

American Recovery and Reinvestment Act of 2009 (H.R.1, P.L. 111-5)

The American Recovery and Reinvestment Act ("ARRA"), signed by President Obama on February 17, 2009, includes over \$134 billion in direct spending and tax incentives for B-20 education, and workforce investment initiatives. This document broadly summarizes the law's investments in existing federal education and workforce (youth) programs and includes a detailed examination of the newly established \$53.4 billion State Fiscal Stabilization Fund's programmatic structure and related assurances regarding state data systems, college and work ready standards, enhanced assessments, and equitable teacher distribution. The U.S. Department of Education is already taking steps to implement the law and is expected to issue non-regulatory guidance soon. This document will be updated to reflect such guidance and other key administrative actions related to implementation of the Recovery Act's education provisions.

I. Appropriations

Existing Elementary and Secondary Programs

Education for the Disadvantaged - \$13 billion. The ARRA includes \$13 billion to carry out Title I-A, ESEA programs through three funding streams: (1) \$5 billion for Targeted Grants under section 1125; (2) \$5 billion for Education Finance Incentive grants under section 1125A; and (3) \$3 billion for School Improvement Grants under section 1003(g).

Part 1 and 2: Title I-A Targeted Grants and Education Finance Incentive Grants (\$10 billion) Title I funds are allocated to states, and sub allocated to LEAs, through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state: (1) Basic Grants; (2) Concentration Grants; (3) Targeted Grants; and (4) Education Finance Incentive Grants (EFIGs). The ARRA funds the latter two formulas. Under the Targeted Grants formula, data are weighted so that LEAs with higher numbers or higher percentages of poor children receive more funds. The EFIGs distribute funds to states based on factors that measure: (a) a state's effort to provide financial support for education compared to its relative wealth as measured by its per capita income and (b) the degree to which education expenditures among LEAs within the state are equalized. The Joint Explanatory Statement (non-legally binding) indicates an intent to make these funds available during school year 2009-10 and 2010-2011 and states that the congressional conferees expect States to use some of this funding for early childhood programs and activities.

Part 3: School Improvement Grants (\$3 billion). These funds are to be used by states to assist elementary and secondary schools identified for improvement, corrective action, and restructuring. Funds are used for the purpose of strengthening the capacity of LEAs by providing resources to support school improvement activities, including the development and implementation of effective school improvement plans. The Joint Explanatory Statement includes (non-legally binding) language directing USED to encourage states to use 40% of their school improvement allocation for middle and high schools.

Students with Disabilities - \$12.3 billion. The ARRA includes \$12.3 billion for students with disabilities through three funding streams: (1) \$11.3 billion for Part B State Grants; (2) \$400 million for Part B preschool grants; and (3) \$600 million for Part C Infant and Toddlers Grants.

Part 1: IDEA, Part B (\$11.3 billion). Part B funds generally are allocated to the states and sub-allocated by the SEA to LEAs by statutory formula. The ARRA includes special provisions regarding the allocations of these funds when certain maximum levels in the IDEA are reached by all states. Under the IDEA, a state may receive a grant only if it submits a state plan with assurances that it has in effect policies to provide a free appropriate public education (FAPE) to children with disabilities in the state between the ages of 3 and 21, and to meet many other requirements related to due process, how these students are served, and how the federal grant funds are used.

Part 2: IDEA Preschool Grants under Part B (\$400 million). Preschool grants under Section 619 of IDEA are allocated to states that are eligible to receive Part B funds and that make a free appropriate public education available to all children with disabilities, aged 3 through 5, residing in the state. At the local level, funds typically are used for salaries of special education teachers and costs associated with related services, including, but not limited to, speech-language pathology services, physical and occupational therapy, psychological services, parent counseling and training, and social work services in schools.

Part 3: Part C, IDEA – Infants and Toddlers (\$600 million). Part C, IDEA provides federal funds to States to maintain and implement statewide, comprehensive, interagency systems to make available early intervention services for all infants and toddlers with disabilities (from birth to age three) and their families in the state, including child find activities for underserved populations of infants and toddlers. "Infant or toddler with a disability" is defined in the law as an individual under 3 years of age who needs early intervention services because the individual is experiencing developmental delays in cognitive, communication, physical, social or emotional, or adaptive development; has been diagnosed with a physical or mental condition that has a high probability of resulting in developmental delay; or, at the state's discretion, may also include at-risk infants and toddlers. The statewide system must comply with detailed requirements in the law, including a written individualized family service plan developed by a multi-disciplinary team for each infant or toddler with a disability.

