Also worth noting: ClassWallet's proposal describes a 1.85% settlement fee assessed on payments to vendors and schools. That's less than the 2% transaction fee charged by Student First, and significantly less than the 2.5% fee ClassWallet charged during its first year as vendor in Arkansas.

ClassWallet outscored three competitors for the new bid: Primary Class, Inc., doing business as Odyssey; Merit International; and ACE Services, doing business as ACE Scholarships. A proposal from a fifth company, Trilogy Mentors Inc., doing business as Pearl, appears to have been rejected by the state without being scored.

The state doesn't expect to award a final contract until Nov. 18, according to a tentative timeline released with the Department of Education's request for proposals earlier this month.

Here's the scoring sheet, and here's the proposal from ClassWallet.

BENJAMIN HARDY

Benjamin Hardy is managing editor at the Arkansas Times. His email is benjaminhardy@arktimes.com **More by Benjamin Hardy**



(UPDATED, 11:36 a.m. Thursday, with clarification on the State Board of Education's 2023 review of Empowering Parents, and the state's demands for interest from Odyssey.)

Two years in, state officials have made a big change in its Empowering Parents program.

Idaho has hired Hollywood, Fla.-based ClassWallet to manage the $30 million microgrant program — which is designed to help families cover out-of-pocket education costs.

ClassWallet replaces Odyssey, a New York-based vendor which had a spotty two-year track record in Idaho. In 2023, the state conducted two separate reviews of Odyssey, amid reports of improper, taxpayer-funded purchases made through Empowering Parents. The state also ordered Odyssey to pay back nearly $479,000 in interest.

The contracting change, announced Wednesday, comes as the Empowering Parents program heads into its third year. The State Board of Education expects to begin taking new grant applications in late October.

The Empowering Parents contractor serves as the conduit between thousands of grant applicants and the marketplace. The contractor sets up an online portal, where families can spend their state-funded grants on a variety of eligible purchases — from laptops and internet access to therapy to athletic uniforms and pay-to-play fees.

"ClassWallet will bring a new level of dedication and support to this program to help ensure the state's funds are distributed efficiently to students across the state and have the maximum intended impact," company CEO Jamie Rosenberg said in a Wednesday news release announcing the contract.

ClassWallet could receive up to $600,000 to oversee the Empowering Parents program this year, the State Board said Wednesday, in response to written questions from Idaho Education News. The vendor will receive a 2% service fee for purchases on its online portal.

Odyssey received $890,000 to implement the program in 2023. Its original state contract, signed in 2022, was worth nearly $1.5 million.

ClassWallet and Odyssey were among three bidders for the new contract. A fourth bidder submitted an initial bid, but did not submit a final proposal.

ClassWallet's Idaho history

ClassWallet managed the predecessor to Empowering Parents: the 2020 Strong Families, Strong Students microgrant program. ClassWallet received a no-bid contract to administer the pandemic-era program, funded with $50 million of federal coronavirus aid.

ClassWallet ultimately received about $2.6 million for this contract, the Idaho Capital Sun reported in 2022.

In 2022, ClassWallet bid for the Empowering Parents contract, and said it could run this program for about $750,000. The state rejected ClassWallet's bid, saying the vendor had failed to meet the deadline to submit cost estimates.

Odyssey's Idaho history

Odyssey received the 2022 contract, despite a lack of state-level operating experience.

Placed in charge of a $50 million grant program — again bankrolled with federal COVID aid — Odyssey almost immediately ran into turbulence.

The State Board quickly began receiving reports that families were using taxpayer money for a host of improper purchases — such as clothes, TVs, smart watches and household cleaning items. An EdNews public records review uncovered other improper purchases, including a gun holster, a pickleball set, gaming equipment and a drone equipped with a camera. (On Wednesday, Odyssey said these purchases were denied.)

In April 2023, the State Board launched an internal review. In June 2023, a frustrated Gov. Brad Little ordered an external audit of one of his top education priorities.

The State Board review determined that about 1% of purchases were ineligible for state grants, totaling $180,000, the board said it would seek reimbursement from Odyssey. The state also ordered Odyssey to pay back $478,656.22 in interest it had collected from Empowering Parents' federal funding.

The external audit was released in December 2023, with Little giving the program a clean bill of health, finding only .1% of purchases ineligible for state grants. By that time, Odyssey had begun its second year on the Empowering Parents program, this time overseeing the disbursement of $30 million of state money.

Odyssey's track record — and ClassWallet's previous track record on Strong Families, Strong Students — played no role in the state's contract decision.

"The (request for proposal) process … is limited to the scope of the RFP and submitted bids," the State Board said Wednesday.

Odyssey issued EdNews a statement Wednesday, in response to the ClassWallet announcement.

"Over the last several years, we've helped tens of thousands of students throughout the state receive the resources and opportunities necessary to improve their learning in conjunction with hundreds of local vendors," Odyssey said. "We look forward to continuing this important work with families across the country and partnering with the state in the future."



Kevin Richert

Senior reporter and blogger Kevin Richert specializes in education politics and education policy. He has more than 35 years of experience in Idaho journalism. He is a frequent guest on "Idaho Reports" on Idaho Public Television and "Idaho Matters" on Boise State Public Radio. He can be reached at krichert@idahoednews.org



Purpose Before Profit: Jamie Rosenberg Of ClassWallet On The Benefits Of Running A Purpose-Driven Business

From "Medium" | An Interview With Chad Silverstein | Published September 23, 2024

Positivity — Having a good attitude is infectious. An optimistic outlook is inspiring to others and helps foster a supportive environment.

In today's competitive business landscape, the race for profits often takes center stage. However, there are some leaders who also prioritize a mission-driven purpose. They use their business to make a positive social impact and recognize that success isn't only about making money. In this interview series, we are talking with some of these distinct leaders and I had the pleasure of Jamie Rosenberg, ClassWallet.

Bio: *Jamie Rosenberg is the founder and CEO of ClassWallet, a Hollywood, Florida-based financial technology company that has been used by state and local agencies across 34 states to maximize the impact of more than $4 billion in public funds. Prior to founding ClassWallet, Rosenberg launched the pioneering crowd-funding platform,*

AdoptAClassroom.org, which provided funding for teachers in 30% of schools and improved the learning environment of more than 3.5 million children. A graduate of Vanderbilt University and the University of Miami School of Law, Rosenberg lives in Miami with his wife Lisa, his three children Ivy, Reid and Nica, and their dog, Lola.

Other supporting materials:

- *https://classwallet.com/videos/*
- *https://youtube.com/shorts/85JciJvJPJU?feature=share*
- *https://youtube.com/shorts/vU8nDR-LixU?feature=share*

Thank you so much for doing this with us! Our readers would love to get to know you a bit better. Can you tell us your "Origin Story"? Can you tell us the story of how you grew up?

I started my career as a corporate attorney, and in my free time mentored at a local school for disabled, pre-kindergarten students. The experiences I had while mentoring that student changed my life. I wanted my career and journey to be connected to the energy I felt in that classroom — much more positive energy than I felt in my law firm office. So I quit my job as a lawyer and started my first business, AdoptAClassroom.org, an organization that made it easier for individuals and organizations to donate directly to classroom teachers to purchase educational supplies and resources for their students.

Over the next 12-14 years, AdoptAClassroom.org became one of the largest education philanthropy platforms in America. By the time I left, we had raised and distributed donations to teachers in 30% of U.S. public schools and impacted the lives of 3.5 million children. This was done by developing a fully automated technology platform that made it easy for teachers to access and utilize the funds and it provided full visibility to donors to the impact their donations had made. While the platform and technology have evolved since then, this is the same approach I took for my current business, ClassWallet.

ClassWallet's mission is to help our clients maximize the positive impact for the people they serve. We give public sector agencies best-in-class technology, within the most secure architecture, to ensure their funds have maximum positive impact toward their organizational goals and objectives. With ClassWallet, clients are able to give the people they serve the easiest experience to access public benefits they have qualified for, with the least amount of bureaucracy. We also provide clients with J.D. Power award-winning customer support, plus expansive spending flexibility that is coupled

with helpful information, to make use of funds in a way that has the most positive impact on their lives.

Can you share the most interesting story that happened to you since you began leading your company or organization?

I remember one spring a couple of years after starting ClassWallet. I was certain we were not going to make it. My stress level was so high, my partner literally made me leave the office and go away for a week. That's what I did. In the depth of my despair, I received a phone call, out of the blue, from a large state agency leader asking if our technology could be used to solve a problem he had. The state agency went on to become our largest client and opened the door to an entire vertical in which we have become the market leader.

I've come to learn that when it's low, I know the rebound will always be higher than where we started.

We often learn the most from our mistakes. Can you share one that you made that turned out to be one of the most valuable lessons you've learned?

My mantra is "if you're not failing, you're failing." The valuable mistake I've learned from is the mistake I made thinking mistakes were a bad thing. It took me a few years, but I eventually came to realize that each mistake is actually a win, a lesson learned about an assumption, and how to incorporate the data from that lesson into the next step through the journey. This lesson has been invaluable not only for corporate success, but also personal fulfillment.

