



NEWS RELEASE

Education Department to Distribute \$44 Billion in Stimulus Funds in 30 to 45 Days; \$49 Billion More to Be Available within 6 months

FOR RELEASE:

March 7, 2009

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U.S. Secretary of Education Arne Duncan today announced that \$44 billion in stimulus funding from the American Recovery and Reinvestment Act (ARRA) will be available to states in the next 30 to 45 days. The first round of funding will help avert hundreds of thousands of estimated teacher layoffs in schools and school districts while driving crucial education improvements, reforms, and results for students.

"These funds will be distributed as quickly as possible to save and create jobs and improve education, and will be invested as transparently as possible so we can measure the impact in the classroom," said Duncan. "Strict reporting requirements will ensure that Americans know exactly how their money is being spent and how their schools are being improved."

Guidelines posted by Duncan today authorize the release this month of half the Title I, Part A stimulus funds, amounting to \$5 billion, and half the funds for the Individuals with Disabilities Education Act (IDEA), \$6 billion, without new applications.

By the end of March, governors will be able to apply for 67 percent of the State Fiscal Stabilization Funds (SFSF) and discretionary SFSF, totaling \$32.5 billion. These funds will be released within two weeks after approvable applications are received.

In the next 30 days, nearly \$700 million more will be available for various programs including vocational rehabilitation state grants and impact aid construction, Duncan said. Another \$17.3 billion for Pell Grants and work-study funds is available for disbursement for the next academic year beginning July 1.

An additional \$35 billion in Title 1, IDEA, and State Fiscal Stabilization Funds, as well as monies for other programs will be distributed between July 1 and September 30.

ARRA funds must be used to improve student achievement. To receive the first round of state stabilization funds, states must commit to meet ARRA requirements, including making progress on four key education reforms, sharing required baseline data, and meeting record-keeping and transparency requirements. To receive the second round of funding, they must provide evidence and plans for progress on these assurances. All four education reforms were previously

authorized under bipartisan education legislation—including the Elementary and Secondary Education Act and the America Competes Act of 2007:

- Raising standards through college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;
- Increasing transparency by establishing better data systems tracking student progress over time;
- Improving teacher effectiveness and ensuring an equitable supply and distribution of qualified teachers;
- Supporting effective intervention strategies for lowest-performing schools.

Finally, a \$5 billion fund has been established under the law for the Department of Education. This includes a \$4.35 billion "Race to the Top" fund to help states with bold plans to improve student achievement—including these four reforms—and \$650 million to assist school districts and non-profit organizations with strong track records of improving student achievement. State grants will go out in two rounds over the next year, beginning in October 2009. Applications will be available later in the spring.

"These investments will save and create jobs in the short term, while raising achievement in the long term," Duncan said. "We will need a strong commitment on the front end and even stronger proof on the back end that states are making progress."

Duncan also said that states should work hard to avoid "funding cliffs" by investing ARRA funds in ways that minimize "the tail"—i.e., ongoing costs after the funding expires.

"These are one-time funds, and state and school officials need to find the best way to stretch every dollar and spend the money in ways that protect and support children without carrying continuing costs," Duncan said.

Additional details, including a category-by-category list of all ARRA funds appropriated to the Department of Education, as well as requirements and plans for their distribution are posted at www.ed.gov/recovery.

"Our goals are to save jobs and improve education. Today's guidelines show exactly how we can do both—balancing the need for a speedy release of funds with the need for aggressive and thoughtful school improvements and reform to improve results for our children," Duncan said.

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OVERVIEW

The American Recovery and Reinvestment Act of 2009: Saving and Creating Jobs and Reforming Education

March 7, 2009

In a global economy where the most valuable skill you can sell is your knowledge, a good education is no longer just a pathway to opportunity— it is a pre-requisite. The countries that out-teach us today will out-compete us tomorrow.
—President Barack Obama, Feb. 24, 2009

The *American Recovery and Reinvestment Act of 2009 (ARRA)* provides approximately \$100 billion for education, creating a historic opportunity to save hundreds of thousands of jobs, support states and school districts, and advance reforms and improvements that will create long-lasting results for our students and our nation including early learning, K-12, and post-secondary education. This document describes the principles and strategy that will guide the distribution and implementation of the *ARRA* funds appropriated to the U.S. Department of Education. Accompanying documents provide initial guidelines for three components of *ARRA* education funding: the State Fiscal Stabilization Fund (SFSF), Title I, Part A of the *Elementary and Secondary Education Act* (Title I), and the *Individuals with Disabilities Education Act (IDEA)*, Part B. Separately, we will issue guidelines on other *ARRA* funds as they are developed. The Department will periodically provide updated information at www.ed.gov.

Principles: The overall goals of the *ARRA* are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of the *ARRA* will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance *ARRA*'s short-term economic goals by investing quickly, and we must support *ARRA*'s long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through post-secondary education. Four principles guide the distribution and use of *ARRA* funds:

- a. **Spend funds quickly to save and create jobs.** *ARRA* funds will be distributed quickly to states, local educational agencies and other entities in order to avert layoffs, create and save jobs and improve student achievement. States and LEAs in turn are urged to move rapidly to develop plans for using funds, consistent with the law's reporting and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.

