

American Recovery and Reinvestment Act (ARRA)



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ARRA

- \$787 Billion In Investments
 - Largest independent spending bill ever
 - Both direct spending and finance (tax related) provisions
 - Approximately 60% direct spending and 40% finance related
 - Over \$100 billion in new education spending, \$58.4 billion in finance provisions that will be used to support infrastructure construction, modernization, and renovation (all over two years through FY2011)

US Department of Education – Funding in Perspective

- FY08 ED received TOTAL appropriations of \$62,318,144,000
- ARRA appropriates \$100 Billion to ED - almost double its yearly budget in one allocation from Treasury
 - Amount is on top of their yearly funding

American Education – Funding in Perspective

- Approximately \$600 billion spent annually on American public education (local, state, and federal sources of funding combined).
- The Challenge of Handling ARRA
 - Significant new resources with need for effective administration and desire for transparency
 - New Administration – Understaffed Department



National Alliance for
Public Charter Schools

ARRA Education Spending

February 18, 2009

Department of Education American Recovery and Reinvestment Act (ARRA) (\$ in 000s)

Program	Discretionary Only			Enacted ARRA			
	Total	House 2009	2010	Total	Senate 2009	2010	2009
Title I Grants to local educational agencies	11,000,000	5,500,000	5,500,000	11,000,000	11,000,000	0	10,000,000
Targeted grants	5,500,000	2,750,000	2,750,000	5,500,000	5,500,000	0	5,000,000
Incentive grants	5,500,000	2,750,000	2,750,000	5,500,000	5,500,000	0	5,000,000
School improvement grants	2,000,000	1,000,000	1,000,000	1,400,000	1,400,000	0	3,000,000
Impact aid construction	100,000	100,000	0	0	0	0	100,000
Educational technology State grants	1,000,000	500,000	500,000	1,000,000	1,000,000	0	650,000
Education for homeless children and youths	66,000	33,000	33,000	70,000	70,000	0	70,000
Teacher incentive fund	200,000	200,000	0	0	0	0	200,000
Credit enhancement for charter school facilities	25,000	25,000	0	0	0	0	0
State fiscal stabilization fund	79,000,000	39,500,000	39,500,000	39,000,000	39,000,000	0	53,600,000
State grants	64,000,000	32,000,000	32,000,000	31,500,000	31,500,000	0	48,600,000 ¹
Incentive and innovation grants	15,000,000 ²	7,500,000	7,500,000	7,500,000 ²	7,500,000	0	5,000,000 ²
School modernization, renovation, and repair	14,000,000	14,000,000	0	0	0	0	0
IDEA Part B grants to States	13,000,000	6,000,000	7,000,000	13,000,000	13,000,000	0	11,300,000
IDEA Part B preschool grants	0	0	0	0	0	0	400,000
IDEA Part C grants for infants and families	600,000	300,000	300,000	500,000	500,000	0	500,000
Vocational rehabilitation State grants	500,000	250,000	250,000	500,000	500,000	0	540,000
Independent living	200,000	100,000	100,000	110,000	110,000	0	140,000
Federal Pell grants	15,636,000	15,636,000	0	13,869,000	13,869,000	0	15,640,000 ³
Federal work-study	490,000	245,000	245,000	0	0	0	200,000
Federal Perkins loans	0	0	0	61,000	61,000	0	0
Teacher quality enhancement	100,000	100,000	0	50,000	50,000	0	100,000
Higher education modernization, renovation, and repair	6,000,000	6,000,000	0	0	0	0	0
Statewide data systems	250,000	250,000	0	0	0	0	250,000
Student Aid Administration	50,000	50,000	0	0	0	0	60,000
Office of the Inspector General	14,000 ⁴	14,000	0	14,000 ⁴	14,000	0	14,000 ⁴
Total	144,231,000	88,803,000	84,428,000	80,674,000	80,674,000	0	98,784,000³

¹ Funds can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes.

² The Innovation Fund is \$650,000 thousand.

³ The discretionary level covers prior year shortfalls, provides additional amounts for 2010 Pell awards, and a \$500 increase in the maximum grant to \$5,350 in 2009. The ARRA also provides funds for the mandatory Pell shortfall of \$1,474,000 thousand.