As a successful leader, it's clear that you uphold strong core values. I'm curious what are the most important principles you firmly stand by and refuse to compromise on. Can you share a few of them and explain why they hold such significance for you in your work and life?

The one principle I firmly stand by is gratitude. Gratitude humanizes our existence at home, in life and at work. It bonds us as people, and as fellow employees, and it bonds us with our clients and users. It levels the organization horizontally and reminds us about the priorities in life. This value organically translates into a supportive work environment, attracts the highest caliber of people, and produces the best outcomes that have enabled us to consistently meet our company goals, year after year after year.

What inspired you to start a purpose-driven business rather than a traditional for-profit enterprise? Can you share a personal story or experience that led you to prioritize social impact in your business?

To be clear, ClassWallet is a for-profit business that has a purpose. Who doesn't want to go to work everyday with a sense of purpose? Both of the businesses I started, AdoptAClassroom.org and ClassWallet, are a manifestation of that life aspiration. I view the entrepreneurial journey very much as a reflection of a journey toward personal fulfillment. Building industry-defining financial technology, being the market leader in multiple verticals, experiencing triple-digit growth for multiple successive years, and enjoying the time we spend together is energizing, invigorating and rewarding. But that we can accomplish all that, AND make such a positive impact in so many people's lives, is fulfilling.

Can you help articulate a few of the benefits of leading a purpose-driven business rather than a standard "plain vanilla" business?

A purpose-driven business creates a platform that enables people within the business to realize their true purpose. Build a company that maximizes that mission, and the purpose of the company and product out in the world will be realized beyond one's wildest imagination. That's what we have created at ClassWallet, and that's why we have been able to help our clients maximize the positive impact for so many millions of people they serve.

How has your company's mission or purpose affected its overall success? Can you explain the methods
or metrics you use to evaluate the impact of this purpose-driven strategy on your organization?

Our mission is to help clients maximize the intended positive impact of funding for the people they serve. We do this by 1) Enabling them to give their constituents the easiest experience to utilize funds with the least amount of bureaucracy and the best customer support; 2) Give them expansive spending flexibility coupled with helpful information to use funds in a way that makes the most positive impact on their lives; and 3) Give clients best-in-class tools, within the most secure architecture, to ensure their funds have maximize positive impact toward their organizational goals and objectives.

We track each of these value propositions with data that fuel our focus on perpetual innovation and delivering on our mission. What is amazing to me is that even though end users of our product are forced to use it by government agencies (school districts, state agencies, etc.), we actually have a customer loyalty higher than Target, Google, and Apple. Based on over 20,000 responses to our most recent customer satisfaction survey, more than 92% of users say ClassWallet makes it easy to access funds and over 96% of clients say ClassWallet has helped them accomplish their organizational goals and objectives.

What technology platform have we been forced to use by a public agency that we would rate the experience better than the experience we get from a company like Apple? ClassWallet is changing the game and creating a whole new paradigm on how public benefits are accessed and maximized.

Can you share a pivotal moment when you realized that leading your purpose-driven company was actually making a significant impact? Can you share a specific example or story that deeply resonated with you personally?

I remember when I started AdoptAClassroom.org in 1998, I used to fulfill teacher orders by hand, and manually deliver boxes of supplies to the classroom. During one of the first, early deliveries, I recall watching the children open the boxes of supplies as if it was Christmas. The joy and positive energy in the room was palpable. I remember grouping the kids together for a photo, and the sheer happiness they emanated as I looked through the lens, literally made it feel as if time stood still. While this sounds like a corny cliche, this is the truth. For a few days after, life was a bit off balance. Something happened that day, at that moment, and the best I can describe it is my soul was indeed truly touched.

Have you ever faced a situation where your commitment to your purpose and creating a positive social impact clashed with the profitability in your business? Have you ever been challenged by anyone on your team or have to make a tough decision that had a significant impact on finances? If so, how did you address and reconcile this conflict?

There was an instance when ClassWallet was subject to sustained nefarious activity by a competitor vying to win an account away from us. Throughout the entire episode, our core values were truly stress tested. But we remained true to our authentic, positive selves and the outcome was not only positive, but it strengthened the fabric of the company that accelerated our success.

What advice would you give to budding entrepreneurs who wish to start a purpose-driven business?

Your business has to serve a purpose for yourself that extends beyond making money. Its mission should resonate personally with you and impact the broader community. While generating revenue is important, if the sole focus of a company is financial gain, you'll face significant challenges, even if it is contributing positively to social good.

The true essence of a successful business lies in its ability to create a meaningful culture that benefits all stakeholders, fostering a sense of shared purpose beyond everyday business goals. By integrating personal values with organizational goals, leading with transparency and showing vulnerability, you can create a winning formula.

This approach not only enhances your own self-fulfillment but also helps you craft business focus areas that make a genuine difference in the world.

What are your "5 Things You Need To Create A Highly Successful Purpose-Driven Business." If you can, please share a story or example for each.

To have a successful purpose-driven business, leaders should embody the following values:

1. **Authenticity** – Be genuine in everything you do. Let your values guide your decisions. The market can sense when a social impact company is not coming from a place of authenticity. You should truly believe in the mission and demonstrate that confidently to others.
2. **Holding Yourself to a High Standard** – Everyone, including and most importantly, yourself, must give 100% effort all the time. Ensure that your actions align with this purpose and inspire others to do the same.
3. **Humility** – Leadership is not about having all the answers but about learning and growing. Acknowledge your mistakes and be willing to learn from others.
4. **Curiosity** – Never stop learning and growing. Stay open to new ideas and be willing to adapt and evolve.
5. **Positivity** – Having a good attitude is infectious. An optimistic outlook is inspiring to others and helps foster a supportive environment.

I'm interested in how you instill a strong sense of connection with your team. How do you nurture a culture where everyone feels connected to your mission? Could you share an example or story that showcases how your purpose has positively influenced or motivated people on your team to contribute?

Every week, on Fridays at 9:30, I host a weekly, company-wide, 60-minute "Win / Gratitude" meeting. Everyone, no matter the role in the company, has an opportunity to share personal wins and stories. We hear about celebrations, tragedies and frequent reminders about the little things in life that matter the most. These interactions propel our mission of leading with transparency and humanity, which naturally compound a shared sense of purpose.

Imagine we're sitting down together two years from now, looking back at your company's last 24 months. What specific accomplishments would have to happen for you to be happy with your progress?

Our digital wallet will be viewed as the industry standard through which any funding intended to have a positive impact will be managed. We will have catapulted from all of market leadership in the K12 education space into other markets such as early childcare, career and workforce development, emergency funding, housing and other agencies who strive to make a positive impact in people's lives and will have the advantage of using our platform to maximize the success of their goals.

You are a person of enormous influence. If you could inspire a movement that would bring the most amount of good to the most amount of people, what would that be? You never know what your idea can trigger.
🙂

There is a huge lack of understanding and appreciation among teenagers about the power and lessons of failure. I believe this is a significant contributor to the mental health crisis within that age demographic, and what is contributing toward factors that undermine employers' ability to find talent. So, many kids simply are not being prepared for the real world.

I aspire to teach, develop and scale a curriculum on failure. When you think about it, no one is teaching failure. While students can encounter failure such as in tryouts, there is no curriculum that I have seen that actually puts the value of failure into a lesson plan that gives them tools for success. I don't think I'll have a challenge attracting students to a class that markets "the more you fail, the better grade you'll get 🙂 "!

How can our readers further follow your work or your company online?

Readers can follow ClassWallet on our website. Our blog has lots of resources about digital wallets, education trends and information about public funding. We're also on LinkedIn and X, @ClassWallet.

Original article on Medium.com can be viewed here

ARTICLE

Ensuring Transparency with Education Savings Account Programs



Sarah Raybon
Senior Director, Strategic Initiatives
ClassWallet

Published July 2024 in the LEARNING COUNSEL

The number of states with education choice programs has been trending progressively upward over the last two years, with at least 36 states having considered education savings account (ESA) legislation in 2023 and 13 states implementing programs.

As ESAs grow in popularity, it's critical that the funding is managed properly to ensure that parents and students can easily access what they need, that administrators can provide proper oversight and that the public has transparency into how tax dollars are used. To that end, it's instructive to take a step back to better understand these programs and the processes around them.

An Historical View of ESAs

Considered by some to be the new frontier of education choice programs, ESAs expand educational opportunities by giving parents access to a portion of their child's education funding. Program guidelines vary, but in all programs, policymakers approve and appropriate funding for program administrators to distribute to participating students. Depending on program rules, the parent can then use the funds to pay for the student's educational expenses, including private school tuition, tutoring, curriculum, online programs, technology and educational therapies.