Note: This document is a compilation of items issued by the U.S. Department of Education on March 7, 2009 as guidance to school districts and states on federal stimulus funds for education under the American Recovery and Reinvestment Act of 2009. It was assembled by the New York State Council of School Superintendents but presents the complete and unedited text of the guidance items issued by the USDE on March 7, 2009.

For possible updates, see www.ed.gov

- b. **Improve student achievement through school improvement and reform.** *ARRA* funds should be used to improve student achievement. In addition, the SFSF provides funds to close the achievement gap, help students from all backgrounds achieve high standards, and address four specific areas that are authorized under bipartisan education legislation – including the Elementary and Secondary Education Act and the America Competes Act of 2007:
1. Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;
 2. Establishing pre-K-to college and career data systems that track progress and foster continuous improvement;
 3. Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;
 4. Providing intensive support and effective interventions for the lowest-performing schools.
- c. **Ensure transparency, reporting and accountability.** To prevent fraud and abuse, support the most effective uses of *ARRA* funds, and accurately measure and track results, recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, *ARRA* funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.
- d. **Invest one-time *ARRA* funds thoughtfully to minimize the "funding cliff."** *ARRA* represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

Categories of funds and schedule for distribution: Balancing the need for speedy investments and for rigorous accountability and transparency, the Department has designed the following approaches for distributing different categories of funds. Some funds will be distributed in stages to states on a formula basis and then distributed from states to local education agencies (LEAs) or institutions of higher education (IHEs) for use over the next two school years (2009–10 and 2010–11); some funds will be distributed all at once; some funds will be distributed through a competitive grant process.

The *ARRA* Pell grant and work study funding will be used for school year 2009–2010. These funds are available, pending disbursement, beginning July 1.

- Pell Grants—\$17.1 billion. This will increase the maximum Pell award for all eligible students from \$4,850 to \$5,350.
- Work Study—\$200 million.

The funds under the SFSF, Title I, Part A and *IDEA*, Part B will be available in two stages. Funds from these very large programs are to be delivered by formula from the Department to the states. The Department will release 50 percent of Title I, Part A and 50 percent of *IDEA*, Part B funds before the end of March 2009, without requiring new state applications. Streamlined, user-friendly applications for the initial 67 percent of the SFSF will be available to governors by the end of March, and funds will be made available by the Department within two weeks after receipt of an approvable application. For these three categories of funds, we expect to make available the remainder of the funds during the period July 1 to Sept. 30, 2009, conditioned on states providing additional information. The guidelines for securing these funds will be available on our Web site at www.ed.gov.

- SFSF delivered to the state governors (\$48.6 billion)
 - \$39.8 billion is devoted to public early learning, K-12, and higher education. This amount must be distributed by formulae from the state to local education agencies and through a mechanism determined by the state to institutions of higher education.
 - \$8.8 billion is allocated to governors for education (including school modernization), public safety, or other government services.
- Title I, Part A (\$10 billion) to State educational agencies.
- *IDEA*, Part B (\$11.7 billion) to State educational agencies.

A minimum of 50 percent of the funds for the following programs will also be available by the end of March as soon as guidelines are issued:

- *IDEA* Part C (\$500 million).
- Vocational Rehabilitation State Grants (\$540 million).

For the following programs under \$500 million, all of the formula funds will be available by the end of March:

- Impact Aid Construction (\$100 million: only 40 percent will be distributed by formula; 60 percent will be distributed through competitive grants at a later date).
- Independent Living Services (\$140 million; only \$52.5 million will be distributed by formula; remaining \$87.5 will be distributed by competitive grants at a later date).
- Education for Homeless Youth (\$70 million).

For the following programs, funds will be made available beginning in fall 2009, and will be conditioned upon receipt of further information that will be outlined in future guidance:

- Title I School Improvement Grants (\$3 billion).
- Educational Technology State Grants (\$650 million).

The following funds will be made available beginning in fall 2009, based on the quality of the applications submitted through a competitive grant process. Guidelines for these funds will be posted shortly:

- Teacher Incentive Fund (\$200 million).
- Teacher Quality Enhancement (\$100 million).
- Statewide Data Systems (\$250 million).

Under the \$5 billion in SFSF reserved for the Secretary of Education to make competitive grants, the Department will conduct a national competition among states for a \$4.35 billion state incentive "Race to the Top" fund to improve education quality and results statewide. The Race to the Top fund will help states drive substantial gains in student achievement by supporting states making dramatic progress on the four reform goals described above and effectively using other *ARRA* funds. \$650 million of the \$5 billion will be set aside in the "Invest in What Works and Innovation" fund and be available through a competition to districts and non-profit groups with a strong track record of results. Guidelines and applications for the competitive funds will be posted expeditiously. Race to the Top grants will be made in two rounds—fall 2009 and spring 2010).