Direct Spending on Education

- State Fiscal Stabilization Fund – New Programs
 - Incentive Grants
 - Innovation Fund
- Formula Dollars – Existing Programs
 - Title I
 - IDEA
 - Impact AID
 - McKinney-Vento
 - ED Technology State Grants
- Discretionary Grants – Existing Programs
 - Teacher Incentive Fund
 - Teacher Quality Enhancement Grants
 - State Wide Data Systems

State Fiscal Stabilization Fund

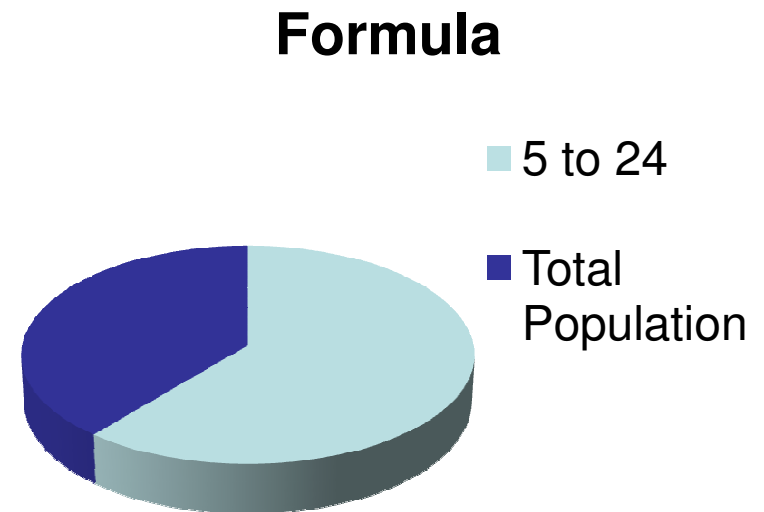
- State Fiscal Stabilization Fund = \$53.6 billion in total
 - More than half of ED's new funding
 - Primary purpose – shore up state budgets
 - Funds distributed to states which have until FY2011 to spend money
 - 81.8% of any state allocation **MUST** be spent on education

State Fiscal Stabilization Fund

- Governors have to apply for stabilization funding
- 5 key assurances **MUST BE MADE** to ED for funds:
 - 1) At least maintain FY06 funding levels for education
 - 2) Improve teacher effectiveness
 - 3) Establish a longitudinal data system
 - 4) Improve academic content and achievement standards
 - 5) “Corrective Action” and “Restructuring” compliance

State Fiscal Stabilization Fund

- Once approved, states receive stabilization funding based off of unique formula:
 - 61% will be based off of state's relative population ages 5 – 24
 - 39% will be based off of the state's relative total population compared to the country



State Fiscal Stabilization Fund

- State example: AZ can expect \$1,016,955,172 in stabilization funding
 - 81.8% must be spent on education...
= \$831,869,330
 - 18.2% support ANY government program...
= \$185,085,841

State Fiscal Stabilization Fund

- 81.8% for education *MUST* support elementary, secondary, and postsecondary education (as well as early childhood programs and services as applicable)
- Funds are to be distributed through *STATE FUNDING FORMULA*

State Fiscal Stabilization Fund

- Money can be spent over 2 years
- Funds are to restore education funding to *GREATER* of FY08 or FY09 Levels
- If able to restore funding to required levels, excess money distributed to LEAs
- If not able to restore funding, money proportionately distributed across cuts

State Fiscal Stabilization Fund

- 18.2% can support any state government service, including education, over 2 years
 - Fungible funding, if used for education can go to anything authorized under NCLB, IDEA, or Perkins Vocational ED Act

State Fiscal Stabilization Fund

- Within the Stabilization Fund, there are 2 subaccounts:
 - Incentive Grants and the Innovation fund
 - \$5 billion in total funding for these “Race To The Top Funds”

State Fiscal Stabilization Fund

- Incentive Grants – \$4.35 billion
- Distributed in FY2010 through grants to States to support broad reforms
 - 50% of any funding must go DIRECTLY to Local Education Agencies (LEAs)
- Governors apply for funds & must provide 4 additional assurances:
 - 1) Disadvantaged children making progress
 - 2) Achievement scores and graduation rates
 - 3) Priority to High Need LEAs
 - 4) Plan for evaluating states' efforts at closing the achievement gap

State Fiscal Stabilization Fund

- Innovation Fund - \$650 million, largest discretionary fund for a Secretary ever
- Direct grants to schools, LEAs, non-profits, or partnerships of eligible entities
- Goal of program – support successful models or programs closing the achievement gap

State Fiscal Stabilization Fund

- Advocacy is key for three portions of fund: 81.8%, 18.2% of stabilization funds, and Incentive Grants
- Innovation Funds are directly eligible to charters
- NAPCS is involved in discussions around guidance for programs now working on behalf of charters

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Formula Dollars

- Annually, charter schools that are their own LEAs complete their consolidated federal grants application (Sec. 1112 (a) of NCLB)
- If you complete this form in your state then you should receive a portion of the formula funds for which you are eligible

Formula Dollars

- Title I – Education for the Disadvantaged. In ARRA = \$13 billion
- Main federal education program, from original ESEA under LBJ in 1965
 - Funds go from Feds to State Education Agencies to Local Education Agencies
 - Feds allocate funds based off of Census data identifying children (5-17) in poverty by state
 - SEAs then adjust amounts to accurately distribute funding to LEAs (including charter LEAs)

