


AMERICAN RECOVERY & REINVESTMENT ACT OF 2009

EPFP

Washington Policy Seminar

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NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

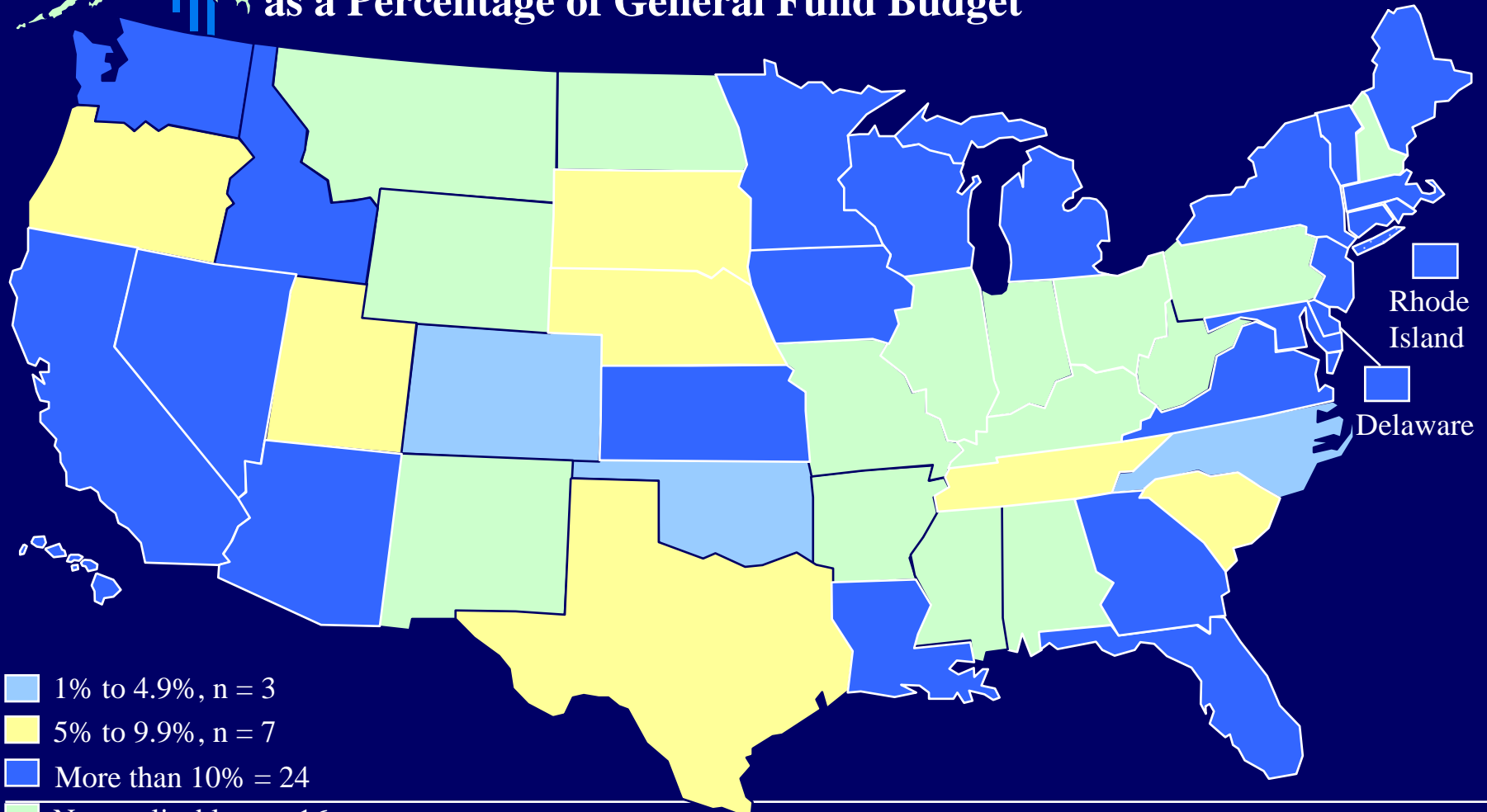


Economic backdrop of stimulus:

- ❑ **State constitutions & statutes require a balanced budget**
 - ❑ **Revenues are down; budget gaps are growing; safety net expenditures are up**
 - ❑ **Across the board cuts and**
 - ❑ **Targeted program cuts are a fact of life**
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FY 2010 Budget Gaps

as a Percentage of General Fund Budget



- 1% to 4.9%, n = 3
- 5% to 9.9%, n = 7
- More than 10% = 24
- Not applicable, n = 16



Actions to Balance FY 2009 Budgets: Program Cuts

- **Across-the-board cuts (20 states, 10 states considering)**
 - **Delaware (7%)**
 - **Georgia (10%)**
 - **Hawaii (2%-4% + 4%)**
 - **Kansas (3%)**
 - **Maine (5%)**
 - **Nevada (7.4% +)**
 - **Ohio (4.8%)**
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Actions to Balance FY 2009 Budgets: Program Cuts

- **Targeted program cuts (enacted or proposed)**
 - **Higher education (at least 18 states):** Alabama, Arizona, California (10% to the university system) Connecticut (\$47.0 million), Florida (\$113.0 million), Idaho (10%), Virginia (15%)
 - **K-12 education (at least 15 states):** California (\$8.4 billion, which includes community colleges) Florida (\$480 million or \$140 per pupil), Idaho (5.3%), Maryland, New Mexico (\$80 million), New York (3.3%), Virginia (\$400 million), Washington
 - **Medicaid (at least 14 states)**
 - **Corrections (at least 14 states)**
 - **Local government aid (at least 10 states)**
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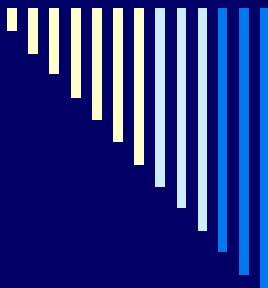


Actions to Balance FY 2009 Budgets: Other Measures

- **Salary freeze (at least 6 states): Idaho, Indiana, Washington**
 - **Hiring freeze (at least 20 states): Hawaii, New Jersey, Virginia**
 - **Travel ban (at least 15 states): Delaware, Hawaii, Maine**
 - **Layoffs (at least 11 states): Louisiana and New York**
 - **Furloughs: California and Maryland**
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Edvard Munch: *The Scream* 1893 (National Gallery of Norway)



ARRA's two "pots" of education money.

- "Pot I" (Title VIII of ARRA)
Enhancement through existing channels and funding streams.
 - "Pot II" (Title XIV of ARRA) State Fiscal Stabilization Fund.
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"Pot I": Supplemental Appropriations

- Elementary & Secondary Education Act (ESEA) Title I: + \$13 billion new money over approximately 2 years; \$5 billion through targeted grants (Sec. 1125); \$5 billion through incentive grants (Sec. 1125a) and \$3 billion through school improvement grants (Sec. 1003g).
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"Pot I": Supplemental Appropriations

- Individuals with Disabilities Education Act (IDEA): + \$13 billion new money over 2 years bringing federal contribution from about 17% of APPE (average per pupil expenditure) in FY 08 to about 25% in FY 09 and 26% in FY 10: \$11.3 billion for IDEA Part "B" (Section 611) Grants to states; \$400 million Part "B" Grants for preschool; \$500 million Part "C" Grants for infants and toddlers.
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"Pot I": Supplemental Appropriations

- Education Technology State Grants: + \$650 million to states and LEAs through Title I formula and competitive grants.
 - Education for Homeless Children & Youth (McKinney-Vento Homeless Act): ESEA Title VII; +\$70 million.
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"Pot I": Supplemental Appropriations

- Impact Aid (ESEA Title VII; Sec. 8007 - construction): + \$100 million over 2 years for schools and local educational agencies (LEAs) in close proximity to federal facilities and military bases.
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"Pot I": Supplemental Appropriations