In the coming months, the Department will also announce opportunities to compete for discretionary funds under non-*ARRA* programs. The priorities for these competitions will be aligned with the reform goals of the Race to the Top fund, and will recognize states and LEAs that optimize the use of the varied funding streams provided under *ARRA*. In addition, the Department will identify technical assistance resources to help states and localities effectively implement the most promising and evidence-based reforms using all relevant federal, state, and local resources. With federal funds available for R&D, the Department also hopes to work with schools to support rigorous testing of interventions that states and districts support with *ARRA* funds, to build the knowledge base about what works.

What must states do to receive SFSF, Title I, Part A and *IDEA*, Part B funds? States will receive initial Title I, Part A and *IDEA*, Part B funds under pre-existing applications. For the first round of state stabilization funds, governors must provide three things:

- Assurances that they are advancing the four reforms described in the statute and maintenance of effort;
- Baseline data on their current status in each of these areas; and
- Basic information on how the funds will be used.

The Department intends to provide governors with a streamlined, user-friendly initial SFSF application package.

For the second round of funds, state educational agencies (SEAs) must provide information regarding their ability to meet reporting requirements under the *ARRA* under Title I, Part A and

IDEA, Part B. In the case of the SFSF, governors must provide plans outlining the state's plans and progress in the four reform areas described above. As part of its application for the second part of the SFSF, a state must describe how the state and its LEAs plan to use SFSF and other funding in a fiscally prudent way that substantially improves teaching and learning. Governors and chief state school officers should work closely with other state and local officials in the state to develop effective data reporting systems and plans that will meet the assurances required by SFSF.

Conclusion: This distribution strategy balances the need for speed and economic stimulus with the need for aggressive and effective education improvement and reform in order to drive our nation's long-term economic well-being. It provides significant resources quickly while giving states and local educational agencies time to carefully plan thoughtful use of funds. It seeks to align the use of the funds provided through SFSF, Title I, *IDEA* and state incentive grants, with the purposes of prudent investment under the *ARRA* and improving student achievement. Success will depend on the quality of leadership, judgment, coordination, and communication of all involved. It represents a historic opportunity to restore America's global leadership in education.

American Recovery and Reinvestment Act of 2009: Title I, Part A Recovery Funds for Grants to Local Education Agencies

March 7, 2009

The *American Recovery and Reinvestment Act of 2009 (ARRA)* provides significant new funding for programs under Title I, Part A of the *Elementary and Secondary Education Act of 1965* (Title I). Specifically, the *ARRA* provides \$10 billion in additional fiscal year (FY) 2009 Title I, Part A funds to local education agencies (LEAs) for schools that have high concentrations of students from families that live in poverty in order to help improve teaching and learning for students most at risk of failing to meet state academic achievement standards. These funds create an unprecedented opportunity for educators to implement innovative strategies in Title I schools that improve education for at-risk students and close the achievement gaps while also stimulating the economy. The additional resources will enable LEAs to serve more students beyond the approximately 18 million currently served and boost the quality of teaching and learning. Preliminary estimates of Title I, Part A recovery allocations to each state and LEA are available at: <http://www.ed.gov/about/overview/budget/news.html#ARRA>.

This document provides states and LEAs with basic information regarding how and when Title I, Part A recovery funds will be awarded by the U.S. Department of Education. In the coming weeks, the Department will provide more guidance regarding these funds, including how they should be used, the submission of waiver requests, and the reporting requirements. It also will provide information about Title I School Improvement grants, for which a \$3 billion appropriation will be made available beginning fall 2009. Additional information and documents will be posted on www.ed.gov.

Title I, Part A recovery funds are a key element of the *ARRA* principles as described below.

Overview of *ARRA*

Principles: The overall goals of the *ARRA* are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of the *ARRA* will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance *ARRA* short-term economic goals by investing quickly, and we must support *ARRA*'s long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through college. Four principles guide the distribution and use of *ARRA* funds:

- a. **Spend funds quickly to save and create jobs.** *ARRA* funds will be distributed quickly to states, LEAs and other entities in order to avert layoffs and create jobs. States and LEAs in turn are urged to move rapidly to develop plans for using funds, consistent with the law's reporting and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.
- b. **Improve student achievement through school improvement and reform.** *ARRA* funds should be used to improve student achievement, and help close the achievement gap. In addition, the SFSF requires progress on four reforms previously authorized under the bipartisan Elementary and Secondary Education Act and the America Competes Act of 2007:
 1. Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;
 2. Establishing pre-K-to college and career data systems that track progress and foster continuous improvement;
 3. Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;
 4. Providing intensive support and effective interventions for the lowest-performing schools.
- c. **Ensure transparency, reporting and accountability.** To prevent fraud and abuse, support the most effective uses of *ARRA* funds, and accurately measure and track results, recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, *ARRA* funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.
- d. **Invest one-time *ARRA* funds thoughtfully to minimize the "funding cliff."** *ARRA* represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

Awarding Title I, Part A Recovery Funds

- The Department plans to award 50 percent of each state's Title I, Part A recovery funds by the end of March 2009. These funds will be awarded under each state's existing approved *Elementary and Secondary Education Act of 1965 (ESEA)* Consolidated State Application. No new or amended application will be required to receive this portion of the funds. However, in order to receive the remaining Title I, Part A recovery funds, a state must submit, for review and approval by the Department, an amendment to its Consolidated Application that addresses how it will meet the recordkeeping and reporting requirements of the *ARRA*.

