



ASBO International Summary of the 2009 Economic Stimulus Package for School Districts

The following is a brief summary of the American Recovery and Reinvestment Act (ARRA), commonly known as the 2009 Economic Stimulus Package. The legislation includes funding across many areas. For our purposes, we have pulled out and included only those areas that affect the educational funding components.

We have tried to capture the “intent” and the “letter” of the legislation in as many areas as we could. Understand, however, that the legislation authorizes the Secretary of Education, governors, and others to set policy, regulations, and procedures in certain areas. It will be important to work with your state education agencies (SEA) and local education agencies (LEA) to help draft those policies, regulations, and procedures, and to completely understand them to avoid violating the legislation and its implied intent.

It also will be important to begin working with your local and state agencies to fully understand any rules the SEA will promulgate relative to receipt and expenditure of funding. Some of these regulations will be based on the legislation; some will be based on interpretation by the SEA. Either way, it is imperative that everyone understands the parameters in this important area. As ASBO International receives additional information, we will pass it along to you.

At the end of this document is a subsidiary summary of areas outside of the traditional “educational” components. Some of these other agencies or funding components could directly impact funding in certain school systems based on current programs or future programs that may be instituted within the school district.

While education is the biggest beneficiary of the funding (\$100 billion) for programs from kindergarten through college, we must be wary of several issues. The number of dollars that will be infused into programs during the next two years will disappear at some point and the programs associated with them will have become sustainable or not. If they are not sustainable, we must phase them out or replace them.

This information is provided as informational only and is no substitute for legal or state opinion or direction.

TITLE XIV STATE FISCAL STABILIZATION FUND

The agreement provides \$53.6 billion for a State Fiscal Stabilization Fund. The entire amount will be made available upon enactment of the bill. The economic recovery bill includes these funds to provide fiscal relief to the states to prevent tax increases and cutbacks in critical education and other services.

GENERAL PROVISIONS ALLOCATIONS

The legislation provides that up to one-half of one percent of the State Fiscal Stabilization Fund is allocated to the outlying areas, based on their respective needs; an additional \$14 million is allocated to the Department of Education for administration, oversight, and evaluation; and \$5 million is reserved for the Secretary of Education for State Incentive Grants and an Innovation Fund. It also provides that any remaining funds (\$48.3 billion) shall be allocated to states on the following basis: 61% based on population ages 5-24 and 39% based on total population.

STATES' USE OF FUNDS

The legislation requires governors to use at least 83% (\$40,089,000,000) of their state allocation to support elementary, secondary, and higher education. Funding received must first be used to restore state aid to school districts under the state's primary elementary and secondary education funding formulae to the greater of the fiscal year 2008 or 2009 level in each of fiscal years 2009, 2010, and 2011, and, where applicable, to allow existing formula increases for elementary and secondary education for fiscal years 2010 and 2011 to be implemented; and to restore state support to public institutions of higher education to the greater of the fiscal year 2008 or fiscal year 2009 level, to the extent feasible given available Stabilization funds. Any remaining education funds must be allocated to school districts based on the Federal Title I formula.

USES OF FUNDS BY LOCAL EDUCATIONAL AGENCIES

School districts receiving Stabilization funds may only use the funds for activities authorized under the Elementary and Secondary Education Act (ESEA), the Individuals with Disabilities Act (IDEA), the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins), and for school modernization, renovation, and repair of public school facilities (including charter schools), which may include modernization, renovation, and repairs consistent with a recognized green building rating system.

Public institutions of higher education receiving Stabilization funds must use these funds for educational and general expenditures, and in such a way as to mitigate the need to raise tuition and fees, or for modernization, renovation, or repairs of facilities that are primarily used for instruction, research, or student housing. Use of funds for endowments and certain types of facilities such as athletic stadiums is prohibited.

STATE APPLICATIONS

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; and address three key areas: achieve equity in teacher distribution, establish a longitudinal data system that includes the elements described in the America COMPETES Act, and enhance the quality of academic assessments relating to English

language learners and students with disabilities. Legislation further provides that, in order to receive an Incentive Grant, a governor shall submit an application that describes the state's progress in each of the assurances and how the state would use grant funding to continue making progress toward meeting the state's student academic achievement standards.

STATE INCENTIVE GRANTS

The legislation authorizes the Secretary of Education to award, in fiscal year 2010, Incentive Grants to states that have made significant progress in achieving equity in teacher distribution, establishing a longitudinal data system, and enhancing assessments for English language learners and students with disabilities. Each state receiving an Incentive Grant shall use at least 50% of its grant to provide school districts with subgrants based on their most recent relative Title I allocations.