Education Technology (Title II-D, ESEA) - \$650 million. The principal goal of the Education Technology Program is to improve student achievement through the use of technology in elementary and secondary schools. Additional goals include helping all students become technologically literate by the end of the eighth grade and, through the integration of technology with both teacher training and curriculum development, establishing research-based instructional methods that can be widely implemented. The ARRA does not impose new program elements or other requirements on the program.

Title VII-B of the McKinney-Vento Homeless Assistance Act - \$70 million. Among other things, the McKinney-Vento program supports an office for coordination of the education of homeless children and youths in each state, which gathers comprehensive information about homeless children and youths and the impediments they must overcome to regularly attend school.

These grants also help SEAs ensure that homeless children, including preschool-aged homeless children, have equal access to free and appropriate public education (FAPE) and receive services under the Act. States must review and revise laws and practices that impede such equal access. States are required to have an approved plan for addressing problems associated with the enrollment, attendance, and success of homeless children in school. The ARRA does not impose new program elements or other requirements on the program.

Impact Aid - \$100 million. The ARRA includes \$100 million for section 8007, ESEA, which authorizes competitive grants for emergency repairs and modernization of elementary and secondary schools in eligible LEAs that receive Impact Aid based on their services to federally connected children, including children of members of the uniformed services, children who live on Indian lands, children who live on federal property or federally subsidized low rent housing, and children whose parents work on federal property.

Teacher Incentive Fund - \$200 million. The ARRA provides \$200 million to fund grants for teacher incentive projects, including a national evaluation of these programs. Competitive grants are made by USED under this program to LEAs, states, or partnerships of one or more LEAs or states and at least one non-profit organization. The purpose of the grants is to develop and implement performance-based teacher and principal compensation systems in high-need schools, defined to mean a school with more than 30% of its enrollment from low-income families. Funded performance-based compensation systems must consider gains in student achievement as well as multiple classroom evaluations and provide incentives for educators to take on additional responsibilities.

The ARRA also 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.

State Longitudinal Data Systems - \$250 million. The ARRA directs this funding for administration by the Institute for Education Sciences. Up to \$5 million of the funding may be used for state data coordinators and for awards to public or private agencies or organizations to improve data coordination (i.e. the State Education Data Center). Most of the funds are awarded competitively to state educational agencies to design, develop, and implement statewide longitudinal data systems to manage, analyze, disaggregate, and use individual student data. As described above, states that take fiscal stability funds must ensure their longitudinal data system includes the prescribed elements in the America COMPETES Act, including having linked P-16 systems; a teacher identification system that can be linked to students; college readiness test scores; postsecondary remedial course work data, and a data audit system.

Vocational Rehabilitation Services (adults) - \$680 million. The ARRA specifies that \$540 million of this allocation is designated for Vocational Rehabilitation State grants, which are designed to help individuals with disabilities prepare for and engage in gainful employment. The Federal share of the costs of vocational rehabilitation services provided with these funds is 100 percent, which eliminates the program's state match in this specific context. The Act allocates the \$140 million for Independent Living programs as follows: (1) \$18.2 million for Independent Living State Grants; (2)

\$87.5 million for Independent Living Centers; and \$34 million for Services for Older Blind Individuals.

Stabilization Funding

State Fiscal Stabilization Fund -- \$53.6 billion. Congress designed the State Fiscal Stabilization Fund to prevent reductions in critical education and other services. The ARRA divides that funding into three parts: (1) \$48.6 billion for basic stabilization funds; (2) \$4.35 billion for State incentive grants; and (3) \$650 million for local education agency innovation grants. Governors must divide their state's allocation of the fund total between education (81.8%) and other government services, which can include education (18.2%). The designated education allocation must *first be used* to restore support for K-12 and postsecondary education to the greater of the (state) FY 08 or FY09 level. The Governor may use the remaining 18.2% of funding for public safety and other government services, which may include education assistance and modernization, renovation, and repair of school buildings.

Incentive grants will be competitively awarded to states that have made significant progress in meeting objectives for achieving equity in teachers distribution; improving state data systems; enhancing standards and assessments; and providing interventions for schools in corrective action or restructuring status.

Innovation grants or "academic achievement awards" will be competitively awarded to LEAs or partnerships to recognize those entities for significantly closing achievement gaps or increasing student achievement; exceeding the state's AMOs for performance on state assessments; making significant improvement in other areas, such as graduation rates or recruitment and placement of high-quality teachers and school leaders.

A more detailed analysis of the State Fiscal Stabilization Fund follows beginning on page 6.

Existing Higher Education Programs

Teacher Quality Partnerships (HEA Title II) - \$100 million. The Teacher Quality Partnership program is designed to support improvements to teacher preparation programs. The Department's grant activities focus on increasing teachers' academic content preparation; integrating research-based teaching methods into the education curriculum; providing sustained pre-service clinical or field experiences; and creating opportunities for professional development activities that improve content knowledge and strengthen teaching skills. The ARRA does not create new requirements or obligations related to distribution of these funds.