- The Title I, Part A *ARRA* awards will be in addition to the regular FY 2009 Title I, Part A grant awards that the Department plans to make on July 1 and Oct. 1, 2009. Together, these four grant awards (i.e., the two phases of the Title I, Part A recovery funds, and the two phases of the regular FY 2009 Title I, Part A funds) will constitute a state's total FY 2009 Title I, Part A allocation.
- The fact that Title I, Part A recovery funds are FY 2009 funds does not preclude a state from awarding some or all of these funds to an LEA on the basis of existing, approved LEA applications.
- In accordance with the goals of the *ARRA*, the Department encourages states to award Title I, Part A recovery funds to their LEAs as quickly as possible, consistent with prudent management, so that LEAs can begin using the funds. Similarly, an LEA should use its Title I, Part A recovery funds expeditiously but sensibly. Note that, in the absence of a waiver, an LEA must obligate at least 85 percent of its total FY 2009 Title I, Part A funds (including *ARRA* funds) by Sept. 30, 2010. Any remaining FY 2009 Title I, Part A funds will be available for obligation until Sept. 30, 2011.

LEA Eligibility for Title I, Part A Recovery Funds

- An LEA is eligible to receive Title I, Part A recovery funds if it is eligible under the statutory eligibility criteria established in sections 1125(a)(1) and 1125A(c) of the *ESEA* for the Targeted and Education Finance Incentive Grant formulas of Title I, Part A.

Reservation of Title I, Part A Recovery Funds

- A state must reserve 4 percent of its Title I, Part A recovery funds for school improvement activities under section 1003(a) of the *ESEA*. Of this 4 percent of funds, at least 95 percent must be allocated directly to LEAs for school improvement activities.
- Except as noted above concerning the 4 percent reservation, a state would need a waiver to reserve any portion of its Title I, Part A recovery funds for state administration, because section 1004(b) of the *ESEA* limits the amount that a state may reserve for the administration of Title I. As it did last year, the Department will provide a table showing the base each state should use in determining the amount it may reserve for state administration.

Uses of Title I, Part A Recovery Funds

- LEAs may use their Title I, Part A recovery funds consistent with the Title I, Part A statutory and regulatory requirements, including the requirements to provide equitable services to eligible private school students. Uses should be aligned with the core goals of *ARRA* to save and create jobs and to advance reforms.
- Because the recovery funds constitute a large increase in Title I, Part A funding that will likely not be available at the same level beyond Sept. 30, 2011, schools and LEAs will

have a unique opportunity to improve teaching and learning and should focus these funds on short-term investments with the potential for long-term benefits, rather than make ongoing commitments that they might not be able to sustain once recovery funds are expended.

- Congress in its *ARRA* conference report indicated its intent that grantees use some of their Title I funds for early childhood programs and activities. The Administration is committed over the long term to expanding early childhood educational opportunities and creating a more seamless web of high-quality services for parents and children. In coming weeks, the Department will provide additional guidance on opportunities to use *ARRA* funds to expand high-quality early childhood educational services.
- Examples of potential uses of the Title I, Part A recovery funds that are allowable under Title I and consistent with *ARRA* principles:
 - 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 allow for collaboration among the instructional staff;
 - Establishing intensive, year-long teacher training for all teachers and the principal in a Title I elementary school in corrective action or restructuring status in order to train teachers to use a new reading curriculum that aggressively works on improving students' oral language skills and vocabulary or, in some other way, builds teachers' capacity to address academic achievement problems;
 - Strengthen and expand early childhood education by providing resources to align a district-wide Title I pre-K program with state early learning standards and state content standards for grades K–3 and, if there is a plan for sustainability beyond 2010–11, expanding high-quality Title I pre-K programs to larger numbers of young children;
 - Providing new opportunities for Title I schoolwide programs for secondary school students to use high-quality, online courseware as supplemental learning materials for meeting mathematics and science requirements;
 - Using longitudinal data systems to drive continuous improvement efforts focused on improving achievement in Title I schools;
 - Providing professional development to teachers in Title I targeted assistance programs on the use of data to inform and improve instruction for Title I-eligible students;
 - Using reading or mathematics coaches to provide professional development to teachers in Title I targeted assistance programs; and
 - Establishing or expanding fiscally sustainable extended learning opportunities for Title I-eligible students in targeted assistance programs, including activities provided before school, after school, during the summer, or over an extended school year.

