



Federal Economic Stimulus Package

On Tuesday, February 17, 2009, President Barack Obama signed into law the American Recovery and Reinvestment Act of 2009 (HR 1, Public Law No: 111-5). This legislation provides \$787 billion in funding and tax cuts to stimulate the national economy and create jobs by investing the funds over the next two years in critical sectors such as energy, health care, infrastructure and education.

According to estimates compiled by Christina Romer, Chair of the Council of Economic Advisors, and Jared Bernstein, Chief Economist for the Vice President, and released by the Obama Administration, HR 1 will have the following impact on California:

- Will create or save 396,000 jobs across the state for the next two years.
- Will make available a tax cut of up to \$800 for 12,420,000 workers and their families.
- Will give 522,000 families new assistance for college students through a \$2,500 partially refundable tax credit.
- Will provide an additional \$100 per month in unemployment insurance benefits to 2,395,000 workers who have lost their jobs.
- Will provide funding to modernize at least 1,200 schools.

The American Recovery and Reinvestment Act (ARRA) will provide approximately \$115 billion for public education to help school districts avoid layoffs and program cuts, increases funding for special education programs and the Elementary and Secondary Education Act (ESEA), and provides potential funding for school facilities repair and modernization projects.

Direct Funding for Education – Schools and districts will receive funding under these provisions through current federal funding formularies, unless otherwise specified as grants:

- \$13 billion for Title 1 of the Elementary and Secondary Education Act (ESEA) to help close the achievement gap and enable disadvantaged students to reach their potential. This includes \$10 billion for main Title 1 programs and \$3 billion for School Improvement Grants.

California's share of this funding will be approximately \$1.2 billion and \$377 million respectively. Local education agencies (LEAs) that receive these funds are required to submit 2008-09 site-level pupil educational expenditures from state and local sources to the State education agency (SEA) by December 2009. The SEA must then compile the information and submit it to the Secretary of Education by March 2010. It is not yet known when this funding will flow to states and then to LEAs.

- \$720 million for School Improvement Programs under Title II of ESEA. Of this, \$650 million is to be available for purposes of Title II and \$70 million is to be allocated for grants under the McKinney-Vento program to serve homeless youth.



- \$12 billion for Parts B and C of the Individuals with Disabilities Education Act (IDEA) to improve educational outcomes for disabled children. This level of funding will increase the Federal share of special education services to its highest level ever and is aid in preventing the mandatory costs of special education from forcing states to cut other areas of education.

The Funding for IDEA is to be utilized as follows: \$11.7 billion for Part B which includes \$11.3 for pupils ages 6-21 and \$400 million for children Ages 3-5. \$500 million is to serve children with disabilities age 2 and younger (Part C). California's share of IDEA funding will be approximately \$1.28 billion for Part B and Part C funding.

- \$5 billion for Early Childhood programs, including \$1 billion for Head Start, \$1.1 billion for the expansion of early Head Starts programs, and \$2 billion for childcare block grants to supplement, not supplant, state funding for child care assistance for low-income families. California should receive approximately \$220 million for the childcare block grant.
- \$2 billion for other educational programs, including funding for the expansion and improvements of longitudinal data systems, grants for teacher quality investments, technology grants, vocational rehabilitation, work study and Impact Aid.

State Stabilization Fund –This fund will provide \$53.6 billion which shall be administered by the Department of Education. After funding set-aside for outlaying areas, \$14 million for administration/oversight costs and \$5 billion for incentive grants, the Secretary of Education shall make grants to the Governors of each state. The state allocations are to be used as follows:

- 81.8 percent of a State's allocation shall be for the support of elementary, secondary and postsecondary education and, as applicable, early childhood programs. These amounts are to provide funding that are needed to restore in the 2009, 2010, and 2011 fiscal years the level of state program support that was the greater of the 2008 or 2009 levels.

Recent estimates put this amount of funding at \$39.5 billion nationally, of which California will receive approximately \$3.9 billion.

- 18.2 percent of the State's allocation shall be used for public safety and other government services, which may include assistance for elementary, secondary and postsecondary education, and for the modernization, renovation or repair of public school facilities. The funding for this provision is estimated at \$8.8 billion of which California should receive approximately \$800 million, based on a 10 percent average that the state normally receives.