Some programs allow funds to be used for vocational programs (Arizona's Empowerment Scholarship Account) and individual classes or extracurricular activities provided by public schools (South Carolina's Education Scholarship Trust Fund). Program eligibility also differs from state to state, with the earliest programs focused primarily on providing educational options for students with disabilities and later expanding to include students in low-income households, attending D- or F-rated public schools, active-duty military families, etc.

The original method of providing access to ESA funding was through the use of debit cards or reimbursing parents for eligible expenses. Both methods pose challenges. Debit cards offer limited oversight, increase the risk of misuse and fraud, and make programs challenging to administer. The detailed recordkeeping and receipt collection required can also be burdensome for families. On the other hand, programs that only offer reimbursement are inefficient and inequitable as many families cannot participate in a program that requires them to pay upfront and out-of-pocket for educational expenses.

Introducing Technology to Increase Access and Accountability

A more feasible option for ESA funding disbursement is through the use of digital wallet technology. A digital wallet gives a participating family a virtual representation of the funds available to spend through an easy-to-use platform. Families can access a digital wallet using a computer or mobile device and can use the funds to make purchases and

payments. Digital wallets replace physical cards and allow families to access and utilize their scholarship funds on one platform, in real time, through program-approved vendors.

Program administrators can set rules with digital wallets around purchases to avoid the misuse of funds, helping program administrators comply with legislative requirements and easily track where dollars are spent. The technology provides administrators with real-time tracking and reporting options. Real-time transaction tracking and digital record-keeping consolidate account data into one place, streamlining audit reporting, compliance and transparency.

One example of a digital wallet providing increased access and accountability is New Hampshire's Children's Scholarship Fund (CSF-NH). With a digital wallet, CSF-NH has distributed over $44M in funding to over 6,000 students. Since the program works with low-income families, the digital wallet solution helps maximize the program's impact by making funding more accessible. The CSF-NH team is able to manage compliance, knowing that the funds are going to the right people and are being used for the right purpose.

Ensuring ongoing success

ESA programs administered with digital wallets are successful because they meet the needs of all stakeholders. Policymakers see the programs are administered efficiently, effectively and transparently. Program participants can access resources directly without needing reimbursement or independently retaining receipts. State administrators have on-demand access to real-time reports that are vital to the transparency the public demands. Meeting these stakeholder needs will allow current programs to thrive. When existing programs thrive, replication and expansion – perhaps to other states or widened eligibility within a state – is a more straightforward lift.

ESA programs are growing in popularity. The sustainability of existing programs and the enactment of new ESA programs are dependent upon their success today. Digital wallets play a pivotal role in this success.

About the Author

Sarah Raybon is ClassWallet's Senior Director of Strategic Initiatives and in-house ESA expert. Sarah brings 15+ years experience working with ESA families and service providers.

Prior to joining ClassWallet, Sarah was the Director of Communications and Engagement at the Arizona Department of Education where she helped administer the country's largest ESA program for almost two years, including through the launch of universal eligibility. Previously, Sarah has worked to expand educational opportunities through Prenda Microschools, the Arizona School Tuition Organization Association, and the American Federation for Children. In addition to her policy and administrative experience, Sarah is also a longtime ESA parent and is keenly aware of the nuanced needs of ESA parents.

About ClassWallet

ClassWallet is the leading purchasing and reimbursement platform for public funds. A pioneer in financial and government technology, ClassWallet's digital wallet technology is used by state and local agencies across 34 states to ensure public funds reach the right people for the right purpose. Since 2014, the ClassWallet platform has been used to securely and efficiently deliver more than $3.5 billion in public funds while maintaining customer loyalty and satisfaction, which exceeds some of the world's largest brands.

Headquartered in Hollywood, Florida, ClassWallet ranks as the 61st fastest-growing software company on the prestigious Inc. 5000 list of fastest-growing private companies and the 21st fastest-growing financial technology company on the Deloitte Technology Fast 500 in 2023. In 2024, ClassWallet was recognized with a prestigious J.D. Power Award for providing an Outstanding Customer Service Experience.

ARTICLE

For the Public Sector, Security and Compliance Are Just Good Business



Neil Steinhardt
President, ClassWallet

Published April 2024 in AMERICAN CITY&COUNTY

State and local officials in charge of distributing public funds understand that security and compliance must be a top priority, but it can feel like a challenge to be fully prepared for audits.

First, government organizations face a significant challenge in securing cyber infrastructure and protecting the personal data of their constituents from malicious actors. Earlier this year, one of the largest counties in Pennsylvania reported that a cyberattack disabled its emergency communications system. This was only one of the many recent cyber incidents wreaking havoc on state and local governments. Government organizations are responsible for administering vital services to their constituents, including public funding, which can be compromised in the face of growing cyber threats.

The other piece of the puzzle is compliance. Although they differ by state, state and local leadership must adhere to various regulatory standards that govern public fund management. To keep constituents' trust in the public sector, data needs to be managed correctly and in accordance with government and industry standards. There are a number of robust frameworks that offer standards for security, including SOC, (Security and Operation Controls) Levels 1 & 2 from the American Institute of Certified Public Accountants, and StateRamp and FedRamp for cloud service providers based upon The National Institute of Standards and Technology's NIST SP 800-53.

While the immediate challenges are evident, fortunately there are a few steps state and local leaders can take to ensure their data is not only compliant, but holistically secure. By adopting and enforcing the latest security frameworks, extending efforts beyond compliance and partnering with organizations that are transparent and trustworthy, state and local organizations can maintain an effective security ecosystem to protect citizen data.

Prioritizing compliance in a highly auditable environment

The first step in upgrading the funding ecosystem is unavoidable – maintaining and prioritizing compliance. State and local governments need to prepare for audits on a regular basis or suffer the consequences of failing to do so.
When we think of compliance broadly, it's about staying up to date on policies, safety standards and operations. Beyond industry and government regulated initiatives, organizations should focus internally on building their own compliance culture. When companies put compliance first, and it becomes embedded in their development and operational procedures, it becomes much easier to protect sensitive data and to manage unforeseen incidents.

By training staff on regulatory requirements, establishing clear policies and procedures and regularly monitoring adherence, organizations can ensure individuals at all levels and departments approach their daily tasks with a compliance mindset. When it comes to audits, implementing and maintaining an internal review system with a real-time trail for transactions is crucial.

This allows for transparency and efficient monitoring of all activities. These reviews ensure issues can be addressed promptly to maintain readiness for official audits. While compliance initiatives establish a foundation for funding requirements, organizations must go beyond checking boxes and seeking certifications to developing their own comprehensive security strategy.

For the Public Sector, Security and Compliance Are Just Good Business

AMERICAN CITY&COUNTY

Adopting robust security frameworks

The number of cyberattacks against state and local governments is increasing and becoming more sophisticated. The current statistics for state data breaches are alarming. Research from the Center for Internet Security found that cyberattacks on state and local governments increased over the last year. According to the report, malware attacks increased by 148%, while ransomware incidents were 51% more prominent than the year before.

For state and local organizations dealing with public funds, a high level of security is even more paramount. To bolster cyber efforts, security leaders within these organizations must first adopt a framework such as SOC2 or NIST – beginning with identifying any vulnerabilities in the existing security posture. From there, organizations should provide regular security monitoring for their internal systems and third-party partners. In the event of a cyber-attack, it's important to have a plan to communicate concise info quickly and thoroughly to employees and partners alike.

Securing access to data through endpoint management and least privilege policies goes a long way toward securing sensitive data and allows for the enforcement of a highly robust data management policy.

What to look for in a partner that prioritizes security

This fight does not strictly fall on the shoulders of state and local officials and their employees. Partnerships between the public and private sector can play a large role in creating a more secure and compliant ecosystem.

That said, state and local officials must look for industry counterparts that foster a culture of trust and transparency. In fact, most data breaches come from third parties. While searching for the right private sector partner, state and local officials want peace of mind that their security goals and needs will be prioritized – and partnering with organizations that put their own security first can do just that. Strong security partners are organizations with third-party validation, a proven track record of transparency and an understanding of the specific challenges that the public sector faces. Transparent partners share insights into their security practices and data protection efforts, in turn building trust.

Whether working independently or with partners, a top-notch fund management system goes beyond simply maintaining compliance and security. Organizations can look to external resources to help remain audit-ready and protect their constituents' data and dollars, but they ultimately need to take responsibility for their own security and compliance and go beyond the requirement. By adhering to some of these best practices, state and local leaders can have peace of mind that their public funding is safe, and as a result, keep the trust of their taxpayers' dollars.

About Neil Steinhardt

Neil Steinhardt is President and Co-Founder of ClassWallet. In this role, he is dedicated to revolutionizing how public funds are distributed while maximizing their impact and improving compliance. He has over 20 years of executive leadership experience in the financial services industry and graduated with his master's degree in Marketing and International Business from Baruch College.