Invitation for Waivers

- The secretary of education will consider a request for a waiver with regard to the use of *ARRA* Title I funds:
 - of one or more of the "set-aside" requirements in Title I, Part A that apply to the use of funds by LEAs;
 - to calculate the per-pupil amount (PPA) for supplemental educational services (SES) based on an LEA's FY 2009 Title I, Part A allocation without regard to some or all of the recovery funds;
 - to allow a state to grant its LEAs a waiver of the carryover limitation in section 1127 of Title I, Part A more than once every three years; or
 - of the Title I, Part A maintenance-of-effort requirement (see below).
- The secretary intends to issue regulations to allow reasonable adjustments to the limitation on state administration expenditures to help states defray the costs of *ARRA* data collection requirements.

Fiscal Issues

- Maintenance of effort: With prior approval from the secretary of education, a state or LEA may count expenditures of SFSF used for elementary or secondary education as non-federal funds for purposes of determining whether the state or LEA has met the Title I, Part A maintenance of effort requirement. This may reduce the incidence of LEAs failing to maintain fiscal effort and the need to seek a waiver from the Department.
- Supplement, not supplant: the Department may not waive the Title I, Part A "supplement, not supplant" requirement. Note, however, that in certain circumstances, including cases of severe budget shortfalls, an LEA may be able to establish compliance with the "supplement, not supplant" requirement, even if it uses Title I, Part A funds to pay for allowable costs that were previously paid for with state or local funds. (For additional information, see Title I Fiscal Issues Non-Regulatory Guidance, available at: <http://www.ed.gov/programs/titleiparta/fiscalguid.pdf> [PDF, 256K].)
- Comparability: the Department may not waive the Title I, Part A comparability requirement.

Accountability Principles

- Each state and LEA is responsible for ensuring that Title I recovery funds are used prudently and in accordance with the law.
- Each LEA receiving Title 1 Part A recovery funds shall report a school-by-school listing of per-pupil educational expenditures from state and local sources. Further information will be provided in forthcoming department guidance.

- The President and the Secretary are committed to ensuring that *ARRA* dollars are spent with an unprecedented level of transparency and accountability. Therefore, each state and LEA that receives Title I, Part A recovery funds must report on how those funds were spent at www.recovery.gov.

Additional Information

- The Department will provide regular updates as additional information regarding the Title I, Part A recovery funds becomes available.
- The Department will provide information on the government-wide data collection and reporting requirements under the *ARRA* as this information becomes available.

American Recovery and Reinvestment Act of 2009: IDEA Recovery Funds for Services to Children and Youths with Disabilities

March 7, 2009

The *American Recovery and Reinvestment Act of 2009 (ARRA)* appropriates significant new funding for programs under Parts B and C of the *Individuals with Disabilities Education Act (IDEA)*. Part B of the *IDEA* provides funds to state educational agencies (SEAs) and local educational agencies (LEAs) to help them ensure that children with disabilities, including children aged three through five, have access to a free appropriate public education to meet each child's unique needs and prepare him or her for further education, employment, and independent living.

The *IDEA* recovery funds under *ARRA* will provide an unprecedented opportunity for states, LEAs, and early intervention service providers to implement innovative strategies to improve outcomes for infants, toddlers, children, and youths with disabilities while stimulating the economy. Under the *ARRA*, the *IDEA* recovery funds are provided under three authorities: \$11.3 billion is available under Part B Grants to States; \$400 million is available under Part B Preschool Grants; and \$500 million is available under Part C Grants for Infants and Families. Preliminary information about each state's allocation is available at: <http://www.ed.gov/about/overview/budget/statetables/recovery.html>. This Web site also provides information about the State Fiscal Stabilization Fund (SFSF) under the *ARRA*, which is separate from the *IDEA* recovery funds described in this fact sheet. This document focuses on Part B; additional information on Part C will be available shortly.

IDEA, Part B recovery funds are a key element of the *ARRA* principles as described below:

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- d. **Invest one-time *ARRA* funds thoughtfully to minimize the "funding cliff."** *ARRA* represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

Awarding *IDEA* Part B Grants to States and Preschool Grants Recovery Funds

- The Department of Education plans to award 50 percent of the *IDEA*, Part B Grants to States and Preschool Grants recovery funds to SEAs by the end of March 2009. The other 50 percent will be awarded by Oct. 1, 2009. These awards will be in addition to the regular Fiscal Year (FY) 2009 Part B Grants to States and Preschool Grants awards that will be made on July 1 (Grants to States and Preschool Grants) and Oct. 1, 2009 (Grants to States only). Together, these grant awards will constitute a state's total FY 2009 Part B Grants to States and Preschool Grants allocations.
- A state does not need to submit a new application to receive the first 50 percent of the Part B Grants to States and Preschool Grants recovery funds because these funds will be made available to each state based on the state's eligibility established for FY 2008 Part B funds. The assurances in the state's FY 2008 application will apply to these recovery

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funds. In order to receive the remaining 50 percent of *IDEA*, Part B recovery funds, a state must submit, for review and approval by the Department, an amendment to its FY 2009 application to address the recordkeeping and reporting requirements under the *ARRA*.