Pell Grants (Discretionary and Mandatory) - \$17.1 billion. The Pell Grant program provides need-based grants to qualified undergraduates and certain graduate students to promote access to postsecondary education. The ARRA's Pell Grant funding will support a \$4,860 maximum Pell Grant award for the 2009-2010 award year. (Note that an additional increase is expected as part of the FY09 appropriations process).

Work Study - \$200 million. The Work Study Program provides funds to help students with higher education costs. They are earned by students through part-time employment. The ARRA does not create new requirements or obligations related to distribution of these funds.

Student Aid Administration - \$60 million: The ARRA's student aid administration allocation is designated for U.S. Department of Education costs associated with managing the Federal Family Education Loan program, Work Study program, Perkins Loan program and Federal Direct Student Loan program.

Existing Early Learning & Care Programs (HHS)

Head Start and Early Head Start - \$2.1 billion. The ARRA provides \$1 billion for Head Start (allocated according to the current statutory formula) and \$1.1 billion for Early Head Start (competitive grants). Congress directs the Department of Health and Human Services (HHS) to work with Head Start grantees in order to manage the Head Start resources in order to sustain FY 2009 awards through FY 2010.

Child Care Development Block Grants - \$2 billion. CCDBG is designed to help low income families and families receiving public assistance, and those families transition from public assistance in obtaining child care. The ARRA set aside \$255 million of the total allocation for program quality improvement activities of which \$93.5 million must be used to improve the quality of infant and toddler care

Existing Department of Labor Programs

Youth Services - \$1,200,000,000 These funds are to be used to create summer employment opportunities for at risk youth ages 14-24. The Joint Explanatory Statement indicates that 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.

Youth Build - \$50 million. These funds will allow for expanded services for at-risk youth, who gain education and occupational credentials while constructing or rehabilitating affordable housing. The conference agreement includes language to allow YouthBuild 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.

Residential Facilities - \$250 million. The funds will support construction and modernization of a network of residential facilities serving at-risk youth. The funds will allow the Office of Job Corps to move forward on a number of ready-to-go rehabilitation and construction projects, including those where competitions have already been concluded. The conference agreement modifies language proposed by the House to allow funds to be

used in support of multi-year arrangements where such arrangement will result in construction that can commence within 120 days of enactment. A portion of the funds are available for the operational needs of the Job Corp including activities to provide additional training for careers in efficiency, renewable energy, and environmental protection industries.

Existing National Science Foundation Programs

Education and Human Resources Directorate - \$100 million. The mission of NSF's Education and Human Resources Directorate is to "achieve excellence in U.S. science, technology, engineering and mathematics (STEM) education at all levels and in all settings (both formal and informal) in order to support the development of a diverse and well-prepared workforce of scientists, technicians, engineers, mathematicians and educators and a well-informed citizenry that have access to the ideas and tools of science and engineering." The ARRA specifies that this funding is to be allocated as follows: (1) \$60 million for the Robert Noyce Scholarship Program; (2) \$25 million for math and science partnerships; (3) \$15 million for professional science masters programs.

II. Tax Provisions

American Opportunity Tax Credit The ARRA establishes the "American Opportunity" tax credit (building on the existing Hope Credit) of up to \$2,500 of the cost of tuition and related expenses paid during taxable years 2009 and 2010. Taxpayers will receive a tax credit based on one hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000-\$180,000 for married couples filing jointly). The estimated cost is \$13.907 billion over 10 years.

Computers as Qualified Education Expenses in 529 Plan The ARRA classifies computers and computer technology as qualified education expenses under Section 529 Education Plans. The estimated cost is \$6 million over 10 years.

Qualified School Construction Bonds The ARRA creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments of \$400 million (\$200 million allocated initially in 2009 and the remainder allocated in 2010). The estimated Cost is \$9.877 billion over 10 years.

Qualified Zone Academy Bonds ("QZABs") The ARRA grants an additional \$1.4 billion of QZAB issuing authority to State and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers

and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest. The estimated cost is \$1.045 billion over 10 years.

III. State Fiscal Stabilization Fund Detailed Overview

As described in above, the State Fiscal Stability Fund includes three core components: (1) \$48.6B for basic stabilization funds; (2) \$4.35B for State incentive grants; and (3) \$650M for local education agency innovation grants. A more detailed description of each of these subprograms, including an overview and discussion of the application process, follows below.

A. Basic Stabilization Funds

Basic Stabilization Funds are allocated to States to Help Avert Cuts in State spending, particularly for education. To receive these funds, Governors need to submit applications that commit to education reforms related to equitable distribution of high quality teachers; data systems; academic assessments; standards; and school improvement.

