

Federal Stimulus Funding for New York State

In February, Congress adopted and the President signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA is designed to provide funding to states and local school districts to avert layoffs and create jobs. The overall goal is to stimulate the economy in the short term and invest in education to ensure the long term health of our economy.

According to the United States Department of Education (USDE), four principles guide the distribution and use of these funds:

1. Spend funds quickly to avert layoffs and create jobs.
2. Improve student achievement through school improvement and reform.
3. Ensure transparency, reporting and accountability.
4. Invest funds thoughtfully to insure sustainability.

The ARRA provides three funding streams for education:

1. It creates the State Fiscal Stabilization Fund to provide funding to states to stop cuts in funding for school districts and higher education institutions.
2. It provides increases in Title I and IDEA directly to local school districts.
3. It creates a new fund to provide grants to states and local school districts for innovative programs.

State Fiscal Stabilization Fund

The stimulus included \$3B for New York State over the next two years to restore cuts to **K-12 education, higher education and other priorities**. The state must use \$2.5B to restore cuts in **education and higher education to 2008-09 levels**. Any additional funds, after restorations are complete, must be provided to local school districts through increases in state formulas or using the federal Title I formula. Local school districts and higher education institutions should use these funds to create and save jobs and to advance education reforms. The funds can be used on any activity authorized under Title I, IDEA, the Perkins Act or the Adult Education Act. The funds may be used to pay teachers and other personnel to avoid layoffs. The guidance from the USDE does not mention reducing property taxes as an allowable expense.

Governor Paterson has announced that the federal stimulus funds will be used to restore all cuts in K-12 education and the reduction in community college base aid. The state plans to use \$1.25B in each of the next two years for this purpose and to increase state formulas. The Legislature and Governor will include this funding in this year's State Budget.

Title I

The stimulus included a significant increase in Title I funding to be provided to school districts over the next two years. New York will receive \$906M in Part A and \$253M in school improvement funding. This funding will be distributed using the current Title I formula.

School districts will be required to comply with current maintenance of effort provisions, comparability requirements and supplement not supplant requirements. Continuation of these requirements appear to contradict the intent of Congress to allow school districts to use the funds to mitigate the impact of the loss of state and local revenues. School districts using the school-wide program option may have some flexibility to use these funds to replace reductions in local funds. However, it is not clear if this approach will allow these districts to meet the comparability requirements.

Allowable uses for the funds include:

- Supplemental instructional staff salaries and fringe benefits
- Professional development
- Supplies and materials
- AIS services to eligible non-public school students
- Parent involvement
- Equipment and contractual services
- Using longitudinal data systems to drive continuous improvement
- Reading or Math coaches
- Extended learning opportunities

IDEA

The stimulus included a significant increase in IDEA to be provided to school districts over the next two years. New York State is expected to receive \$794M. This funding will be distributed to local school districts through the current IDEA formula. These funds should be used to support the excess costs of serving students with disabilities.

School districts may use 50 percent of the increase in IDEA funds from the prior year to reduce local effort for these programs. In addition, these funds may be used to pay for the increased costs of the federal mandates to serve students with disabilities. Although maintenance of effort is not waived, these provisions should allow districts to use these funds to avert layoffs.

Race to the Top Grants

The federal stimulus provided the US Secretary of Education with a \$5B fund to provide grants to states and local school districts for innovative programs. The state grants will total \$4.35B with 10 to 12 states expected to receive funding. Grants will be made in the fall of 2009 and will help states to drive substantial gains in student achievement through:

- ✓ Raising standards;
- ✓ Improving data systems;
- ✓ Improving teacher effectiveness; and
- ✓ Supporting interventions in lowest performing schools.

More information will be forthcoming from the USDE. We expect New York State to apply for these funds. The grants will be made to the Governor. Competitive grants to local school districts will come from the remaining \$650M.