Formula Dollars

- Title I in ARRA
 - Targeted Grants = \$5 billion
 - Funds flow to LEAs with 5% of population in poverty
 - Incentive Grants = \$5 billion
 - Funds flow to SEAs and then LEAs based off of a state's efforts to fund education compared to its wealth and per capita income and efforts SEA makes to equalize funding among LEAs
 - School Improvement Grants = \$3 billion
 - Funds flow to LEAs not making AYP, funds go to LEAs and schools farthest behind to fulfill school improvement plans

Formula Dollars

- Individuals with Disabilities Education Act (IDEA). In ARRA = \$12.2 billion of which \$11.3 billion is K-12 focused
- Federal program to assist additional costs of special education
- Distributed to SEAs based on formula that looks at poverty, cost of special education, and the percentage of the eligible population compared to the rest of the country
- Funds are then sub-granted to LEAs using version of the above formula

Formula Dollars

- Impact AID - \$100 million
 - Funding for LEAs or schools on federal lands or which educate significant numbers of children who live on federal lands (military primarily)
 - LEAs that have at least 10% federal lands within their boundary qualify
 - LEAs that education eligible children identify them in the number in their consolidated grant application

Formula Dollars

- McKinney-Vento: Education for Homeless Children and Youth. In ARRA = \$70 million
 - Federal assistance for children without a property tax base
 - Grants formula driven to states based on '07-08 number of homeless children identified by the state relative to national numbers
 - Funds are either *COMPETED* or formula driven to LEAs
 - Bill requires funds to be to LEAs within 180 days of passage

Formula Dollars

- Education Technology State Grants. In ARRA = \$650 million
- Funds distributed to states via formula based on Title I eligibility
 - 50% of funds CAN be competed out, at least 50% driven formula based off Title I to LEAs
- Funds support improving students technological capacity for the 21st

Formula Dollars

- Almost doubles formulaic funding for Department of Education
- Timeline TBD for distributing funds
- Regulations and guidance stipulate charters are to receive their equitable share if they are their own or are part of an LEA
- Alliance working to strengthen these even more in updated releases

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Discretionary Grants

- Teacher Incentive Fund (TIF). In ARRA = \$200 million
 - Federal program supporting development and implementation of merit based pay programs
- Competitive grant program by US Department of Education
 - LEAs, Non-profit organizations, and SEAs may apply

Discretionary Grants

- Teacher Quality Enhancement Grants in ARRA = \$100 million
- Program focused on improving ways teachers are recruited, prepared, licensed, and supported
- SEAs in partnership with either an Institute of Higher Education or an LEA (or all three) may apply

Discretionary Grants

- Statewide Longitudinal Data Systems
- State Education Agencies can apply for funds to support the design, development, and implementation of a statewide longitudinal data system
- Important for charters to be accurately accounted for in these systems

Discretionary Grants

- New sources of competitive funding for charters
- Most “charter friendly” fund is the Teacher Incentive Fund
- Alliance website will have information announcing competitions when they are opened

Finance Provision

- 4 bonding programs charters can tap into to support facility development
 - 2 previously existing programs: Qualified Zone Academy Bonds and New Markets Tax Credits
 - 2 new bond programs: Qualified School Construction Bonds and Economic Recovery Bonds

Finance Provisions

- Qualified Zone Academy Bonds (QZABS) = \$1.4 billion in new authorization for FY09 and FY10.
- QZABs are a form of tax credit bonds which offer the holder a federal tax credit (50%) instead of interest. QZABs flow to State and local governments.

Finance Provisions

- New Markets Tax Credit (NMTC) permits taxpayers to receive a credit against Federal income taxes for making equity investments in Community Development Enterprises which administer the funding.
- \$5 billion a year for 2008 and 2009 will be competed out to CDEs for usage.

Finance Provisions

- Qualified School Construction Bonds are a new category of tax credit bonds for construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a facility will be constructed
- \$11 billion a year in 2009 and 2010 distributed to state and municipal governments
 - Alliance working through guidance to ensure a proportionate amount shall be spent on charters

Finance Provisions

- Recovery Zone Bonds are a new category of tax credit bonds for investment in economic recovery zones (usually municipalities).
- States a share of the national allocation based on the state's job losses in 2008 as a percentage of national job losses in 2008.
- \$25 billion allocated to States which will sub-allocate funding to eligible zones
 - Funds can be used to invest in infrastructure, job training, education, and economic development

Finance Provisions

- Much to be determined with new programs
- For existing programs, new grants must be announced for Community Development Entities to compete for the funds

What NAPCS is Doing

- Working to ensure guidance stipulates fair treatment of charters
- Helping state associations understand what they can advocate for
- Keeping schools informed via website and enabling people to take action there

What Does it All Mean?

- Significant new resources for education
 - Great opportunity for reforms, but danger if dollars are mismanaged
- Schools need to stay informed of funding deadlines and opportunities announced mostly by SEA
 - Schools should report funding difficulties
- For the latest information on ARRA, check www.publiccharters.org