

**To: Members of the Education and Cultural Affairs Committee**  
**From: Susan A. Gendron**  
**Commissioner of Education**  
**Re: Analysis of American Recovery and Reinvestment Act**  
**Date: February 18, 2009**

**The analysis provided below is an excerpt from a document prepared by the National Governor's Association. I have added additional information to clarify recent conversations with Governor Baldacci and the US Department of Education.**

## **EDUCATION AND WORKFORCE**

### **State Fiscal Stabilization Fund -- \$53.6 Billion Total**

\$53.6 billion in grants to governors for state fiscal relief to prevent cuts to key services, including \$39.5 billion to local schools and higher education institutions distributed through existing state and federal formulas, \$5 billion as incentive grants to states that make key performance measures, and \$8.8 billion to states for public safety and other government services, which may include education and education modernization, repair, and renovation.

- Funds are allocated to governors as follows (61% percent on the basis of population of individuals aged 5 through 24) and (39% percent on the basis of the total population. **The Recovery.Gov website timeline states that on February 19, 2009 Federal Agencies will begin to notify states what the dollar amounts will be for formula block grant.**
- “Use it or lose it” provision requires governor to sub grant or commit funds within 2 years of receipt of funds; the Secretary may reallocate funds to other states after this period.
- Funds may be used in state fiscal years 2009, 2010, and 2011. **(This provision will permit the Governor to restore the \$27,046,649 to General Purpose Aid for FY 2009 and to supplement GPA in 2010 and 2011.**
- Funds are available upon enactment.
- The Governor must submit an application to the Secretary of Education, at such time, and in such manner, and containing such information as the Secretary may reasonably require, including:
  1. Assurances (as described below);
  2. Baseline data on those assurances,
- Description of how the state will use the funds, including whether a state will use the federal funds to meet maintenance of effort requirements for ESEA and IDEA, and if so, what amount of funds will be used **Guidance is anticipated shortly from USDE on the use of the funds.**
- **Assurances and Requirements for Funds:**
  1. Maintenance of Effort: A state must maintain state support of K-12 education at least at the level of fiscal year 2006 in 2009, 2010, and 2011; and a state must maintain state spending on higher education at least at the level for fiscal year 2006 in 2009, 2010 and 2011 (excluding capital

projects, research and development, and tuition and fees paid by students).  
**Maine will be able to meet this requirement.**

2. **Teacher Effectiveness:** A state must take action to comply with Section 1111(b)(8)(C) of ESEA to ensure to address inequities between the distribution of teachers in high-and low-poverty schools, and to ensure that low-income and minority children are not taught at a higher rates than other children by inexperienced, unqualified, and out-of-field teachers.

**This requirement will be met with documentation Maine annually submits to US Department of Education regarding highly qualified teachers.**

3. **P-16 Data:** Establish a longitudinal data system that includes the elements as described in Section 6401(e) (2) (D) of the America COMPETES Act.

**Maine has a grant from the US Department of Education for this purpose and is currently developing a longitudinal data system.**

4. **Standards and Assessments:** Enhance academic assessments to comply with several ESEA provisions related to the inclusion of students with disabilities, limited English proficient students, and the provision of accommodations for those students to participate in assessments. And, take steps to improve state academic standards and student academic achievement standards. **Our assessment system has been approved by the US Department of Education for each of these groups. Maine's academic standards have been reviewed and approved by the USDE.**

5. **Corrective Action:** Ensure compliance with the corrective action requirements in Section 1116(a) (7) (C) (iv) and 1116(a) (8) (B).

- **State Reports:** Governors receiving state stabilization fund shall submit a report to the Secretary describing use of funds, how the funds distributed funds, the number of jobs saved or created, tax increases averted, progress to reduce inequities in the distribution of highly qualified teachers, progress to implement a state longitudinal data system, progress to develop a valid and reliable assessment for limited English proficient students and students with disabilities, the avoidance of higher education tuition and fees increases, and the extent to which higher education institutions of maintained, increased, or decreased enrollment of in-state students, and a description of each modernization, renovation, and repair project funded, and the project costs.
- **Fiscal Relief:** The Act provides governors will a number of regulatory changes to relieve fiscal burden and distress.
  1. Upon prior approval from the Secretary, a state or school district may treat state stabilization funds as non-federal funds for any requirement for any other federal education program related to maintaining fiscal effort. If approved, in addition, no state or school district will lose federal funds in the following fiscal year.
  2. The Secretary may waive or modify any requirement related to maintaining fiscal effort for a state or school district.
  3. A waiver or modification is available for fiscal year 2009, 2010, and 2011.