- Local education agencies (LEAs) that receive these funds may use them for any activity authorized by ESEA, IDEA, the Adult and Family Literacy Act, the Carl Perkins Career and Technical Education Act or to modernize, renovate or repair school facilities.
- The Governor of a state must apply for these funds and make the following assurances in that application:
 1. Maintenance of effort (MOE) – the State must maintain State support for elementary, secondary and postsecondary at least at the 2006 fiscal year level.
 2. The state will take actions to improve teacher effectiveness and the distribution of highly qualified teachers between high and low poverty schools. It will establish a longitudinal data system to improve the collection and use of data and it will enhance the quality of its academic assessments. Lastly, the state will ensure compliance regarding the support of struggling schools.
 3. For State and LEAs that have experienced a precipitous decline in financial resources, the Fund does allow the Secretary of Education to waive or modify the MOE requirements.
 4. If a Governor fails to apply for the funds, a state legislature may pass a concurrent resolution to secure the funds.
 5. At this time there is no timeline for the application process or for funding disbursement. Further information is to be posted on the Department of Education’s website at www.ed.gov.
- Incentive Grants - \$5 billion is set-aside in the Stabilization fund for incentive grants that will be distributed on a competitive basis to states that are aggressively pursuing higher standards, quality assessments, robust data systems and teacher quality initiatives. This includes \$650 million to fund schools and non-profit organizations with strong track records of improving student achievement.

Medicaid Regulations

- Extends the current moratoria on Medicaid regulations for targeted case management, provider taxes, and school-based administration and transportation services through June 30, 2009.



Construction Funding: In addition to the repair and modernization funding provided in the State Stabilization Fund, ARRA provides the following:

- **Qualified School Construction Bonds** – This is a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments of \$400 million (\$200 million allocated initially in 2009 and the remainder allocated in 2010).
- **Qualified Zone Academy Bonds (QZABs)** – Increased bond allocations for the existing QZAB program, from \$400 million annually to \$1.4 billion for FY 2009 and \$1.4 billion for FY2010. QZABs can be used to finance school renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in a federally designated empowerment zone or enterprise community, and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest.

COBRA Payments: These provisions provide a subsidy of Consolidated Omnibus Budget Reconciliation Act (COBRA) health insurance premiums to laid-off employees.

- Employees who were laid off from September 1, 2008 through December 31, 2009 will be eligible for a 65 percent federal subsidy of their COBRA premiums.
- Beneficiaries would be entitled to a subsidy for up to nine months or until becoming covered by another employer's plan or for Medicare
- The subsidy is not available to those earning over \$125,000 per year or couples exceeding \$250,000.
- The subsidies are to be available starting March 1, 2009.

Accountability and Transparency: According to President Obama's budget chief, Peter Orzag, "The administration is committed to investing Recovery Act dollars with an unprecedented level of transparency and accountability so Americans know where their tax dollars are going and how they are being spent." ARRA requires numerous reports from local, state and federal entities. To address the accountability and transparency issue, the Administration has established the Recovery.gov website.

Recovery.gov will provide information about where the money from ARRA is going. There will be a number of ways to search for information – by federal agency, by state, by congressional district and by federal contractor.



The Office of Management and Budget. (OMB) which oversees Recovery.gov has begun to lay out various reporting and posting activities, including:

- By March 3, federal agencies must begin filing weekly reports of their stimulus spending activities to post on-line.
- Starting in May, every agency must begin providing plans detailing how the money is being spent.
- By July 10, every recipient of federal dollars will have to report how they have used the funds.



California School Boards Association

Other Resources:

Data impact information regarding ARRA www.whitehouse.gov/blog/

Accountability and Transparency www.recovery.gov

US Department of Education www.ed.gov

US Department of Education ARRA information:
<http://www.ed.gov/policy/gen/leg/recovery/index.html>

Us Department of Education ARRA funding levels by state and program:
<http://www.ed.gov/about/overview/budget/statetables/09arrastatetables.pdf>

ARRA education funding levels by state:
<http://edlabor.house.gov/documents/111/pdf/publications/ARRA-estimatedstateeducationfunding-20090213.pdf>

ARRA Title 1 and IDEA allocations by school district
<http://edlabor.house.gov/documents/111/pdf/publications/CALIFORNIA-20090213-HR1-LEAs.pdf>