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EXPERT SPOTLIGHT

How Small Businesses Can Navigate the Market



Jamie Rosenberg
Co-Founder and CEO
ClassWallet

Published August 2024 in Washington Technology

There are tools available that can help small businesses clear the hurdles ahead of them, ClassWallet CEO Jamie Rosenberg writes…

In April 2024, the Small Business Administration unveiled the results of its annual scorecard, a crucial measure of small business contracting success.

SBA's scorecard revealed the U.S. government awarded only 28.4% of federal contract dollars to small organizations in 2023.

While progress was made since the year prior, that means the vast majority of federal, state and local funding went to large businesses.

The Government Accountability Office (GAO) has been forthright about organizations' inability to easily and quickly access these funds, showing that the highest levels of the U.S. government recognize a need for change when accessing public dollars.

Hurdles in Accessing Funds

Often, small businesses find it challenging to compete with large businesses due to roadblocks in securing government grants and contracts. These roadblocks can be due to compliance or regulatory challenges, as well as being forced to work with limited resources as a small business.

For example, complex procurement processes and strict regulations pose significant challenges for small businesses in their quest to access and utilize grants.

As is, the existing process typically requires businesses to front costs and then be reimbursed, a task many small businesses can't afford to do without taking on debt.

Beyond that, organizations receiving government dollars are subject to audits, which add another layer of challenges to the federal contracting process. While this has long been accepted as a norm by major contractors, the complicated process is a roadblock for many small businesses.

Let's Get Digital

Organizations are turning to digital wallet platforms – a tool for rules-based purchases and payments through a tailored marketplace – to ease some of the burdens of decentralized fund management and navigate the various challenges.

As of 2024, 33% of NAICS-recognized businesses are selling their goods or services on digital wallet platforms.

Digital wallets are revolutionizing how small businesses manage funds by ensuring funding reaches them faster and more efficiently. By enabling direct pay to vendors, small businesses can make flexible and efficient purchases within the guidelines set by the awarding agency or organization.

In addition to making payments easier for vendors, digital fund management allows vendors to be vetted ahead of time. By streamlining record-keeping and auditing processes, digital wallets provide transparency and traceability for all financial transactions.

This "pre-approval" allows organizations to uphold necessary compliance and fiscal accountability requirements without constantly exchanging snail mail approvals and provides an added layer of security, reducing the risk of fraud and theft associated with traditional payment methods.

Collectively, these benefits contribute to greater efficiency, cost savings and improved financial management.

Driving Small Business Success

As federal, state and local governments continue investing more in small businesses to support growth and new jobs in key industries, technology will be vital to ensure the funding is accessible and managed properly.

This will create more lucrative opportunities for small businesses – businesses located in states that utilize direct pay through a digital wallet platform receive 26 times more revenue than businesses in states that do not.

By leveraging digital wallets, organizations can quickly cut through the delays caused by administrative requirements and automate compliance efforts for quick access to public funds and help level the playing field for small businesses seeking government grant funding.

About the Author

Jamie Rosenberg is the founder and CEO of ClassWallet, a Hollywood, Florida-based financial technology company that has been used by state and local agencies across 34 states to maximize the impact of more than $4 billion in public funds. Prior to founding ClassWallet, Rosenberg launched the pioneering crowd-funding platform, AdoptAClassroom.org, which provided funding for teachers in 30% of schools and improved the learning environment of more than 3.5 million children. A graduate of Vanderbilt University and the University of Miami School of Law, Rosenberg lives in Miami with his wife Lisa, his three children Ivy, Reid and Nica, and their dog, Lola.

About ClassWallet

ClassWallet is the leading purchasing and reimbursement platform for public funds. A pioneer in financial and government technology, ClassWallet's digital wallet technology is used by state and local agencies across 34 states to ensure public funds reach the right people for the right purpose. Since 2014, the ClassWallet platform has been used to securely and efficiently deliver more than $3.5 billion in public funds while maintaining customer loyalty and satisfaction, which exceeds some of the world's largest brands.

Headquartered in Hollywood, Florida, ClassWallet ranks as the 88th fastest-growing software company on the prestigious Inc. 5000 list of fastest-growing private companies and the 21st fastest-growing financial technology company on the Deloitte Technology Fast 500 in 2023. In 2024, ClassWallet was recognized with a prestigious J.D. Power Award for providing an Outstanding Customer Service Experience.

State Reports

These reports focus on the success of Arizona's, New Hampshire's, Texas', and Virginia's specific programs funded through ClassWallet, highlighting the positive impact on family engagement with the respective government agencies.

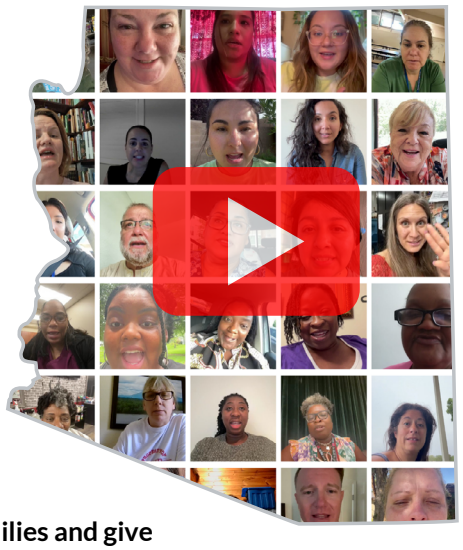
Please see the following pages.

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Arizona Succeeds in Direct Family Engagement

The State of Arizona, with the oldest education savings account program in the country, has revolutionized the way families engage directly with a government agency, in this case the Arizona Department of Education (ADE).

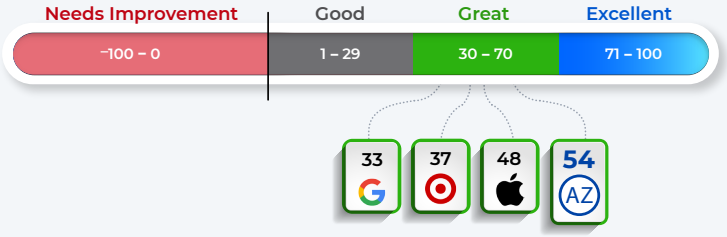
In a first-of-its-kind program, participating Arizona families were provisioned a digital wallet funded so they could access and pay for tuition, tutoring, education supplies, and other educational needs.



Recently, Arizona families participated in the Net Promoter Score (NPS) survey, the industry standard to measure customer loyalty and satisfaction. When asked to rate ADE on a scale of 0 to 10, families rated the program an **exceptionally high 8.64**. In addition, Arizona families rated their interaction with ADE a NPS score of **54**, which is considered "Great." ADE's score of 54 compares with some of the most beloved brands such as Apple, Google, and Target.

The family feedback demonstrates that ADE was able to directly engage with families and give families an excellent experience with a government agency. Equally as important, the program produced great outcomes. **87% of participating families** said the program made it easy to access their funds.

Arizona families rated their engagement with the ADE better than with Target, Google, and Apple.



Direct Quotes from Arizona Families

"Thank you. Thank you. From the bottom of my heart."

"Thank you Thank you for allowing families to choose what's best for their children's individual needs. A million times again, thank you."

"Thank you for making this program available for my children!"

"The program has helped families afford private education and provided resources and tools to give children the best educational opportunities available."

"Thank you for allowing families to choose what's best for their children's individual needs."

"A blessing for our homeschool life, making it easy to get what we need through their vendors and easing the approval process."

"Thank you for providing funds for the children and education."

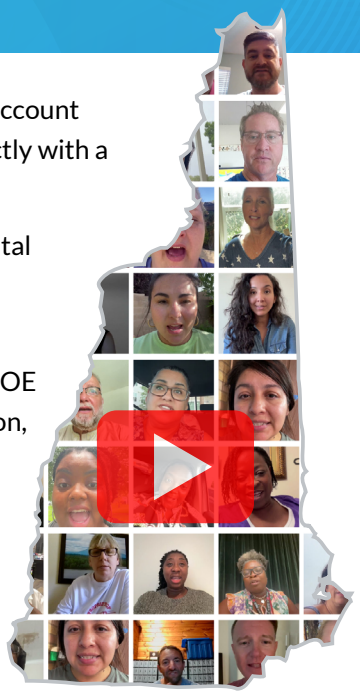
"I am very thankful to have this option to help pay for my children's private school tuition."

"Thank you so much for blessing my children with these wonderful educational scholarships."

"Feel blessed to have this easy way to use funds."

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New Hampshire Succeeds in Direct Family Engagement



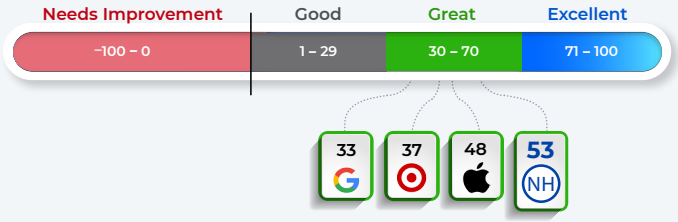
The State of New Hampshire, through innovative programs such as their education freedom account and ReKINDLing Curiosity summer camp program, revolutionized how families engaged directly with a government agency, in this case the New Hampshire Department of Education (NHDOE).