- Higher Education Act: Student Financial Assistance Title IV, Part C (Work Study): + \$200 million; Part A, Subpart 1 (Pell Grants): + \$15.64 billion; + \$ 1.47 billion (Mandatory Pell Grants), bringing maximum Pell levels to \$5350 in SY 09 - SY 10 and to \$5550 in SY 10 - SY 11.
 - Vocational Rehabilitation Act: State Grants; + \$540 million; Independent Living; + \$140 million.
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"Pot I": Supplemental Appropriations

- Statewide Data Systems:
+ \$250 million
 - Teacher Incentive Fund:+ \$200 million
Requires the Institute for Education Sciences to conduct a rigorous national evaluation of TIF "to assess the impact of performance-based teacher and principal compensation systems."
 - Higher Education Teacher Quality Enhancement: + \$100 million. HEA focuses these funds on teacher residency programs.
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"Pot I": Tax credits and education related funding

School Construction; School Modernization Tax Credit:

- ❑ Federal government pays interest through tax credits = \$9.9 billion. May be used for new construction, repairs, modernization. Funds must be spent within 3 years of issuance of bond. \$22 billion (\$11 billion for each of 2009 and 2010).
 - ❑ 60% allocated to states based on share of Title I funding.
 - ❑ 40% allocated directly to "large" LEAs. (100 LEAs with largest number of children from families in poverty). Up to additional 25 LEAs selected by Secretary of Education.
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"Pot I": Tax credits and other education-related funding

- School Construction; Qualified Zone Academy Bonds (QZABs). \$1.4 billion for 2009 (current amount is \$400 million). \$1.4 billion for 2010. Federal cost = \$1 billion.
 - Head Start: +\$1 billion
 - Early Head Start: + \$1.1 billion
 - Child care Development Block Grant: + \$2 billion
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"Pot I": Notes

- ***Unless otherwise noted, maintenance of effort (MOE) provisions in underlying statutes (Title I and IDEA) continues to apply to supplemental appropriations -- 'new' monies.***
 - ***Administrative fees cannot be taken off of 'new' Title I, IDEA & HEA monies; 1% is allowed for Impact Aid management & oversight.***
 - ***85% of funds must be obligated by September 30, 2010, the remaining 15% must be obligated by September 30, 2011 unless otherwise noted.***
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"Pot I": Supplemental Appropriations--Notes