- The additional *IDEA* funds provided under the *ARRA* do not increase the amount a state would otherwise be able to reserve for state administration or other state-level activities under its regular grants to states FY 2009 award.
- LEA eligibility for the first 50 percent of the *IDEA* recovery funds is based on eligibility established by the LEA for FY 2008 funds.
- In accordance with the goals of the *ARRA*, a state should obligate *IDEA* recovery funds to LEAs expeditiously. A state should make the Part B Grants to States and Preschool Grants recovery funds that it receives in March available to LEAs by the end of April 2009.
- Similarly, an LEA should use the *IDEA* recovery funds expeditiously. An LEA should obligate the majority of these funds during school years 2008–09 and 2009–10 and the remainder during school year 2010–11. States may begin obligating *IDEA*, Part B recovery funds immediately upon the effective date of the grant. All *IDEA* recovery funds must be obligated by Sept. 30, 2011.

Uses of *IDEA*, Part B Recovery Funds

All *IDEA* recovery funds must be used consistently with the current *IDEA*, Part B statutory and regulatory requirements and applicable requirements in the *General Education Provisions Act (GEPA)* and the Education Department General Administrative Regulations (EDGAR). An LEA must use *IDEA* recovery funds only for the excess costs of providing special education and related services to children with disabilities, except where *IDEA* specifically provides otherwise.

- The *IDEA* recovery funds constitute a large one-time increment in *IDEA*, Part B funding that offers states and LEAs a unique opportunity to improve teaching and learning and results for children with disabilities. Generally, funds should be used for short-term investments that have the potential for long-term benefits, rather than for expenditures the LEAs may not be able to sustain once the recovery funds are expended. Some possible uses of these limited-term *IDEA* recovery funds that are allowable under *IDEA* and aligned with the core reform goals for which states must provide assurances under SFSF include:
 - Obtain state-of-the art assistive technology devices and provide training in their use to enhance access to the general curriculum for students with disabilities.
 - Provide intensive district-wide professional development for special education and regular education teachers that focuses on scaling-up, through replication, proven and innovative evidence-based school-wide strategies in reading, math, writing and science, and positive behavioral supports to improve outcomes for students with disabilities.

Note: This document is a compilation of items issued by the U.S. Department of Education on March 7, 2009 as guidance to school districts and states on federal stimulus funds for education under the American Recovery and Reinvestment Act of 2009. It was assembled by the New York State Council of School Superintendents but presents the complete and unedited text of the guidance items issued by the USDE on March 7, 2009.

For possible updates, see www.ed.gov

- Develop or expand the capacity to collect and use data to improve teaching and learning.
- Expand the availability and range of inclusive placement options for preschoolers with disabilities by developing the capacity of public and private preschool programs to serve these children.
- Hire transition coordinators to work with employers in the community to develop job placements for youths with disabilities.

Invitation for Waivers

- The Secretary intends to issue regulations to allow reasonable adjustments to the limitation on state administration expenditures to help states defray the costs of *ARRA* data collection requirements.

***IDEA*, Part B Fiscal Issues**

- An LEA may be able to reduce the level of state and local expenditures otherwise required by the *IDEA* LEA maintenance of effort (MOE) requirements. Generally, under section 613(a)(2)(C), in any fiscal year that an LEA's *IDEA* allocation exceeds the amount the LEA received in the previous year, under certain circumstances, the LEA may reduce the level of state and local expenditures by up to 50 percent of the amount of the increase, as long as the LEA uses those freed-up local funds for activities that could be supported under the ESEA. If an LEA takes advantage of this provision, the required MOE for future years is reduced consistent with the reduction it took, unless the LEA increases the amount of its state and local expenditures on its own. SEAs should encourage LEAs that can and do take advantage of this flexibility to focus the freed-up local funds on one-time expenditures that will help the state make progress on the goals in the SFSF program, such as improving the equitable distribution of effective teachers and the quality of assessments. SEAs will be expected to collect and report information on the use of the freed-up funds.
- Alternatively, an LEA may (or in some cases must) use up to 15 percent of its total *IDEA*, Part B Grants to States and Preschool Grants for early intervention services for children in grades K through 12 who are not currently identified as children with disabilities, but who need additional academic and behavioral support to succeed in a general education environment. However, an LEA may use only up to 15 percent of its allocation minus any amount (on a dollar-for-dollar basis) by which the LEA reduced its required state and local expenditures under section 613(a)(2)(C).
- State-level MOE may be waived under Part B of the *IDEA* by the Secretary of Education on a state-by-state basis, for a single year at a time, for exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of a state. LEA-level MOE may not be waived.