To date, more than $60 million has been distributed to New Hampshire families through a digital wallet provisioned to allow the families to pay for education expenses.

Recently, New Hampshire families participated in the Net Promoter Score (NPS) survey, the industry standard to measure customer loyalty and satisfaction. When asked to rate the NHDOE program on a scale of 0 to 10, families rated the program an **exceptionally high 9.09**. In addition, New Hampshire families rated their interaction with the NHDOE a NPS score of **70**, which is considered "Great." NHDOE's score of 70 compares with some of the most beloved brands such as Apple, Google, and Target.

The family feedback demonstrates that the NHDOE was able to directly engage with families and give families an excellent experience with a government agency. Equally as important, the program produced great outcomes. **94% of participating families** said the program made it easy to access their funds.

New Hampshire families rated their engagement with the NHDOE better than with Target, Google, and Apple.



Direct Quotes from New Hampshire Families

"If it wasn't for programs like this I wouldn't be able to work because I wouldn't be able to afford childcare for my son during the summer months. The application is super easy and then making the payments once you have an invoice it's easy to transfer the money to the camp you signed your child up for."

"We are incredibly grateful."

"We have been very pleased with the platform and service we have received."

"We really appreciate how ClassWallet has helped us with schooling."

"Very thankful for the service."

"I loved everything about the program."

"It has helped out (a) lot with homeschooling curriculums and cost."

"It has been a seamless process for us. Thank you."

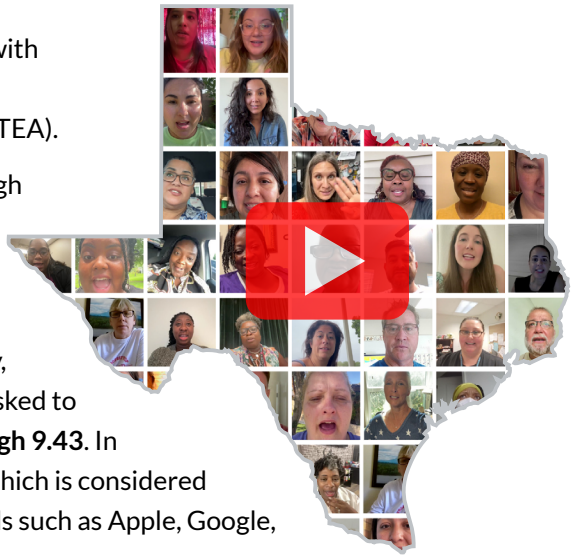
"It went extremely well for us. Thank you!

"This program has made possible a wonderful year for my daughter in a private school. She really thrived and (is) hoping to continue next year!"

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Texas Succeeds in Direct Family Engagement



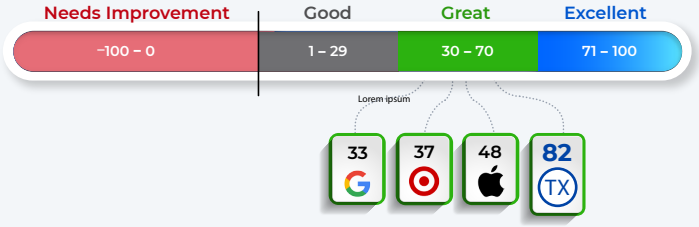
The State of Texas, through its innovative programs for families of students with significant cognitive disabilities, have revolutionized the way families engage directly with a government agency, in this case the Texas Education Agency (TEA).

To date, more than $225 million has been distributed to Texas families through a digital wallet provisioned to allow the families to pay for education expenses such as textbooks, curriculum, technology devices, specialized services, and more.

Recently, Texas families participated in the Net Promoter Score (NPS) survey, the industry standard to measure customer loyalty and satisfaction. When asked to rate TEA on a scale of 0 to 10, families rated the program an **exceptionally high 9.43**. In addition, Texas families rated their interaction with TEA a NPS score of **82**, which is considered "Excellent." TEA's score of 82 compares with some of the most beloved brands such as Apple, Google, and Target.

The family feedback demonstrates that TEA was able to directly engage with families and give families an excellent experience with a government agency. Equally as important, the program produced great outcomes. **92% of participating families** said the program made it easy to access their funds.

Texas families rated their engagement with the TEA better than with Target, Google, and Apple.



Direct Quotes from Texas Families

"We really appreciate the help for our son Blake. We have been going through a lot and this funds help with summer learning and homework for the school year that passed and to come! Thank you all so much!!!"

"We had a great experience, this program gave me resources that I wouldn't have otherwise been able to provide for school."

"I purchased materials that aid my child with autism, such as wooden puzzles and other supportive tools. These resources are helping her development and enhancing her learning experience."

"We were just so grateful!! Life changing!"

"We were able to get many tools to help our daughter with her dyslexia. You provided options we never even knew about. Thank you for this opportunity."

"The grant provided our family an opportunity to access technology our daughter needs to improve her reading and speech. She was able to take her tech with her to after school tutorials and enrichment."

"It really helped my special needs grandchild get the necessary supplies needed to assist with his growth and development. It also helps with his communication."

"Thank you for all you do, my child is thankful."

CLASSWALLET

Virginia Succeeds in Direct Family Engagement

With more than $68 million provided in a groundbreaking initiative, Virginia's Learning Acceleration Grants, the largest tutoring microgrant program in the country, revolutionized the way families engaged directly with a government agency, in this case the Virginia Department of Education (VDOE).



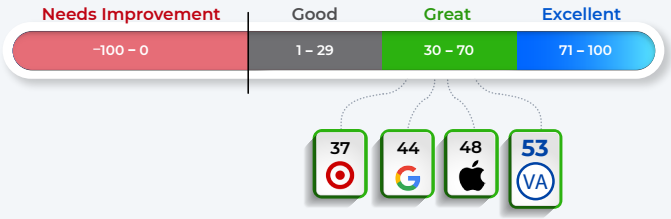
In a first-of-its-kind program, participating Virginia families were provisioned a digital wallet funded so they could access and pay for tutoring, therapy and other services.

Families were surveyed on their satisfaction with their interaction with the VDOE. When asked to rate the program on a scale of 0 to 10, Virginia families rated the program an **exceptionally high 8.49.**

In addition, families rated their interaction with the VDOE a **53 NPS** (Net Promoter Score), which is considered "Great." NPS is the industry standard metric used to measure customer loyalty and satisfaction. This "Great" 53 score compares with some of the most beloved brands (and their related NPS score) such as Apple (48), Google (44), and Target (37).

The Virginia family feedback demonstrates that the VDOE was able to directly engage with families and give families an experience with a government agency that was highly satisfactory. In addition, and equally as important, the program produced great outcomes. 88% of participating families said the program made it easy to access their funds.

Virginia families rated their engagement with the VDOE better than with Target, Google, and Apple.



Direct Quotes from Virginia Families

"We had a great experience."

"Everything was a breeze - positive experience!"

"We were very thankful as it did help with educational needs."

"This is a great way to access funds to be used for a specific purpose. I definitely recommend the application."

"A GREAT help for our son."

"It was huge help to my son's education growth. Thanks so much doing this."

"My son made tremendous academic progress in his math and reading last year thanks to the individualized tutoring he received in addition to his normal classes. We are so grateful."

"It was truly an unexpected blessing to be able to get extra help for my kids. Thank you!"

"Access was phenomenal and I appreciate the learning opportunities for my child! Thank you!"

"The program gave my child an opportunity to expand his knowledge and contributed to his well being and better life quality. Thank you."

Reference Letters

As evidence of our ability to deliver exceptional results, we have included reference letters from clients who have achieved significant success through their partnership with us.

Please see the following pages.



To whom it may concern,

MOScholars was established by the Missouri General Assembly in 2021 to provide educational opportunities and resources to Missouri students and families. The program provides options for eligible families, allowing them to seek an array of alternative educational services ranging from private schools to therapeutic services.

The Office of the Missouri State Treasurer is tasked with administering the MOScholars program and is confirming it has contracted with ClassWallet and FACTS for these services. The active contract was executed on April 15, 2022 and ClassWallet and FACTS have satisfactorily delivered upon the requirements.

Thanks,
David Masterson
Office of State Treasurer
MOScholars Division
Program Manager

301 W. High Street, Room 780
PO Box 210
Jefferson City, Missouri 65102
(573) 751-4900 (office)
(573) 751-2177 (fax)

Region 10 ESC
Experience the Power of 1

To Whom it May Concern:

Region 10 Education Service Center in Texas, is pleased with the solution and support that ClassWallet provides for our ESA program. With ClassWallet, over 117,000 Texas families in the SSES program are benefiting from a user-friendly experience with expansive educational choice and our organization benefits from a streamlined process with maximum oversight.

With a dedicated in-house customer support team, and mature, proven digital wallet technology, you can trust that they will efficiently manage your program as it grows.