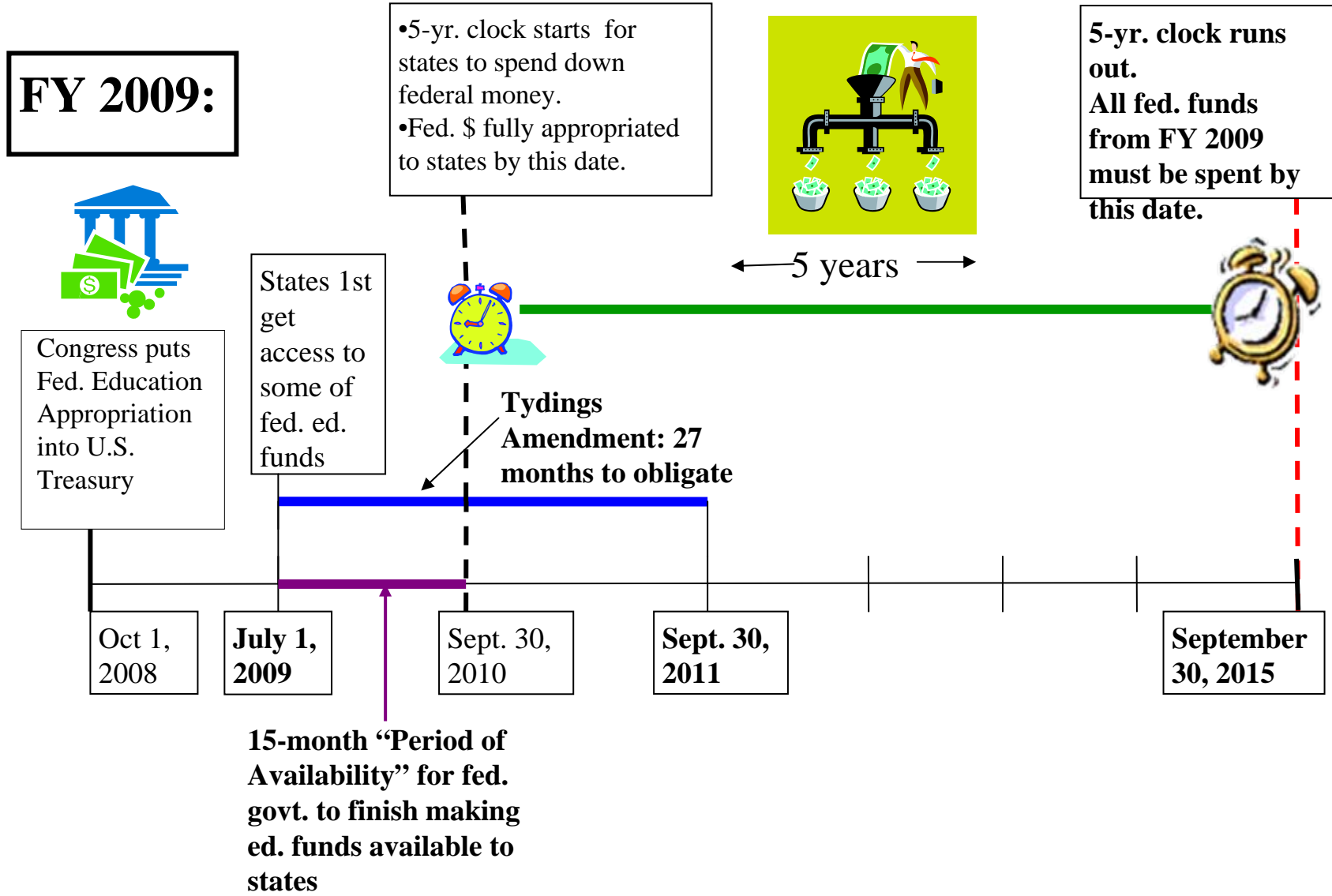
- *Secretary of Education may waive MOE requirement if there is: an exceptional or uncontrollable circumstance, such as a natural disaster, or there's a precipitous decline in resources in that school district.*
 - *Federal funds may not count toward MOE, except for state fiscal stabilization funds and with prior approval from the Secretary of Education.*
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"Pot I": Supplemental Appropriations--Notes

- ***Supplement not supplant: A State educational agency or local educational agency shall use Federal funds received under [Title I] only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under [Title I], and not to supplant such funds.***
- ***Spending rules: Does Tydings Amendment and other GEPA provisions regarding 5-year spend down of federal education funds apply? Uncertain. See next slide.***

Example: Timeline for FY 2009:





3 Different Deadlines within the Spending Timeline:

□ Period of Availability:

- 15-month period for that fiscal year's federal funds to be made available to the states.
- For FY 2009: Between July 1st, 2009 and Sept. 30th, 2010.

□ Tydings Amendment Period:

- 27-month period for states/districts to completely obligate federal funds.
- For FY 2009: Between July 1st, 2009 and Sept. 30th, 2011.

□ 5-year Spending Clock:

- 5 years for states to completely spend down federal money.
 - Overlaps with the **Tydings Amendment**.
 - For FY 2009: Between **end of Period of Availability** (Sept. 30th, 2010) and Sept. 30th, 2015.
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Federal “Period of Availability”

(July 1st, 2009 – September 30th, 2010)

- ❑ The U.S. Dept. of Education commits federal education money in the U.S. Treasury to states at the start of most *state* fiscal years (**July 1, 2009**).
 - ❑ The 15-month window in which federal appropriations are available to states is called the “**period of availability.**”
 - ❑ The federal “period of availability” for education funds **ends on September 30, 2010** (after 15 months).
 - ❑ Period for the **Dept. to commit**, not states to obligate.
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Tydings Amendment:

27 months for states to obligate federal funding – enacted in 1969

- ❑ States and local districts begin to obligate federal education funding on July 1st, 2009-for FFY 09.
 - ❑ An “obligation” is an agreement for services, contracts, or other transactions to be paid during that period or in a future period.
 - ❑ “Obligate” does not mean “spend”. It is a *commitment* to spend.
 - ❑ States and local districts must have finished *obligating* funds by September 30th, 2011 (27 months after July 1st, 2010).
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"Pot II" (Title XIV of ARRA) State Fiscal Stabilization Fund

\$53.6 billion in new funding, consisting of:

- \$14 million for Administration and Oversight
 - \$5 billion for State Incentive Grants
 - \$48.586 billion allocated to States, of which:
\$39.743 billion (81.8%) for the Education Fund and \$8.842 billion (18.2%) for Other Government Services (Flex Fund).
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"Pot II": State Fiscal Stabilization Fund

Requirements for state eligibility for any of the \$53.6 billion in the State Fiscal Stabilization Fund:

- *Governors shall submit applications in order to receive Stabilization funds, which shall include certain assurances, provide baseline data regarding each of the areas described in such assurances, and describe how States intend to use their allocations.***
 - *Such assurances shall include that the State will: in each of fiscal years 2009, 2010, and 2011, maintain State support for elementary, secondary, and public postsecondary education at least at the levels in fiscal year 2006.***
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"Pot II": State Fiscal Stabilization Fund

Additional requirements for state eligibility for any of the \$53.6 billion in the State Fiscal Stabilization Fund:

- (1) achieve equity in teacher distribution,*
 - (2) establish a longitudinal data system that includes the elements described in the America COMPETES Act,*
 - (3) enhance the quality of academic assessments relating to English language learners and students with disabilities, and improve State academic content standards and student academic achievement standards, and*
 - (4) ensure compliance with corrective actions required for low-performing schools.*
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"Pot II": State Fiscal Stabilization Fund

- \$5 billion for "Race To The Top:" A major new discretionary fund administered by the U.S. Secretary of Education. In order to receive a grant, a Governor must submit an application that describes the state's progress in each of the assurances listed for eligibility for the State Fiscal Stabilization Fund. A portion of this fund (\$650 million) is set-aside as the *Secretary's Innovation Fund*. Awards will be made from the fund to LEAs or partnerships between non-profit organizations and local education agencies that have made significant gains in closing the achievement gap.
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"Pot II": State Fiscal Stabilization Fund

- ❑ Remaining \$48.586 billion:
 - ❑ 61% allocated to States based on school aged population (ages 5-24).
 - ❑ 39% allocated to States based on total relative population.
 - ❑ Governor must submit an application to the Secretary of Education to receive an allocation.
 - ❑ The State Legislature may certify the state's intention to use any funds not accepted for use by the Governor (Title XVI General Provisions, Section 1607).
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"Pot II": State Fiscal Stabilization Fund

- 81.8% of a State's allocation shall be used for general education fiscal relief.
 - 18.2% of a State's allocation shall be used for "other government services."
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"Pot II": State Fiscal Stabilization Fund

Education Fund \$39.743 billion (81.8%):

- Funds must be distributed through existing state funding formulas to restore K-12 in each of the fiscal years 2009, 2010 and 2011 to the greater level of State support in FY 2008 or FY 2009 and,
 - Allow for any existing State formula increases in fiscal years 2010 and 2011 to be implemented, and funding for phasing in State equity and adequacy adjustments, if such increases were enacted by State law prior to October 1, 2008 and,
 - Funds must be used to restore state support for higher education in each of the fiscal years 2009, 2010 and 2011 to the greater level of State support in FY 2008 or FY 2009.
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"Pot II": State Fiscal Stabilization Fund

Education Fund \$39.743 billion (81.8%):

- Any remaining funds shall be distributed to local education agencies based on the Title I formula.
 - **Shortfall:** If the Governor determines that the amount of funds available is insufficient to support in each of the fiscal years 2009, 2010 and 2011 public elementary, secondary and postsecondary education at the levels described above. The Governor shall allocate funds in proportion to the relative shortfall in State support for the areas described above.
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"Pot II": State Fiscal Stabilization Fund