Overview: Basic Stabilization Funds (BSF) are available for federal obligation immediately and are allocated by formula to states based on relative total and 5-to-24 year old populations. Governors must divide their state's allocation between education (81.8%) (the "education allocation") and other government services (18.2%). The Governor may use the latter government services allocation for public safety and other government services, which may include education assistance and modernization, renovation, and repair of school buildings.

The BSF education allocation must *first be used* by the state to restore support for K-12 and postsecondary education to the greater of the state's Fiscal Year 2008 or 2009 funding level. If funds are inadequate to restore state support for K-12 and postsecondary education to these levels (for Fiscal Years 2009, 2010, and 2011), the funds must be allocated by the state between K-12 and postsecondary education in proportion to the relative shortfalls. Any remaining amounts must be used by the Governor for subgrants to local educational agencies (LEAs) under the existing Title I-A formula.

LEAs receiving these subgrants may use BSF for any activity authorized by the ESEA, the IDEA, the Adult and Family Literacy Act, the Perkins Career and Technical Education Act, or for modernization, renovation, and repair of public school facilities. No express provision is made for retaining the education allocation at the state level. However, the 18.2% of funds reserved for other government services may be used without restriction for state level administration, oversight, and leadership activities.

Application: To qualify their states for BSF, Governors must submit an application to the U.S. Secretary of Education ("the Secretary") that includes assurances that the state will:

1. Maintenance of state effort. Maintain state support for elementary and secondary education in each of FYs 2009, 2010, and 2011 at the level of such support provided by the state for FY 2006. (This requirement may be waived by the Secretary, and there are separate provisions that authorize a state, if approved in advance by the Secretary, to treat stabilization funds as state funds for purposes of separate maintenance of effort requirements in other laws such as ESEA and IDEA. The application needs to include this request) (similar provisions apply at the higher education level);
2. Teacher Effectiveness & Distribution. Take actions to improve teacher effectiveness and comply with Title I requirements to address inequities in the distribution of high quality teachers between low and high poverty schools and to ensure that low-income and minority students are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers;
3. Data Systems. Establish a longitudinal data system that includes prescribed elements in the America COMPETES Act, including among others having linked P-16 systems; a teacher identification system that can be linked to students; college readiness test scores; postsecondary remedial course work data, and a data audit system;
4. Academic Assessments. Enhance the quality of academic assessments used under Title I, ESEA through activities such as collaboration with higher education, use of multiple measures, and development of performance and technology-based assessment instruments and meet Title I requirements for the inclusion of students with disabilities and LEP students in these assessments, through development of assessments for these students and provision of appropriate accommodations;
5. Standards. Take steps to improve state academic content standards and student achievement standards consistent with provisions in the America COMPETES Act, which provides for aligning standards with the knowledge and skills needed for success in credit-bearing postsecondary course work, 21st Century jobs, and the Armed Forces, without remediation; and
6. School Improvement. Ensure compliance with provisions in Title I, ESEA related to implementation of corrective action and restructuring options for schools identified for these interventions.

The application also must provide baseline data on the state's status with regard to each of the assurances and information on how the state will use its allocation. States should take care in addressing each of the assurance areas in the applications, in particular since their opportunity for incentive grants in 2010 will turn on their progress and needs related to these areas.

(Principal Authorities: Sections 14001-14003, 14005, 14012 of the ARRA)

B. Incentive Grants

Competitive grants will be made in FY 2010 to states that most aggressively pursue higher academic standards, quality assessments, robust data systems, teacher quality initiatives, and efforts to raise achievement levels and close achievement gaps.

Overview: Incentive grants will be awarded by the Secretary on a discretionary basis to states that have made significant progress in meeting the objectives to achieve equity in teacher distribution; improve state data systems; enhance standards and assessments; and provide interventions for schools in corrective action or restructuring status, consistent with the assurances in the state's application for basic stabilization funds.

Application: To qualify for incentive grants, Governors must submit an application to the Secretary describing:

1. the state's status in each of the areas addressed by the assurances in the application for the BSF;
2. the strategies the state is using to ensure that students in any subgroup that has not met the state's proficiency targets under Title I, ESEA will continue to make progress toward meeting state standards;
3. the achievement and graduation rates of public elementary and secondary school students in the state;
4. how the grant funding will be used to improve student academic achievement in the state, including how it will allocate funds to give priority to high-need LEAs (defined to mean LEAs that serve at least 10,000 children from families below the poverty line or for which not less than 20% of the students they serve are below the poverty line); and
5. a plan to evaluate the state's progress in closing the achievement gaps.