Please don't hesitate to contact me with any questions.

Sincerely,



Dr. April Estrada
Director of Special Populations
Region 10 Education Service Center

Texas Education Agency

Kelly Goodman
Director of Strategy and Outreach
Director of the Texas SSES Program
Texas Education Agency
1701 N. Congress Ave.
Austin, TX 78701

To Whom It May Concern,

I am writing to recommend ClassWallet as a great resource for families participating in the Texas's micro-grant program for students served through special education at Texas public schools, the Supplemental Special Education Services (SSES) program. ClassWallet provides the SSES program a convenient and efficient way for eligible families to access educational goods and services for their children on their on-line marketplace. ClassWallet has been a valuable partner for the past 3+ years in growing our program with the services they offer and marketplace platform. Lastly, ClassWallet provides efficient fund and account management and provides reports that allow us to report our results up to a variety of stakeholders.

I would recommend ClassWallet as a valuable tool for families participating in the Texas SSES micro-grant program as well as any other similar programs.

Please feel free to contact me if you have any further questions or need additional information.

Sincerely,

Kelly Goodman
Director of Strategy and Outreach
Director of the Texas SSES Program
Texas Education Agency

White paper

This white paper underscores our deep expertise in the ESA and CSA space. In particular, we address the challenges of distributing public funds efficiently and compliantly, we highlight the disconnect between policy goals and the realities of implementation, leading to delays, unspent funds, and frustration for both recipients and administrators, and emphasize the need for technology solutions to streamline the process while maintaining accountability.

Please see the following pages.

CLASSWALLET

www.classwallet.com

WHITE PAPER

OVERCOMING THE GRIDLOCK OF PUBLIC FUNDING

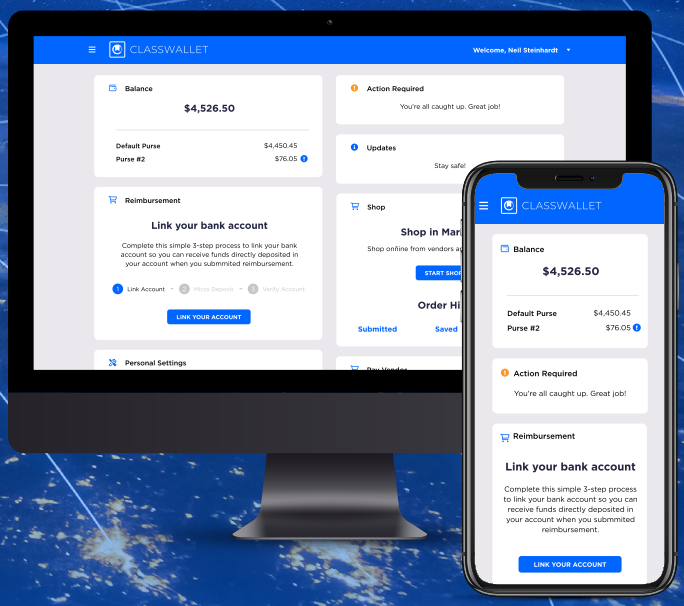
How to swiftly move from policy to distribution while maintaining compliance.

EXECUTIVE SUMMARY

Public Funds Aren't Reaching the People Who Need Them Most

Approximately $24 billion of public funds[1] go back to the federal government each year. And it's not for lack of trying. The agencies tasked with distributing those funds must maintain compliance and control, but may lack resources to do it at scale. Pairing powerful financial technology with the right strategies clears roadblocks so that government agencies can swiftly move from policy to distribution.

One proven and research-backed technology solution is a **digital wallet.**



[1] https://www.aei.org/foreign-and-defense-policy/what-we-can-learn-from-the-government-accountability-offices-unused-funds-report/

A Challenging Environment for Public Fund Distribution

Managing and distributing public funds is a core function of government agencies. In theory, this process would seem straightforward. Policies are enacted to determine how funds are to be used. Money is then distributed and used accordingly, leading to successful policy implementation.

Along the way, policy and distribution must work together to truly achieve program success.

Policy
How the money is intended to be used

Distribution
How it gets to the right people

Program Success
How the right people use the money in the intended way

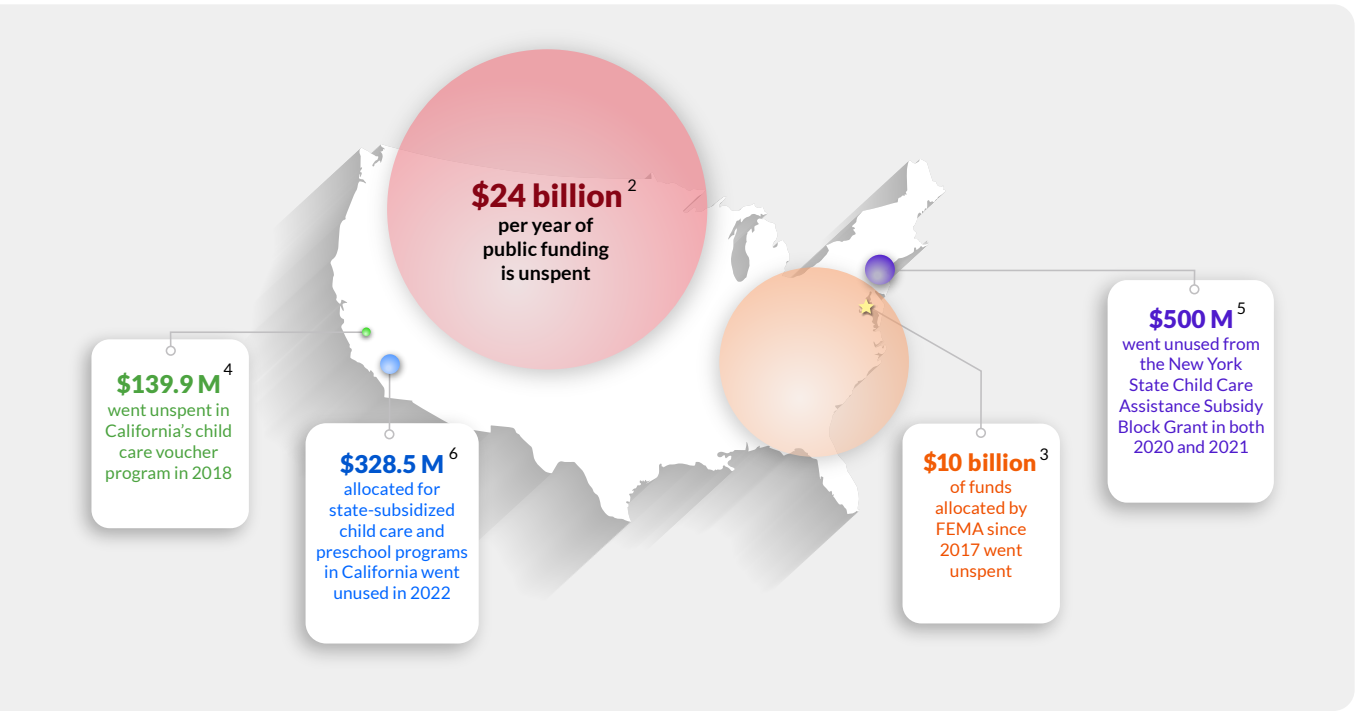
In practice, however, the pathway from policy to distribution to program success is complicated.

Recipients expect to receive their funds quickly and to be able to use them with ease, but this pressure frequently collides with policy requirements for compliance and the public's demands for transparency.

- **Policymakers** need to know that the allocated money is being used for the intended purpose to benefit the intended recipients.
- **Recipients**, however, may struggle to utilize the funds in a manner that meets program requirements because they lack adequate clarity into policy expectations, or they may be challenged by cumbersome processes.
- **The public** demands transparency into where that money is going and that it has been spent in a way that makes a difference for their communities.

Too often, neither end of the equation — policymakers on one side, intended recipients on the other — is left satisfied. In the middle is the program administrator, who must appease and meet the demands of both parties, as well as bear the burden of managing compliance to mitigate the risk of fraud. As a result, allocated funds may get stuck somewhere between policy and implementation, or worse yet, they aren't used at all for their intended purpose.





From Policy to People: Unanswered Questions

In a perfect world, policy and program execution would be aligned and work seamlessly together. However, the reality is that policies are enacted by state and federal leaders, and policy execution then becomes the job of department administrators.

When a policy is enacted, leaders should consider the complexities of implementation more carefully:

- How will the funds be distributed?
- Who will be accountable for the appropriate use of the funds?
- What are the funding guidelines and who will educate recipients?
  - What are the funding guidelines?
  - Who will educate the funding recipients?
- How will program compliance be tracked to ensure transparency?
- How will results be reported?
- Who should recipients go to with questions and for help?

Left unanswered, these questions can create obstacles further down the line for fund administrators and impede the funding process, ultimately undermining the impact of the program and diluting the benefit the program is intended to have.