- With prior approval from the Secretary of Education, a state or LEA may count SFSF (but not *IDEA* recovery funds) under the *ARRA* that are used for special education and related services as non-federal funds for purposes of determining whether the state or LEA has met the *IDEA*, Part B MOE requirements. (See separate fact sheet on SFSF for more information.)

Accountability Principles

As with all federal funds, states and LEAs are responsible for ensuring that the *IDEA*, Part B recovery funds are used prudently and in accordance with the law.

- *ARRA* requires that recipients of funds made available under that act separately account for, and report on, how those funds are spent and the results of those expenditures.
- The President and the Secretary are committed to ensuring that *ARRA* dollars are spent with an unprecedented level of transparency and accountability. The administration will post reports on *ARRA* expenditures on the Recovery.gov Web site.

Additional Information

- The Department will provide updates as additional information becomes available regarding the details of the *IDEA* recovery funds.
- The Department will also provide further information on the government-wide data collection and reporting requirements as this information becomes available.

State Fiscal Stabilization Fund March 7, 2009

The State Fiscal Stabilization Fund (SFSF) program is a new one-time appropriation of \$53.6 billion under the *American Recovery and Reinvestment Act of 2009 (ARRA)*. Of the amount appropriated, the U. S. Department of Education will award governors approximately \$48.6 billion by formula under the SFSF program in exchange for a commitment to advance essential education reforms to benefit students from early learning through post-secondary education, including: college- and career- ready standards and high-quality, valid and reliable assessments for all students; development and use of pre-K through post-secondary and career data systems; increasing teacher effectiveness and ensuring an equitable distribution of qualified teachers; and turning around the lowest-performing schools.

These funds will help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The program will help ensure that local educational agencies (LEAs) and publicly funded institutions of higher education (IHEs) have the resources to avert cuts and retain teachers and professors. The program may also help support the modernization, renovation, and repair of school and college facilities. In addition, the law provides governors with significant resources to support education (including school modernization renovation, and repair), public safety, and other government services. The Department will award the remaining \$5 billion competitively under the "Race to the Top" and "Investing in What Works and Innovation" programs.

SFSF is a key element of the *ARRA* and is guided by the principles of *ARRA*.

Overview of *ARRA*

Principles: The overall goals of the *ARRA* are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of the *ARRA* will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance *ARRA's* short-term economic goals by investing quickly, and we must support *ARRA's* long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through college. Four principles guide the distribution and use of *ARRA* funds:

- a. **Spend funds quickly to save and create jobs.** *ARRA* funds will be distributed quickly to states, LEAs and other entities in order to avert layoffs and create jobs. States and LEAs in turn are urged to move rapidly to develop plans for using funds, consistent with the

law's reporting and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.

- b. **Improve student achievement through school improvement and reform.** *ARRA* funds should be used to improve student achievement, and help close the achievement gap. In addition, the SFSF requires progress on four reforms previously authorized under the bipartisan Elementary and Secondary Education Act and the America Competes Act of 2007:
1. Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;
 2. Establishing pre-K-to college and career data systems that track progress and foster continuous improvement;
 3. Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;
 4. Providing intensive support and effective interventions for the lowest-performing schools.
- c. **Ensure transparency, reporting and accountability.** To prevent fraud and abuse, support the most effective uses of *ARRA* funds, and accurately measure and track results, recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, *ARRA* funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.
- d. **Invest one-time *ARRA* funds thoughtfully to minimize the "funding cliff."** *ARRA* represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

Awarding SFSF Grants

- In order to help alleviate the substantial budget shortfalls that states are facing, the Department has developed a streamlined, user-friendly process for expeditiously providing to states SFSF allocations:
 - Sixty-one percent of a state's allocations will be on the basis of their relative population of individuals aged 5 to 24, and 39 percent will be based on relative shares of total population.
 - The Department will award SFSF funds to governors in two phases. To receive its initial SFSF allocation, a state must submit to the Department an application that provides (1) assurances that the state is committed to advancing education reform in four specific areas (described below); (2) baseline data that demonstrates the state's current status in each of the four education reform areas; and (3) a description of how the state intends to use its stabilization allocation.

- As part of its application for initial funding, the state must assure that it will take actions to: (a) increase teacher effectiveness and address inequities in the distribution of highly qualified teachers; (b) establish and use pre-K-through-college and career data systems to track progress and foster continuous improvement; (c) make progress toward rigorous college- and career-ready standards and high-quality assessments; and (d) support targeted, intensive support and effective interventions to turn around schools identified for corrective action and restructuring.
- Within two weeks of receipt of an approvable SFSF application, the Department will provide a state with 67 percent of its SFSF allocation.
- A state will receive the remaining portion of its SFSF allocation after the Department approves the state's plan detailing its strategies for addressing the education reform objectives described in the assurances. This plan must also describe how the state is implementing the record-keeping and reporting requirements under *ARRA* and how SFSF and other funding will be used in a fiscally prudent way that substantially improves teaching and learning.
- In the near future, the Department will issue guidance on the specific requirements that a state must meet to receive its phase two allocation. The Department anticipates that the phase-two funds will be awarded beginning July 1, 2009, on a rolling basis.
- If a state demonstrates that the amount of funds it will receive in phase one (67 percent of its total stabilization allocation) is insufficient to prevent the immediate layoff of personnel by LEAs, state educational agencies, or publicly funded institutions of higher education, the Department will award the state up to 90 percent of its SFSF allocation in phase one. In such cases, the remaining portion of the state's allocation will be provided after the Department approves the state's plan.
- Of the amount appropriated for the SFSF, the Department will use at least \$4.35 billion to make competitive grants under the "Race to the Top" fund. These grants will help states to drive significant improvement in student achievement, including through making progress toward the four assurances noted above.
- The Department will use up to \$650 million to make competitive awards under the "Invest in What Works and Innovation" fund. These awards will reward LEAs or nonprofit organizations that have made significant gains in closing achievement gaps to serve as models for best practices.