Although the law is not explicit on this point, it appears to contemplate that applications for incentive grants will be filed subsequent to the initial state application for the basic stabilization grants. The Secretary will determine which states receive grants and the amounts of the grants based on information in the application, other criteria developed by the Secretary, and the state's need for assistance to carry out the objectives addressed by the assurances.

Local Education Agency Suballocation: A state that receives an incentive grant must use at least 50% of the grant to provide grants to LEAs based on their Title I-A shares for the most recent year. The Act does not prescribe how the remaining funds are to be distributed, which would appear to provide broad discretion to the state to retain the remaining funds for state-level activities or otherwise distribute them to carry out the purposes of the program.

(Principal Authorities: Sections 14005(a), 14006 of the ARRA)

C. Innovation Fund

Competitive grants will be made to LEAs or partnerships of LEAs and non-profit organizations with strong records of improving student achievement to help them make further progress in pursuing education reforms and bringing their results to scale

Overview: Direct grants are made by the Secretary to LEAs or partnerships including one or more non-profits organizations, LEAs, or consortia or schools. States are not eligible for these awards. The purpose of the awards is to allow eligible entities to expand their work and serve as models for best practices; allow them to work with the private sector; and document best practices and take them to scale.

Application: Awards can be made as soon as the funds are appropriated, but the U.S. Department of Education is expected to issue funding criteria and announce a formal application process. The grant awards are designated as "academic achievement awards," to recognize eligible entities for:

- significantly closing achievement gaps or increasing student achievement;
- exceeding the state's measurable objectives for performance on state assessments;
- making significant improvement in other areas, such as graduation rates or recruitment and placement of high-quality teachers and school leaders; and
- demonstrating that they have established partnerships with the private sector, including philanthropic organizations, and that the private sector will provide matching funds to help bring results to scale.

(Principal Authority: Section 14007 of the ARRA)

Further Information

States also need to be aware of reporting and accountability provisions under the law. A state that receives a grant under the Stability Fund must submit an annual report to the Secretary on the uses of funds and how they were distributed; estimates of the number of jobs saved or created; estimates of averted tax increases; the state's progress on each of the assurances included in the state's application; a description of each school modernization, renovation, and repair project funded, and other information at the postsecondary level. Also, the ARRA includes broad provisions applicable to all its programs on transparency and accountability and on access of Offices of Inspector General and a new Recovery Accountability and Transparency Board to grantee and contractor records. There are also provisions for evaluations of the Incentive Fund and Innovation Grants programs by the Government Accountability Office.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (H.R.1, P.L. 111-5)

SUMMARY OF INITIAL U.S DEPARTMENT OF EDUCATION GUIDANCE

The U.S. Department of Education (USED) today issued initial guidance on education provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). A copy of the guidance is attached. The guidance addresses the broad purposes of the law; key principles for its implementation; and the general process and timelines for applications and grants under each of the education programs funded by the law. The guidance does not provide very specific information on many interpretive and implementation issues that have been raised by education stakeholders, but invites interested parties to submit follow-up questions to the Department and promises to provide additional information as it becomes available.

In summary, the approach taken by USED is to harmonize and implement the dual purposes of the law—

- to spend funds quickly and save jobs; and
- to advance education reform and long-lasting results, particularly in the areas of rigorous college- and career-ready standards and aligned assessments; pre-K to college and career data systems consistent with the America COMPETES Act; improvements in teacher effectiveness and equitable distribution of effective teachers; and effective supports and interventions for the lowest performing schools.

To these ends, the guidance provides for funding in two stages for the largest programs in the law; with initial awards based on previously submitted applications (in the case of Part A of Title I of the Elementary and Secondary Education Act (ESEA) and Part B of the Individuals with Disabilities Education Act (IDEA)) or on initial simplified applications (in the case of the State Fiscal Stabilization Fund (SFSF)); and with subsequent applications under these programs required with more substantial information related to state education reform efforts and the uses of these funds for those purposes, particularly in the areas of ARRA assurances. In addition, the guidance provides for competitive grants that recognize progress in key reform areas and support expansion of that progress to be awarded between Fall 2009 and Spring 2010, following development of applications and criteria by the Department. These programs include The "Race to the Top" State Incentive Grants; the "What Works and Innovation Fund;" the Teacher Incentive Fund; the State Data Systems grant program; and Teacher Quality Enhancement grants. The guidance also indicates that USED will announce opportunities to compete for non-ARRA programs in the coming months and that the priorities for these programs will be aligned with the reform goals of the Race to the Top grants and will recognize states and local educational agencies that optimize the use of ARRA funding streams.