[2] https://www.aei.org/foreign-and-defense-policy/what-we-can-learn-from-the-government-accountability-offices-unused-funds-report/
[3] https://www.govtech.com/em/emergency-blogs/disaster-zone/which-states-depend-the-most-on-femas-disaster-funding.html
[4] https://tarrant.tx.networkofcare.org/family/news-article-detail.aspx?id=141242
[5] https://www.wxxinews.org/local-news/2022-01-25/theres-a-lot-of-unspent-money-for-child-care-assistance-why-arent-ny-families-able-to-access-it
[6] https://www.sandiegouniontribune.com/news/education/story/2023-01-22/child-care-funds-going-unused-long-wait-providers

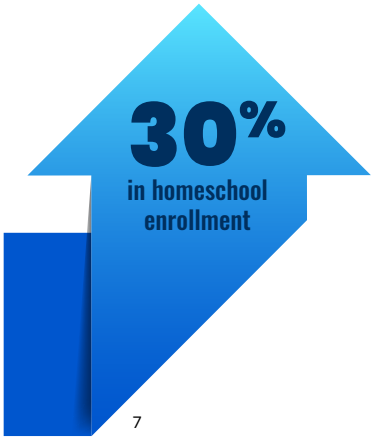
What Happens When Policy and Distribution Are Not Aligned?

When policies that define the intent of funds and the distribution of those funds are not working in concert, public funds can get stuck and fail to reach the right people for the intended purposes. One example of this can be found in recently passed state measures to increase support for homeschooling.

Case in Point:

The ESA Boom Leaves Many Families Confused

With homeschool enrollment on the rise, some states have responded by initiating or increasing funding for education savings accounts (ESA), resulting in more families than ever before seeking to access ESA and voucher programs for education.



The surge in demand for ESA funds sheds light on infrastructure challenges that make it difficult for intended recipients to access funding because financial systems to manage the funds aren't in place. On the front end, many states lack people, processes, and technology to get the money to families. On the back end, administrators face a difficult balance between the speed of getting the funding to the families and the need for compliance and oversight.

Solving for only the compliant use of funds on the back end imposes administrative burdens that can make it significantly more challenging for families to access or maintain a benefit for which they would otherwise be eligible.

Considering that most states with ESA programs are seeking to reach lower income families or families of students with special needs, the challenging nature of the distribution of funds or defaulting to a manual reimbursement process further exacerbates existing equity and access challenges in the educational system.

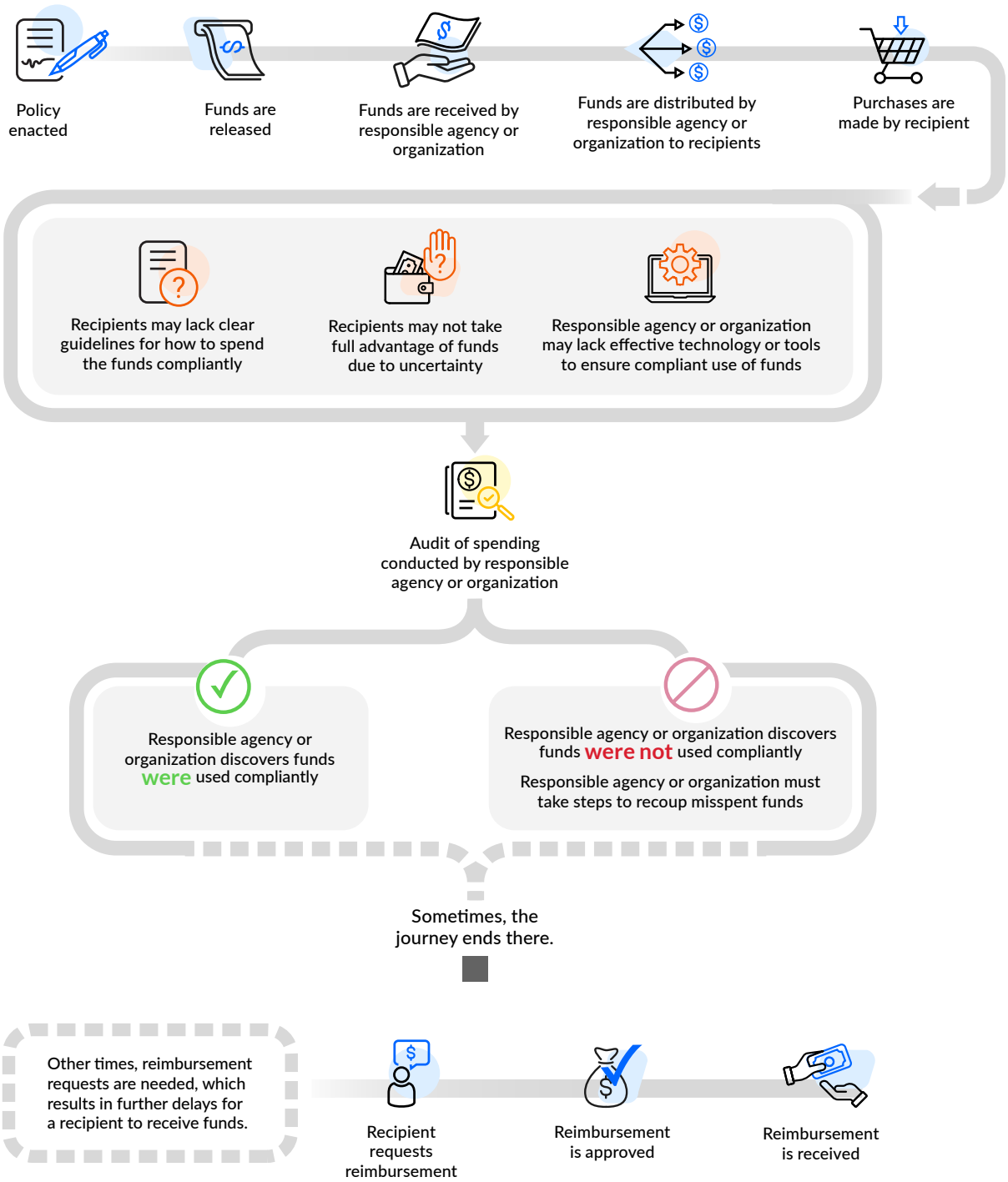
[7] https://www.urban.org/sites/default/files/2023-02/Where%20the%20Kids%20Went-%20Nonpublic%20Schooling%20and%20Demographic%20Change%20during%20the%20Pandemic%20Exodus%20from%20Public%20Schools_0.pdf

> Lawmakers are creating market-based choice systems of education in ways that we've never experienced before.
>
> *— John White, former Louisiana State Superintendent of Education*

The Complex Journey of Public Funds

Once a policy passes, funds are distributed to the state or local agency, organization, or department responsible for facilitating the money's distribution to its main recipients. However, without utilizing technology, the intended recipient often faces a manual purchasing and reimbursement process that is cumbersome, and the agency lacks transparency and control. This results in the inability to meet a recipient's understandable expectations for clear guidelines, quick access, and ease of use.

The Maze of Public Policy Funding



Clearing Up Common Areas of Confusion

In today's age of e-commerce, the public expects government-funded programs to function as simply and efficiently as the transactions they conduct in their personal lives. Unfortunately, this is not often the case. Individuals — such as those eligible for temporary rental assistance after a natural disaster or educators ordering school supplies — are left waiting to receive what they need until purchases are approved. Even worse, many are spending money out-of-pocket until they are reimbursed.

On average, it takes[8]



Educators sometimes wait several weeks after making a purchasing request to see the request materialize in their classroom. Often, they may opt to make an out-of-pocket purchase.

Case in Point: ECE Funding Is a Cumbersome Process

The process of making school-related purchases and receiving reimbursement is frequently cumbersome and time-consuming. Examples of this can be found in funding for early childhood education (ECE). In these programs, funding is distributed[9] to ECE providers or given directly to families.