Funds to Restore Support for Education

- States must use 81.8 percent of SFSF funds for the support of public elementary, secondary, and higher education, and, as applicable, early childhood education programs and services.

- States must use their allocations to help restore for FY 2009, 2010, and 2011 support for public elementary, secondary, and postsecondary education to the greater of the FY 2008 or FY 2009 level. The funds needed to restore support for elementary and secondary education must be run through the state's primary elementary and secondary education funding formulae. The funds for higher education must go to IHEs.
- If any SFSF funds remain after the state has restored state support for elementary and secondary education and higher education, the state must award the funds to LEAs on the basis of the relative Title I shares but not subject to Title I program requirements.

Funds to Support Public Safety and Other Government Services

- States must use 18.2 percent of the SFSF funds for education, public safety, and other government services. This may include assistance for early learning, elementary and secondary education, and IHEs. In addition, states may use these funds for modernization, renovation, or repair of public school and public or private college facilities.

LEA and IHE Uses of Funds

- LEAs and IHEs should use funds consistent with the intent and overall goals of *ARRA*: to create and save jobs and to advance the education reforms set forth in the assurances section so as to produce lasting results for students from early learning to college. LEAs and IHEs are also encouraged to consider uses of funds that create lasting results without creating unsustainable recurring costs.
- Subject to limited restrictions in *ARRA* as defined in further guidance LEAs may use their share of 81.8% of the SFSF education funds for any activity authorized under the *Elementary and Secondary Education Act of 1965 (ESEA)* (which includes the modernization, renovation, or repair of public school facilities), the *Individuals with Disabilities Education Act (IDEA)*, the *Adult Education and Family Literacy Act (Adult Education Act)*, or the *Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act)*.
- Any funds that an LEA receives from the 81.8 percent of the SFSF program (whether distributed through the state's primary funding formulae or on the basis of the relative Title I, Part A) may be used for any activity listed in the above paragraph.
- LEAs may use SFSF to pay salaries to avoid having to lay off teachers and other school employees.
- To the extent LEAs use funds for modernization, renovation or repair, they should consider the use of facilities for early childhood education and for the community and should create "green" buildings.
- Subject to limited restrictions in *ARRA*, IHEs may use program funds for: (1) education and general expenditures, and in such a way as to mitigate the need to raise tuition and fees for in-state students; or (2) the modernization, renovation, or repair of IHE facilities

that are primarily used for instruction, research, or student housing. IHEs may not use funds to increase their endowments.

Fiscal Issues

- The Department strongly encourages governors to award or otherwise commit program funds as soon as possible after receipt of their grant awards. However, funds are available for obligation at the state and local levels until Sept. 30, 2011.
- As part of the state's application, each governor must include an assurance that the state will maintain the same level of support for elementary, secondary, and postsecondary education in FY 2009 through FY 2011 as it did in FY 2006. However, the statute authorizes the Department to waive this maintenance-of-effort requirement under certain conditions.
- With prior approval from the secretary of education, a state or LEA may count program funds used for elementary or secondary education as non-federal funds to maintain fiscal effort under Department of Education programs that have maintenance-of-effort requirements.

Accountability Principles

- The president and secretary are committed to spending *ARRA* dollars with an unprecedented level of transparency and accountability. Therefore, states and LEAs that receive SFSF should expect to report on how those funds were spent and the results of those expenditures. The administration will post reports on *ARRA* expenditures on the www.Recovery.gov Web site.
- The SFSF authorization also contains specific reporting requirements to help ensure transparency and accountability for program funds. For example, states must report to the Department on, among other things: (1) the use of funds provided under the SFSF program; (2) the estimated number of jobs created or saved with program funds; (3) estimated tax increases that were averted as a result of program funds; and (4) the state's progress in the areas covered by the application assurances.
- States must maintain records that will permit the Department to monitor, evaluate, and audit the SFSF effectively.

Additional Information

- In the near future, the Department will make available the SFSF grant application and provide detailed program guidance.
- If you have any questions or concerns, please e-mail them to: State.Fiscal.Fund@ed.gov.