More specifically:

SFSF Funds (\$48.6B):

- By late March 2009, USED will provide states a simplified application that must include statutory assurances, baseline data related to the assurances, and basic information on how the

funds will be used for submission by the Governors. USED will release 67% of SFSF funding to the state within two weeks after receiving a completed application.

- If a state demonstrates that the 67% phase 1 level is insufficient to prevent the immediate layoff of personnel by school districts, public institutions of higher education, or state or local agencies, USED will award the state up to 90% of its SFSF funding in phase 1.
- The remainder of SFSF funds ("Phase 2") will be provided to states on a rolling basis during the period July 1 to September 30, 2009, based on the submission of a plan detailing the state's strategies for addressing the education reform objectives described in the required assurances included in the initial application, including developing college and career ready standards and aligned assessments; data systems that include the required elements in the America Competes Act; improving teacher effectiveness and equitably assigning effective and experienced teachers; and providing required supports and interventions to schools identified for corrective action or restructuring. The plan also must describe how the state and its LEAs will use SFSF funds and other funding in a fiscally prudent way that substantially improves teaching and learning.
- The guidance encourages Governors and Chief State School Officers to work closely with other state and local officials in planning how SFSF funds will be used and reporting systems.
- USED expects to issue guidance shortly on the specific requirements to receive these phase 2 SFSF funds.
- SFSF funds are available for obligation at the state and local levels through September 30, 2011, although under the law, the Governor must return funds to the Secretary that are not awarded as subgrants or otherwise committed within two years of receipt from USED, and the guidance encourages the Governors to award subgrants or otherwise commit the funds as soon as possible.
- The guidance provides that to the extent local educational agencies use SFSF funds for modernization, renovation, or repairs, they should consider use of facilities for early childhood education and for the community and the creation of green buildings.

Part A of Title I, ESEA (\$10B) and Part B, IDEA (\$11.7B):

- By late March, 2009, USED will release 50% of funds under Part A of Title I, ESEA and under Part B, IDEA to state educational agencies, based on previously submitted and approved state applications.
- The remainder of these funds will be awarded during the period July 1 to October 1, 2009, based on amendments that the state will be required to make to its Consolidated State application (for Title I funds) and its FY 2009 IDEA, Part B application (for IDEA, Part B funds) that address how the state will meet the recordkeeping and reporting requirements of the ARRA.
- The initial and phase 2 Title I awards, together with the regular FY 2009 Title I awards to be made July 1 and October 1, 2009, will constitute the state's FY 2009 allocation. Absent a waiver, 85% of these funds must be obligated by each LEA by September 30, 2010, and the

remaining funds must be obligated by September 30, 2011. The guidance indicates that IDEA, Part B funds should be awarded to LEAs by the end of April 2009, and will remain available for obligation at the state and local levels through September 30, 2011.

- Four percent of the Title I funds are reserved for school improvement activities under section 1003(a) of ESEA. These are in addition to the separate school improvement program authorized under section 1003(g), for which \$3B are appropriated in the ARRA.
- Although funds generally are not provided under the ARRA for state administrative expenses in administering these increased appropriations for Title I and IDEA, the guidance indicates the possibility of waivers to increase use of Title I funds for state administration, and also expresses an intent to issue regulations to permit reasonable adjustments to limitations on state administrative costs in both Title I and IDEA to defray the costs of ARRA data collection requirements.
- The guidance stresses that funds provided for Part A of Title I, ESEA and Part B of IDEA are an excellent opportunity to improve education for at risk students and close achievement gaps and to improve outcomes for infants, toddlers, children, and youths with disabilities.
- The guidance notes congressional intent that some Title I funds be used for early childhood education programs and indicates that additional guidance will be provided in the coming weeks on these opportunities.
- The guidance encourages LEAs to focus use of these funds on short-term investments with the potential for long-term benefits, rather than making unsustainable, ongoing commitments, and provides examples of appropriate short-term investments for both Title I-A, ESEA and Part B of IDEA.
 - The Title I examples include establishing a system for identifying and training highly effective teachers to serve as instructional leaders in Title I schoolwide programs and modifying the school schedule to facilitate collaboration among instructional staff; year-long training for all teachers and the principal in a Title I school in corrective action or restructuring focused on an intensive academic instructional program or building teachers' capacity to address academic achievement problems that caused the school to be identified; providing resources to align early childhood education with elementary school standards and, subject to a plan for sustainability, expanding Title I early childhood education programs; developing core infrastructure in technology in Title I schoolwide programs, including obtaining software and equipment and providing teacher training in the use of technology; providing opportunities for Title I secondary school programs to use high quality on-line coursework as supplemental learning materials for meeting math and science curriculum requirements; using longitudinal data systems to drive continuous improvement efforts focused on achievement in Title I schools and training teachers in Title I schools on the use of data to inform and improve instruction for Title I eligible students; using reading or math coaches to provide professional development for teachers in Title I schools; and establishing or expanding extended learning activities for Title I eligible students, including before or after school, summer, and extended school years, with consideration of how to sustain these activities beyond the two years of ARRA funding.