Despite the availability of funding, many families still lack access. In most states, the current system for ECE is such a complex patchwork of programs and program-funding sources that it ends by inhibiting efforts to address access and quality.[10]

Only 35%

of eligible children

participate in Head Start, and only a small fraction of eligible infants and toddlers receive subsidized, licensed care. Given the critical value of providing quality early childhood education to families, seamless, easy-to-use, and equitable access to ECE funding is imperative.[11]

[8] https://www.urban.org/urban-wire/why-does-disaster-recovery-take-so-long-five-facts-about-federal-housing-aid-after-disastersWent-%20Nonpublic%20Schooling%20and%20Demographic%20Change%20during%20the%20Pandemic%20Exodus%20from%20Public%20Schools_0.pdf

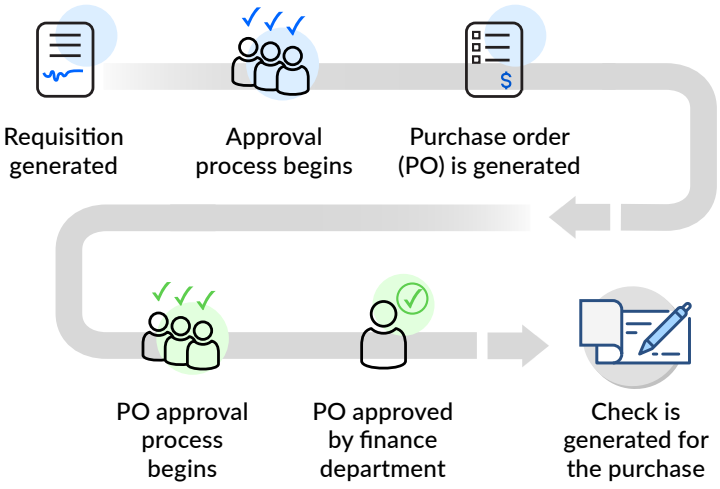
[9] https://childcareta.acf.hhs.gov/sites/default/files/federal_and_state_funding_for_child_care_and_early_learning_edited.pdf

[10] https://learningpolicyinstitute.org/product/early-childhood-education-system-2021-brief

[11] https://learningpolicyinstitute.org/product/early-childhood-education-system-2021-brief

Case in Point: K-12 Purchasing and Reimbursement Are Resource Heavy

Once funds are passed, how they are actually distributed and used "on the ground" can be highly complicated. Looking at typical K-12 purchasing and reimbursement procedures reveals a process that aims to be compliant yet fails to be usable, fast, and effective for the recipient. Every school is different, but many still use resource-heavy procedures for purchasing and reimbursements. A typical process may include the following steps:



In some cases, public funds will not become available until receipts are received to validate purchases. Principals and their staff will make purchases for supplies and then submit receipts to be reimbursed. The process can take weeks and leaves educators out-of-pocket, waiting for their purchases to be approved and a check to be cut back to them.

Case in Point: Oversight of Emergency Funding May Be Lacking

When distributing public funds in emergency situations such as natural disasters, getting funds to the intended recipients at their moment of need is of the utmost importance. The Federal Emergency Management Agency (FEMA) and other agencies are tasked with moving large sums of money after a disaster is declared.

When processes are accelerated and rushed in the wake of an emergency, state and federal entities increase the risk of misuse or fraud. Agencies may have little oversight into how the funds are allocated and spent. In this case, speed has to take priority over compliance, but the risk of the funds being misused also escalates.

Consequences of misuse or fraud might result in:

- Funds don't reach the right people
- Funds reach the right people, but they aren't used for the right purpose

Public funds must be distributed compliantly and with guardrails to guarantee funds reach the right people for the right purposes.

"All the attention is on how much money is going out the door and virtually no attention on whether the user is actually capable of using it in the way that we hope they can.

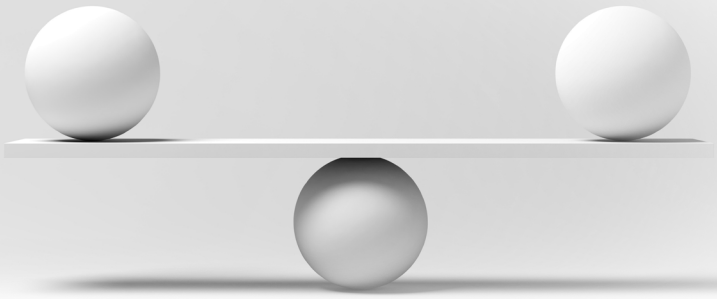
– John White, former Louisiana State Superintendent of Education

"ClassWallet has helped us put guardrails in place so that not a single dollar will go out without my team approving the expense.

– Kelly Mitchel, Former Indiana Treasurer of State

"Dollars are often quickly moved to a bank account with no strings attached. We have little to no visibility into what those funds are being used for. FEMA tries its best to make sure the right people get access to funds for the right purposes, but the technology is limited in terms of being able to ensure that.

– Ron Castleman, former senior executive and Chief Operating Officer of FEMA in the Department of Homeland Security



The Crux of the Issue: Balancing Compliance, Speed, and Risk

Effective funding distribution requires a balancing act for compliance, speed, and risk. Compliance should never be sacrificed for speed, yet compliance should not take so much time that it hinders benefits from being realized. When we err on the side of compliance, risk decreases, but speed decreases as well. This results in funds not being used or funds being extremely hard to use by those who need them. On the flip side, when we err on the side of speed, risk increases and compliance decreases. In this instance, people get the funds they need, but these funds may not be used compliantly.

Responsibility for compliance rests on the shoulders of Chief Financial Officers, finance departments, and program administrators, who are already stretched thin and are operating with a variety of fragmented tools. The centralized procurement systems that are in use are laborious, cumbersome, and slow to solve whatever problems the funds are intended to address.

The Solution: Unlocking the Potential of Public Funds

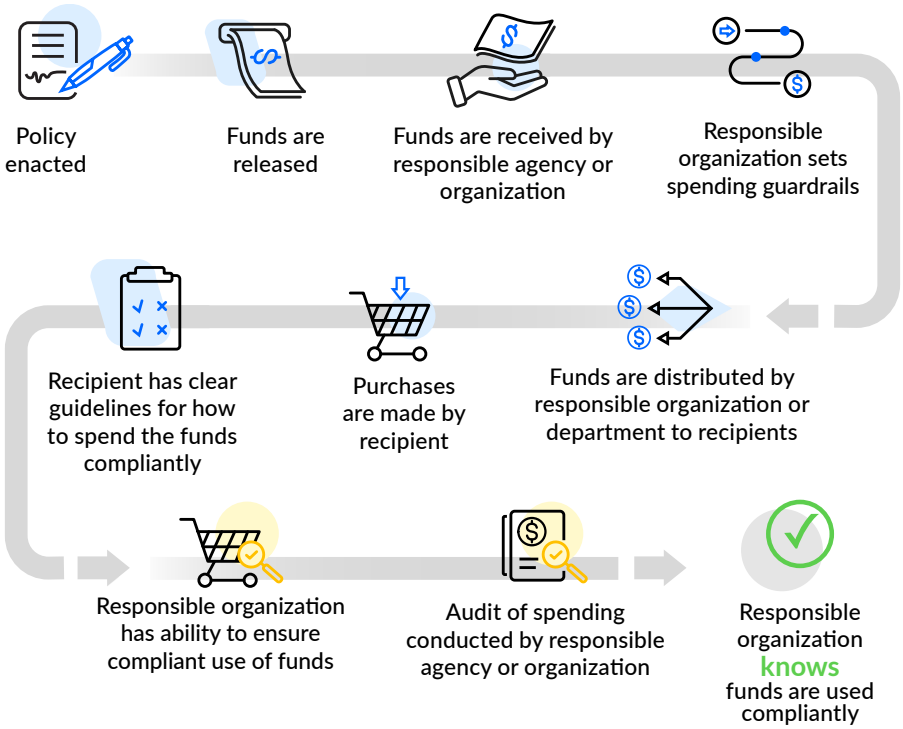
Ensuring Funds Reach the Right People, at the Right Time, and Are Used for the Right Purpose

The complexities of making sure public funds reach the right people and are used for the right purposes are apparent. However, a better, transformative solution exists to streamline processes for state agencies and program administrators so they can disburse funds with control, compliance and confidence.

ClassWallet's digital wallet technology ensures public funds reach the correct recipients and are used for the intended purpose with full compliance safeguards.

> The reality is, managing the complexity of compliance with inadequate technology or tools is often the root cause of why government programs stagnate. With digital wallets, the policy behind funds can reach the intended people in an expedient, cost-effective way and ultimately realize the vision of a policy that's been developed.
>
> *— Jamie Rosenberg, ClassWallet Founder and CEO*

The Journey of Public Policy Funding with ClassWallet



To learn more about ClassWallet and how digital wallet technology is transforming purchasing and reimbursement, visit classwallet.com/contact-us to request a demo.

What is ClassWallet?

ClassWallet is a financial technology company that was purpose-built to serve agencies that distribute public funds.

With ClassWallet, public funds:

- Are allocated for their intended purpose
- Are distributed with strict compliance and control guidelines
- Are reaching the right people at the right time

ClassWallet is the leading purchasing and reimbursement platform for public funds. A pioneer in financial and government technology, ClassWallet's digital wallet technology is used by state and local agencies across 34 states to ensure public funds reach the right people for the right purpose. Since 2014, the ClassWallet platform has been used to securely and efficiently deliver more than $3.5 billion in public funds while maintaining customer loyalty and satisfaction, which exceeds some of the world's largest brands.

Headquartered in Hollywood, Florida, ClassWallet ranks as the 61st fastest-growing software company on the prestigious Inc. 5000 list of fastest-growing private companies and the 21st fastest-growing financial technology company on the Deloitte Technology Fast 500 in 2023. In 2024, ClassWallet was recognized with a prestigious J.D. Power Award for providing an Outstanding Customer Service Experience.

To learn more, visit classwallet.com.