INNOVATION FUND

Within this legislation there is up to \$650 million for an Innovation Fund, awarded by the Secretary of Education, which shall consist of academic achievement awards to recognize school districts, or partnerships between nonprofit organizations and state educational agencies, school districts, or one or more schools that have made achievement gains. The legislation requires that a 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.

EVALUATION

The Government Accountability Office is required to conduct evaluations of the programs under this title, which shall include, but not be limited to, the impact of the funding provided on the progress made toward closing achievement gaps.

SECRETARY'S REPORT TO CONGRESS

The Secretary of Education shall submit a report to certain committees of the House of Representatives and the Senate that evaluates the information provided in the state reports submitted under Section 13008.

PROHIBITION ON PROVISION OF CERTAIN ASSISTANCE

No recipient of funds under this title shall use such funds to provide financial assistance to students to attend private elementary or secondary schools, except provided in Section 13003.

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. In granting such a waiver, the Secretary shall determine that the state or school district will maintain the proportionate share of total revenues for elementary and secondary education as in the preceding fiscal year.

This piece of the legislation will become particularly important as school systems put together a budget and spending plan associated with any of the ARRA funding, especially as it relates to Title I and other state or federal awards that require certain levels of assurances and LEA spending.

Subsidiary Summary of Areas Outside of the Traditional “Educational” Components

TRAINING AND EMPLOYMENT SERVICES

While on the surface it may not appear that your school district would be accessing any of these funds, it will be important to take a long hard look at current or “potential” programs. In some instances, school districts may be able to create various “in-system” training opportunities by partnering with other agencies in the community. This could be a “partnership” created for the good of the whole as it would benefit the entire community and provide opportunities never provided before, or it could provide the benefit of funding for current programs to be enhanced or perpetuated.

The legislation includes \$3,950,000,000 for Workforce Investment Act programs. Within this amount, \$2,950,000,000 is provided for formula grants to the states for training and employment services. These funds are to be allotted to states within 30 days of enactment. Since these funds will be made available during program year 2008, they shall remain available to the states only as long as the other funds allotted in that program year. The intent is that these funds be spent quickly and effectively.

To facilitate increased training of individuals for high-demand occupations, the legislation provides the authority for local workforce investment boards to contract with institutions of higher education and other eligible training providers as long as that authority is not used to limit customer choice.

Within the state formula grant programs, \$500 million is provided for services for adults. Included is language to ensure that supportive services and needs-related payments are available to support the employment and training needs of priority populations, including recipients of public assistance and other low-income individuals.

For youth services, \$1.2 billion is provided. The intent is that these funds be used to create summer employment opportunities for youth. Language applying the work readiness performance indicator to such summer jobs is included as an appropriate measure for those activities. Year-round youth activities are also envisioned and the age of eligibility for youth services provided with the additional funds is extended through age 24 to allow local programs to reach young adults who have become disconnected from both education and the labor market. The \$50 million in funds for the Youth Build program will allow for expanded services for at-risk youth who gain education and occupational credentials while constructing or rehabilitating affordable housing. Language is included to allow Youth Build grantees to serve individuals who have dropped out of school and reenrolled in an alternative school if that reenrollment is part of a sequential service strategy.

There is \$750 million included for a program of competitive grants for worker training and placement in high growth and emerging industry sectors. Within the amount provided, \$500 million is designated for projects that prepare workers for careers in energy efficiency and renewable energy as described in the Green Jobs Act of 2007.

Priority consideration for the balance of funds shall be given to projects that prepare workers for careers in the health care sector, which continues to grow despite the economic downturn. Legislators have stated that training for wireless and broadband deployment is an eligible activity for grants for high growth and emergency industry sectors, along with advanced manufacturing and other high demand industry sectors identified by local work force areas. A limited portion of these funds can be used for technical assistance and related research.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

This funding area may provide a school system with the ability to partner with local agencies to provide “outreach” for current community health centers and/or relocated them within or near a school building.

The legislation includes \$500 million for services provided at community health centers. These funds are to be used to support new sites and service areas, to increase services at existing sites, and to provide supplemental payments for spikes in uninsured populations. Grants for new sites and service areas are to be two years in length as startup is phased in.

The agreement also includes \$1.5 million for construction, renovation, and equipment, and for the acquisition of health information technology systems, for community health centers. The legislation includes \$2 billion for the Child Care and Development Block Grant. Of these funds, \$225,186,000 shall be set aside for quality improvement activities, of which, \$93,587,000 shall be for activities to improve the quality of infant and toddler care.

CHILDREN AND FAMILIES SERVICES PROGRAMS

Legislation includes \$3,150,000,000 for Children and Families Services Programs. The entire amount will be made available upon enactment.