- The IDEA examples include hiring transition coordinators to work with employers to develop job placements for youth with disabilities; obtaining state-of-the-art assistive technology devices, and training in their use, to enhance access of students with disabilities to the general curriculum; intensive district-wide professional development for special education and regular education teachers that focuses on scaling up, through replication, innovative, evidence-based strategies in academic subjects and behavioral supports to improve outcomes for students with disabilities; improving capacity for collecting and using data to improve teaching and learning; and expanding inclusive placement options for preschool children with disabilities by developing the capacity of public and private preschool programs to serve them.
- With regard to the Title I funds, the guidance indicates that the Secretary will consider requests for waivers relating to the use of ARRA Title I funds concerning set-asides in Title I; per pupil amounts for supplemental educational services; the limit on how often a state may grant a waiver of the carryover limit; and the maintenance of effort requirement.

State Incentive Grants ("Race to the Top" Program) (\$4.35B):

- The guidance indicates that these competitive grants to states will be made in two rounds: the fall of 2009 and the spring of 2010.
- Guidelines and applications for the competition will be developed by USED and posted on its website.
- The program will reward states that have made the most progress toward the standards and assessments, data systems, teacher quality, and school support goals addressed in the SFSF assurances taking into consideration use of ARRA funds by the state.

Innovation Fund ("What Works Innovation Fund") (\$650M):

- The guidance indicates that these competitive grants to local educational agencies, or partnerships of non-profit agencies and LEAs or school consortia, with a strong record of education results will be made in two rounds: the fall of 2009 and the spring of 2010.
- Guidelines and applications for the competition will be developed by USED and posted on its website.

Teacher Incentive Fund (\$200M):

- Competitive grants will be awarded in fall 2009.
- Guidelines for this competition will be posted shortly by USED.

Statewide Data Systems (\$250M):

- Competitive grants will be awarded in fall 2009.

- Guidelines for this competition will be posted shortly by USED.

Pell Grants (\$17B):

- The guidance indicates that these funds will be available beginning July 1.
- The funds increase the maximum Pell Grant from \$4,850. to \$5,350.

Other Programs: The USED guidance does not provide specific information on other education programs funded by the ARRA, apart from indicating timing for the availability of funds. The timelines for education funding under the ARRA are summarized in the attached chart prepared by EducationCounsel LLC.

Other Core ARRA Principles

The guidance also stresses two other core principles in the ARRA:

- transparency as to how funds are used under the Act, including extensive reporting requirements for fund recipients. The guidance indicates that the Administration will post reports on ARRA expenditures on the Recovery.gov website;
- the need to invest ARRA funds thoughtfully so as not to create unsustainable continuing commitments after ARRA funding expires.

EducationCounsel LLC provided prior summary guidance on February 18, 2009 on how ARRA funds may be distributed and used within states under applicable statutory provisions. If you have questions about the ARRA, please contact Scott Palmer at scott.palmer@educationcounsel.com or (202) 245-2916; Reg Leichty at reg.leichty@educationcounsel.com or (202) 545-2918; or Steve Winnick at steve.winnick@educationcounsel.com or 9202) 545-2913.

American Recovery and Reinvestment Act Implementation Timeline*

State Fiscal Stabilization Fund (SFSF)^ψ, ESEA Title I, Part A and IDEA, Part B will be available in two phases. Funds from these programs are to be delivered by formula from the US Department of Education to the State.

By the end of March 2009	July 1, 2009 to October 1, 2009	Fall 2009
<p>Applications for the initial 67% of the SFSF will be available.^γ</p>	<p>The remaining 33% of the SFSF will be available.</p>	<p>State Incentive Grants (\$4.35B) and Local Innovation Grants (\$650M) will be competitively awarded in two rounds - Fall 2009 and <u>Spring 2010</u>.</p>
<p>50% of the \$10B Title I, Part A recovery funds will be available.</p>	<p>The remaining 50% of Title 1, Part A recovery funds will be available.</p>	<p>Statewide Data System funding (\$250M) will be competitively awarded.</p>
<p>50% of the \$11.3B IDEA Part B Grants to States and 50% of the \$400M Preschool Grants will be available.</p>	<p>The remaining 50% of the IDEA, Part B and Preschool Grant funds will be available.</p>	<p>Title I School Improvement Grants (\$3B) will be available.</p>
<p>At least 50% of the \$500M IDEA Part C funds will be available.</p>	<p>Pell Grants \$17.1B and Work Study \$200M for school year 2009-2010</p>	<p>Teacher Incentive Fund (\$200M) and Teacher Quality Enhancement (\$100M) funding will be competitively awarded.</p>
<p>Program funding under \$500M to be available</p> <ul style="list-style-type: none"> Impact Aid Construction (40% of the \$100M will be distributed by formula and the rest will be distributed through competitive grants at a later date); Independent Living Services (\$52.5M of the \$140M will be distributed by formula, the remaining will be distributed by competitive grants at a later date); and Education for Homeless Youth (\$70M). 		<p>Education Technology State Grants (\$650M) will be available.</p>
<p>50% of the \$540M Vocational Rehabilitation State Grants funds will be available.</p>		