Other Government Services (Flexible fund) \$8.842 billion (18.2%):

- The Governor shall use 18.2 percent of State allocations for public safety and other government services, which may include education services.
 - These funds may also be used for elementary, secondary, and higher education modernization, renovation and repair activities that are consistent with State laws.
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"Pot II": State Fiscal Stabilization Fund: Notes

State Reports:

- Any State receiving stabilization funds shall submit an annual report to the Secretary describing the uses of funds provided within the State; the distribution of funds received; the number of jobs saved or created; tax increases averted; the State's progress in reducing inequities in the distribution of highly-qualified teachers, developing a longitudinal data system, and implementing valid assessments; actions taken to limit tuition and fee increases at public institutions of higher education; and the extent to which public institutions of higher education maintained, increased, or decreased enrollments of in-State students.
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"Pot II": State Fiscal Stabilization Fund: Notes

Fiscal Relief:

- The Secretary of Education may waive or modify any requirement of this title relating to maintenance of effort, for States and school districts that have experienced a precipitous decline in financial resources.
 - Upon prior approval from the Secretary, a State or local education agency that receives funds under this title, may treat any portion of such funds that is used for elementary, secondary or postsecondary education as non-Federal funds for the purpose of any requirement to maintain fiscal effort under any other program, including part C of IDEA.
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"Pot II": State Fiscal Stabilization Fund: Notes

- Prohibitions:
 - No recipient of funds under this title shall use such funds to provide financial assistance to students to attend private elementary or secondary schools.
 - Funds received under the stabilization fund cannot be used to increase higher education endowments or for the modernization, renovation or repair of building used primarily as religious or athletic facilities.
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Timing of Funds - \$44 billion in April

- State Fiscal Stabilization Fund - \$32.5 billion (67% available based on an approvable application)
 - Available April 1, 2009
 - IDEA, Parts B & C - \$6.1 billion (50%)
 - Title I, Part A - \$ billion (50%)
 - Vocational Rehabilitation - \$270 million (50%)
 - Independent Living - \$52.5 million (100% of formula monies; \$87.5 million in competitive grants to follow)
 - Available April 10, 2009
 - Homeless Youth - \$70 million (100%)
 - Impact Aid - \$40 million (100% of formula monies; \$60 million in competitive grants to follow)
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Timing of Funds – remaining \$49 billion available later in 2009

- Pell Grants & Work Study - \$17.3 billion (100%)
 - State Fiscal Stabilization Fund \$16.1 (33%)
 - IDEA, Parts B & C - \$6.1 billion (50%)
 - Title I, Part A - \$5 billion (50%)
 - Title I School Improvement - \$3 billion (100%)
 - Enhancing Education through Technology - \$650 million (100%)
 - Vocational Rehabilitation - \$270 million (50%)
 - Statewide Data Systems - \$250 million (100%)
 - Teacher Incentive Fund - \$200 million (100%)
 - Teacher Quality Enhancement - \$100 million (100%)
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State Impact

- Unprecedented one-time investment in education.
 - It will provide fiscal relief and help restore both K-12 and higher ed budgets.
 - States and local school districts are expected to spend the money quickly and wisely.
 - Can both be accomplished?
 - What happens 2-3 yrs from now?
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EDUCATION PROVISIONS IN THE AMERICAN RECOVERY & REINVESTMENT ACT OF 2009

Additional Resources:

❑ **U.S. Dept. of Ed Recovery Site:**

<http://www.ed.gov/policy/gen/leg/recovery/index.html>

❑ **U.S. Dept. of Ed State Funding Tables:**

<http://www.ed.gov/about/overview/budget/statetables/09arrastatetables.pdf>

❑ **NCSL 2009 Economic Stimulus Site:**

<http://www.ncsl.org/statefed/2009economicstimulus.htm>



EDUCATION PROVISIONS IN THE AMERICAN RECOVERY & REINVESTMENT ACT OF 2009

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