Within the total provided for Children and Families Services Programs, \$1 billion is provided for Head Start. The Head Start funds shall be allocated according to the current statutory formula. It is expected that the Department of Health and Human Services (HHS) will work with Head Start grantees to manage these resources to sustain fiscal year 2009 awards through fiscal year 2010.

Also provided is \$1.1 billion for Early Head Start. HHS is to manage these resources to sustain fiscal year 2009 awards through fiscal year 2010. It is intended for regional and American Indian and Alaska Native Early Head Start programs and Migrant and Seasonal Head Start programs to benefit from the Early Head Start funds, taking into consideration the needs of the communities served by such programs. The Secretary has authority to temporarily increase or waive the limit on the federal share of a Head Start or Early Head Start grant under the circumstances described in the authorizing statute and supports the Secretary's exercise of that authority where appropriate.

DEPARTMENT OF EDUCATION EDUCATION FOR THE DISADVANTAGED

Legislation includes \$13 billion for the Education for the Disadvantaged account. The total includes \$10 billion for Title I formula grants and \$3 billion for School Improvement grants.

The intent is that these funds shall be provided to school districts over the period of two fiscal years to help mitigate the reduction in local revenues and state support to school districts. The Department of Education shall provide half of these funds on July 1, 2010.

It is specified that within the total provided for Title I formula grants, \$5 billion shall be allocated through the targeted formula and the same amount should be allocated through the education finance incentive grant formula. It is expected that states use some of the funding provided for early childhood programs and activities.

The legislation directs the Department of Education to encourage states to use 40% of their School Improvement allocation for middle and high schools.

Each school district that receives this funding shall report to its SEA, a school-by-school listing of per-pupil expenditures from state and local services during the 2008-2009 academic year, no later than December 1, 2009. Each state shall compile and submit this information to the Secretary no later than March 1, 2010.

Current law has been modified exclusively for the purposes of the American Recovery and Reinvestment Act, to allow funding to be better targeted to districts that have "shovel ready" facility projects. There has been \$100 million allocated for this purpose.

SCHOOL IMPROVEMENT PROGRAMS

Legislation includes \$720 million for the School Improvement Programs. Within the total, there is \$650 million in funding for the Enhancing Education through Technology program. The legislation also includes \$70 million for Education for the Homeless Children and Youth program,

It is intended that these funds shall be provided to school districts over the period of two fiscal years to help mitigate the reduction in local revenues and state support to school districts. The Department of Education shall provide half of the funds available for the Enhancing Education through Technology program on July 1, 2010.

The amount provided for the Education for Homeless Children and Youth programs reflects the understanding of the impact the economic crisis has had on this group of disadvantaged students, and the government's commitment to helping mitigate the effects. The Secretary shall provide each state a grant that is proportionate to the number of homeless students identified as such during the 2007-2008 academic year relative to the number of homeless children nationally during the same year. States shall award subgrants to local educational agencies on a competitive basis, or using a formula based on the number of homeless students identified in each school district in the state

INNOVATION AND IMPROVEMENT

This includes \$200 million for Innovation and Improvement. All of the funding provided is for the Teacher Incentive Fund (TIF) program. It will be required that the Institute for Education Sciences conduct a rigorous national evaluation of TIF to assess the impact of performance-based teacher and principal compensation systems.

The conferees specify that these funds must be expended as directed in the 5th, 6th, and 7th provisos under the "Innovation and Improvement" account in the Department of Education Appropriations Act 2008. One percent of the total can be used for management and oversight of the Teacher Incentive Fund. This provision does not provide for funding for the Credit Enhancement for Charter Schools Programs.

SPECIAL EDUCATION

Legislation includes \$12.2 billion for the Special Education account. Within the total, is included \$11.3 billion for Section 611 of Part B, \$400 million for Section 619 of Part B, and \$500 million for Part C of IDEA.

These funds shall be provided to school districts over the period of two fiscal years to help mitigate the reduction in local revenues and state support to school districts. The Department of Education shall provide half of these funds on July 1, 2010.

Within the amount provided for Part C of IDEA, the Secretary is required to reserve the amount needed for grants under Section 643(e) and allocate any remaining funds in accordance with Section 643(c) of IDEA as specified by both the House and Senate.

The amount set aside for the freely associated states shall be equal to the lesser amount available during fiscal year 2008, increased by inflation or the percentage increase in the funds appropriated under Section 611(i) (Secretary of the Interior). The legislation includes \$2 billion for the Child Care and Development Block Grant. Of these funds, \$255,186,000 shall be set aside for quality improvement activities, of which \$93,587,000 shall be for activities to improve the quality of infant and toddler care.

This information is provided by ASBO International solely for the educational use of its members and is not intended, nor should it be used, as a substitute for legal advice. Further, this information is not intended, nor should it be construed as tax or investment advice.