*Tentative distribution dates under the Department's initial funding guidelines of March 6, 2009.

^ψ SFSF (\$48.6B) will be delivered to Governors (\$39.8B devoted to public Pre-K to 12 and higher education; \$8.8B allocated at the discretion of the Governor for government services).

^γ SFSF funds will be released to by the US Department of Education within two weeks after completed applications are received.

For further information, please contact Reg Leichthy (Reg.Leichthy@educationcounsel.com) or Steve Winnick (Steve.Winnick@educationcounsel.com).

American Recovery and Reinvestment Act State Allocations

State	Title I Grants to Local Educational Agencies		Educational Technology State Grants		IDEA Part B Grants to State		IDEA Part B Preschool Grants		IDEA Part C Grants for Infants and Families		Vocational Rehabilitation State Grants	
	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.
AZ	274,776,685	194,876,487	4,783,909	12,436,371	172,908,742	178,476,064	5,259,801	5,702,860	9,966,824	9,987,957	57,950,200	13,086,333
AK	144,267,804	111,143,080	2,713,488	7,163,976	106,603,388	112,177,929	5,279,323	5,565,646	3,957,948	3,966,341	36,246,470	6,589,832
GA	446,271,008	351,366,865	8,253,341	22,103,555	303,971,064	313,758,336	9,637,532	10,449,347	14,614,553	14,645,542	91,919,444	18,686,184
LA	294,842,964	177,271,943	5,511,021	12,162,214	179,911,586	188,749,525	6,372,736	6,909,542	5,789,506	5,801,783	43,077,993	9,895,321
MN	126,936,366	94,908,822	2,339,875	6,165,747	180,405,407	189,839,228	7,310,811	7,707,311	6,998,387	7,013,227	43,124,084	7,737,672
NM	113,156,234	80,782,305	2,099,003	5,140,416	86,618,033	91,147,493	3,137,318	3,401,589	2,896,598	2,902,740	22,734,126	4,426,362
OH	511,796,517	373,250,296	9,467,117	23,901,534	415,983,310	437,736,052	12,321,462	13,359,358	14,379,119	14,409,609	118,727,629	21,589,801
TN	239,071,783	194,107,992	4,521,227	12,292,359	221,641,759	229,613,418	6,775,233	7,345,943	8,083,117	8,100,257	65,575,720	12,177,598

State	Independent Living State Grants		Services for Older Individuals who are Blind		Federal Work Study		State Fiscal Stabilization Fund		Grand Total		Federal Pell Grants		
	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2008 Actual	RRA Est.	2009 Increase Fund
AZ	336,132	281,463	606,661	722,405	10,732,660	2,189,239	-	1,016,955,172	537,321,614	1,434,714,351	799,997,862	1,131,060,537	331,062,676
AK	296,212	242,913	304,391	353,503	7,641,839	1,558,776	-	443,830,097	307,310,863	692,592,093	201,748,479	284,402,150	82,653,671
GA	510,437	423,820	795,702	940,207	22,516,548	4,592,907	-	1,541,319,187	898,489,629	2,278,285,950	632,980,134	881,930,363	248,950,229
LA	296,212	242,913	421,441	483,554	15,348,733	3,130,822	-	708,548,266	551,572,192	1,113,195,883	302,989,815	427,120,715	124,130,901
MN	296,212	242,913	500,881	586,345	19,082,663	3,892,466	-	816,489,174	386,994,686	1,134,582,905	246,150,961	346,995,739	100,844,778
NM	296,212	242,913	225,000	213,300	6,972,131	1,422,170	-	318,381,906	238,134,655	508,061,194	133,622,010	188,365,171	54,743,162
OH	625,676	509,170	1,202,152	1,392,958	37,812,102	7,712,882	-	1,789,376,483	1,122,315,084	2,683,238,143	690,241,995	969,083,888	278,841,892
TN	329,181	273,379	626,567	738,619	17,111,719	3,490,434	-	947,597,843	563,736,306	1,415,737,842	357,592,058	504,092,772	146,500,714