4. The Secretary may not approve a waiver for a state or school district that decreases the proportionate share of total revenue that is available to elementary and secondary education.

#### **Grants to Governors for Education -- \$39.5 billion**

A governor must use 81.8% of the state's allocation to support elementary, secondary, and postsecondary education, and as applicable, early childhood education programs and services. Elementary and secondary education is defined by the state.

- **The governor shall first use the funds to:**
  - (1) provide funds to K-12 education to (a) restore, in FY09, FY10, and FY11, the level of state support through the state funding formulae to the greater of FY08 or FY09; (b) and where applicable, to allow existing state formula increases to support K-12 in FY2010 and FY11 to be implemented and allow funding to phase in State equity and adequacy adjustments, if such increases were enacted prior to October 1, 2008; **and**
  - (2) to provide public higher education institutions in FY09, FY10, and FY11 the amount of funds needed to restore state support (excluding tuition and fees paid by students) to the greater of FY08 or FY09.
    - **Shortfall:** If the funds are insufficient to restore spending levels, a governor shall allocate funds between K-12 and higher education relative to the state shortfall.
    - **Excess:** After carrying out the above clauses, the Governor shall allocate funds to local education agencies relative to their Title I shares.
- Local education agencies must use the funds in accordance with ESEA, IDEA, Perkins, or for modernization, renovation, or repair of school facilities, including recognized green building rating systems.
  - K-12 school repair, modernization, or renovation must be consistent with state law.
  - LEAs may not use funds for payment of maintenance costs, stadiums or other athletic facilities, purchase or upgrade of vehicles, or improvement of stand-alone facilities whose primary purpose is not education of children.
- Public higher education institutions shall use funds to mitigate the need to raise tuition and fees for in-State students, or for modernization, renovation, or repair of higher education facilities that are primarily used for instruction, research, or student housing, including recognized green building rating systems.
  - HEA may not use funds for payment of maintenance systems, equipment, or facilities; modernization of athletic facilities; or facilities used for sectarian instruction or religious worship; or in which a substantial portion of the functions are subsumed in religious mission.

### **Grants to Governors for “Other Government Services” -- \$8.8 billion**

A governor must use 18.2% of the state’s allocation for public safety and other government services, which may include K-12 and HEA modernization, renovation, repair, including recognized green building rating systems.

- Funds may be used for any institution of higher education and a Governor may not consider the type of institution.
- K-12 school repair, modernization, or renovation must be consistent with state law.

### **State Incentive Fund -- \$5 billion**

\$5 billion is reserved for a new fund for the Secretary of Education to award incentive funds to those states that apply for funds.

- The Secretary shall decide which states receive grants and how much based on the following:
  - Funds are available to states that make significant progress on the above assurances, and the following items: state strategies to help struggling students meet state academic proficiency targets, and achievement and high school graduation rates as defined by ESEA and the new Title I regulations.
  - Each state must describe how funding would be prioritized for high-need schools and how the state will evaluate if progress is made in closing the achievement gap.
  - Each state receiving an incentive fund award shall use at least 50% of award sub grants to local education agencies, relative to Title I share.

### **Innovation Fund -- \$650 million**

Funds are reserved for the Secretary to recognize school districts, or partnerships between nonprofit organizations and State educational agencies, school districts, or one or more schools that have made achievement gains. Funds are distributed per the Secretary of Education.

### **K-12 Education**

Grants to states and local education agencies to support K-12 education will be provided through several existing federal-state programs, including:

- **Title I: \$13 billion** for formula Title I grants to local education agencies. (\$5 billion for Targeted grants under Section 1125 of ESEA, \$5 billion for Concentrated Grants to local education agencies under Section 1125A of ESEA, and \$3.0 billion for school improvement grants under Section 1003 (g). **The \$10 million will be distributed via formula to each school administrative district. The school improvement funds are for schools that haven’t made Adequate Yearly Progress for more than two years.**
- The conference report clarifies the intent of Congress is to use funds for school years 2009-2010 and 2010-2011, that states use some funds for early education programs and activities, and that the Secretary encourage states to use 40% of school improvement grants for middle and high schools.

- Every LEA receiving funds must report to the SEA a school-by-school listing of per pupil expenditures from state and local services, during the 2008-2009 academic years by December 1, 2009. SEAs must report this information to the Secretary by March 1, 2010.
- **The Recovery.Gov website timeline states that on February 19, 2009 Federal Agencies will begin to notify states what the dollar amounts will be for formula block grant. These funds are distributed through the Maine Department of Education via a pre-determined formula.**
- **Special Education: \$12.2 billion** for the Individuals with Disabilities Education Act (IDEA). Of that total, \$11.7 billion is for IDEA Part B section 611(5-20 year old) and 619 (3-5 year olds) grants to states; and \$500 million for Part C for Infant and Toddlers. If a state should reach its maximum allocation under Section 611(d)(3)(B)(iii), provision is made for the reallocation of funds to other states. The conference report clarifies the intent of Congress is to use funds for school years 2009-2010 and 2010-2011. **The Recovery.Gov website timeline states that on February 19, 2009 Federal Agencies will begin to notify states what the dollar amounts will be for formula block grant. These funds are distributed through the Maine Department of Education via a pre-determined formula.**
- **School Improvement Programs: \$650 million** for state and local education agency technology grants. The conference report indicates the intent of Congress that these funds be available for school years 2009-2010 and 2010-2011.
- **Teacher Incentive Fund: \$200 million** for the Teacher Incentive Fund for states and school districts to **develop and implement innovative principal and teacher compensation models** to support recruitment and retention efforts in high-need schools and subjects. A portion of funds are reserved for the Institute of Education Sciences to evaluate the impact of **performance based teacher and principal compensation systems** in high need schools and subjects.
- **McKinney-Vento Homeless Assistance Act: \$70 million** for the education of homeless students. (Each state will receive a grant that is proportionate to the number of homeless students identified during the 2007-2008 school year relative to the number of homeless children nationally.)

### *Higher Education*

- **Pell Grants: \$15.64 billion for Pell Grants** to retire the existing Pell Grant shortfall and increase the maximum Pell Grant award through a mix of discretionary and mandatory spending to \$5,350 (up from \$4,860) for the 2009-2010 school year.
- **Teacher Quality Enhancement, State Grants: \$100 million** for a **competitive grant** program for states to improve the quality of the teacher workforce, including reforms in the areas of alternative routes to teacher certification, teacher preparation, and teacher licensing.
- **College-Work Study: \$490 million** for colleges to support low and moderate-income undergraduate and graduate students who work while attending school
- **Student Aid Administration: \$60 million** for the U.S. Department of Education to administer the **student loan and aid** programs.

### **Preschool to College (P-16) Alignment**

- **Statewide Data Systems:** \$250 million for competitive grants to states to develop statewide longitudinal data systems. Up to \$5 million is reserved for state data coordinators and for awards to public or private organization or agencies to improve data coordination.

The Secretary of Labor will receive discretionary funding for competitive grants to states in the three following programs:

- **High Growth and Emerging Industry Sectors:** \$750 million is provided for worker training and job placement in high growth and emerging industry sectors. Of that amount, \$500 million is reserved to prepare workers for efficiency and renewable energy careers.
- **Dislocated Workers Assistance National Reserve:** \$200 million for national emergency grants, with an emphasis on serving areas of high unemployment or high poverty and providing the income and support services necessary for an individual to participate in job training.
- **YouthBuild:** \$50 million to help at-risk youth gain education and occupational credentials while building or rehabilitating affordable housing. The funds will supplement awards to existing programs and to expand a current competition. For program years 2008 and 2009, the program can serve youth who have dropped out of high school and re-enrolled in alternative school provided that reenrollment is part of a sequential service strategy.

The following would be new programs for communities, such as:

- **Sector Partnership Grant Program:** \$40 million in discretionary grants for each fiscal year 2009 and 2010 and \$10,000,000 for October 1-December 31, 2010.
- **Community College and Career Training Grant Program:** \$40 million in discretionary grants for each fiscal year 2009 and 2010, and \$10 million for October 1, 2010 – December 31, 2010 to develop, offer, or improve education and career training for eligible TAA workers

### **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 for construction of public school facilities. The Act authorizes \$11 billion annually for 2009 and 2010, with 40 percent of the allocation dedicated to large school districts

### **Qualified Zone Academy bonds (QZABs)**

The Act would allow an additional \$1.4 billion of QZAB issuing authority to State and local governments in 2009 and 2010, to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy.