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# Federal Stimulus Funding For K-12 Education

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LEGISLATIVE ANALYST'S OFFICE

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Education Finance





## California to Receive Large Boost in Federal Funding for Education



The American Recovery and Reinvestment Act will provide California almost \$8 billion in state-administered education funding.

*(In Millions)*

Program	Funding	Description
<b>State Fiscal Stabilization Fund</b>		
Education	\$4,875 <sup>a</sup>	Generally mitigates K-12 and higher education cuts.
State Incentive Grants	— <sup>b</sup>	Competitive program supports states that demonstrate need in certain education areas (including teacher quality, student data systems, and assessment systems) and presents innovative ways to address those needs.
Subtotal	<u>(\$4,875)</u>	
<b>K-12 Education</b>		
Title I	\$1,511 <sup>c</sup>	Supplemental services for low-income students and support for low-performing schools.
Individuals With Disabilities Education Act	1,268	Supplemental services for special education students.
Child Care and Development Block Grant	220	Approximately \$28 million is earmarked for specific activities. The rest must supplement state funding for child care for low-income families.
Enhancing Education Through Technology	71	Classroom use of technology. Funds may be used for hardware, software, infrastructure improvement, and professional development.
McKinney-Vento Homeless Assistance	18	School districts' efforts to educate homeless youth.
Child Nutrition	10	Assistance to high-need districts in purchasing meal-related equipment.
Institute of Education Sciences Grant	— <sup>b</sup>	Competitive program to help state develop/expand a statewide longitudinal student database.
School Construction Subsidies	— <sup>b</sup>	Tax credit bonds for public school construction or repair.
Qualified Zone Academy Bonds	— <sup>b</sup>	Interest-free tax credit bonds for qualified infrastructure efforts.
Impact Aid	— <sup>b</sup>	Facility cost funding for districts with high percentages of students living on federal land.
Title V Innovation and Improvement	— <sup>b</sup>	Competitive program to help districts and states develop performance-based compensation systems for teachers and administrators. Funds do not pass through state.
Subtotal	<u>(\$3,098)</u>	
<b>Total Education Funding</b>	<b>\$7,973</b>	
<sup>a</sup> An additional \$1.1 billion is provided for other government services. <sup>b</sup> Total benefit for California is unknown at this time. <sup>c</sup> Consists of \$1.1 billion in basic grants, \$45 million in Program Improvement Grants, and \$383 million in School Improvement Grants.		



## **Deteriorating Budget Situation: Use Federal Education Funding for State Fiscal Relief**

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### **Updated Revenue Forecast:**

- ☒ Updated state revenue estimates show:
  - General Fund revenues down \$8 billion in 2009-10, with an accompanying drop in the Proposition 98 minimum guarantee of \$3.6 billion.
  - A General Fund operating shortfall of \$12.6 billion in 2010-11.

### **Overarching LAO Recommendations for Using Federal Education Funding:**

- ☒ Use federal funds to mitigate additional 2009-10 cuts.
- ☒ Use federal funds to address 2010-11 shortfall.



## Summary of Education Options for Achieving State Fiscal Relief



Almost \$7 billion in potential federal offsets across three-year period.

*(In Millions)*

Program	State Fiscal Year			Totals
	2009-10	2010-11	2011-12	
Education Stabilization Funds	\$3,321	\$1,554	—	\$4,875
Title I, Basic Grants	—	946	\$182	1,128
Title I, School Improvement Grants	—	192	192	383
Individuals with Disabilities Education Act (IDEA), state special schools	85	85	85	256
IDEA, residential placements	59	65	72	196
<b>Totals</b>	<b>\$3,466</b>	<b>\$2,842</b>	<b>\$531</b>	<b>\$6,838</b>



## Fiscal Stabilization Funding for Education

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### Major Provisions:

- ☒ California to receive almost \$5 billion in stabilization funding for education.
  - Two-thirds of funding expected by mid-to-late April 2009, with the remainder expected by the end of September 2009.
- ☒ As a condition of receiving funding, states must:
  - Meet maintenance-of-effort (MOE) requirement—state support for education must remain at or above 2005-06 level.
  - Adhere to certain “relative shortfall” rules that govern how funds are to be allocated across K-12 and higher education. Shortfalls measured as the difference between actual funding and target funding (the higher of the 2008 and 2009 levels).

### LAO Recommendations:

- ☒ **Budgetary Action**
  - Use funds to maximize state General Fund relief in 2009-10 and 2010-11.
- ☒ **Oversight**
  - Work with administration in developing stabilization plan.



## State Incentive Grants

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### Major Provisions:

- ☒ Nationwide, \$5 billion set aside for K-12 incentive grants. Of this amount, states are eligible for \$4.4 billion.
- ☒ Grants to be awarded on a competitive basis.
- ☒ Grants must be used to improve academic achievement, especially at low-performing districts.
- ☒ Recipients to receive 30 percent of the grant award by December 2009, with the remainder expected by July 2010.
- ☒ At least 50 percent of state grant funding must be distributed to districts based on their Title I counts.

### LAO Recommendations:

- ☒ **Oversight**
  - Work with administration and the California Department of Education (CDE) to develop state application.
- ☒ **Budgetary Action**
  - Might be able to use funding to restore cuts to certain education programs serving at-risk students.



## Title I Funding

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### Major Provisions:

- ☒ California to receive \$1.5 billion in additional Title I monies.
  - \$1.1 billion in formula grants.
  - \$45 million in set-aside funds for Program Improvement (PI).
  - \$383 million in School Improvement Grants (SIGs).
- ☒ Half of the funding is expected by the end of March 2009, with the other half expected by the end of September 2009.
- ☒ Existing federal rules apply.
  - Formula grants to provide supplemental services for low-income students.
  - Set-aside and SIG funds to provide support for PI schools and districts.

### LAO Recommendations:

- ☒ **Budgetary Action**
  - Reserve new Title I funding. Could use to fund Title I component of state Economic Impact Aid, thereby achieving state General Fund savings.
  - Use set-aside funding to benefit all schools serving low-income students—spread broadly based on Title I counts.
  - Reserve new SIG funding. Could use to support Quality Education Investment Act schools, thereby achieving state General Fund savings.
- ☒ **Oversight**
  - Work with CDE and administration in developing new PI/SIG plan.



## Special Education Funding

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### Major Provisions:

- ☒ California to receive \$1.3 billion in additional Individuals with Disabilities Education Act (IDEA) monies.
  - \$1.2 billion available for K-12 education.
  - \$41 million available for preschool.
- ☒ Half of the funding expected by the end of March 2009, with the other half expected by the end of September 2009.
- ☒ Existing rules apply—funds must be used to ensure special education students receive free and appropriate education.
- ☒ Up to 50 percent of new IDEA monies can be used to reduce local MOE requirement, thereby freeing up local resources for other education priorities.

### LAO Recommendations:

- ☒ **Budgetary Action**
  - Use \$520 million to pay retroactive special education mandate claims associated with developing/implementing behavioral intervention plans.
  - Reserve some IDEA funding. Could use to support state special schools and residential costs for special education students, thereby achieving state General Fund savings.





## Education Technology Funding

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### Major Provisions:

- ☒ California could receive two streams of funding for education technology:
  - \$71 million for Enhancing Education Through Technology (EETT), which provides funds to districts for hardware, software, infrastructure improvement, and professional development.
  - A few million dollars via a competitive state-level grant intended to enhance statewide longitudinal student data systems.
- ☒ Half of the funding expected by the end of July 2009, with the other half expected by the end of September 2009.

### LAO Recommendations:

- ☒ **Oversight**
  - Work with CDE and higher education to develop plan/application for state-level grant to enhance the California Longitudinal Pupil Achievement Data System (CALPADS).
- ☒ **Legislation**
  - Designate new EETT funds for helping districts implement data best practices for improving the quality of CALPADS.
  - If receive state grant, authorize expansion of CALPADS to include preschool and postsecondary information.



## School Construction Funding

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### Major Provisions:

- ☒ California estimated to qualify for about \$3 billion in new subsidized school construction bonds.
- ☒ Large school districts with high Title I counts receive first priority for bonds.
- ☒ Federal government to pay all interest on bonds.
- ☒ Bonds may be issued by the state or directly by school districts for:
  - Construction, renovation, or repair of school facilities.
  - Acquisition of land on which school facilities will be built.

### LAO Recommendations:

- ☒ **Oversight**
  - Work with Office of Public School Construction and/or Treasurer to ensure bond funds are used appropriately.



## Summary of All LAO Recommendations for K-12 Education

Provision	Potential General Fund Savings	Legislative Involvement	Action
<b>K-12 Education</b>			
Fiscal Stabilization	X	Budgetary Action	If needed, use stabilization funding to mitigate cuts.
State Incentive Grants	X	Budgetary Action Oversight	If needed, use grant funding to mitigate cuts. Ensure funding supports highest priorities.
Title I, Formula Grants	X	Budgetary Action	If needed, use more federal/less state funding to support low-income students (reduce Economic Impact Aid to realize savings).
Title I, Program Improvement		Budgetary Action	Spread "excess" funding broadly among Title I schools.
School Improvement Grants (SIGs)	X	Budgetary Action	If needed, use SIG funding to support Quality Education Investment Act schools, reduce General Fund appropriation to realize savings.
Individuals With Disabilities Education Act (IDEA)	X	Budgetary Action	Apply funds toward outstanding special education mandate claims.
IDEA	X	Budgetary Action	If needed, use new IDEA funding to support State Special Schools, reduce General Fund appropriation to realize savings.
IDEA	X	Budgetary Action	If needed, use new IDEA funding to support residential placements, reduce General Fund appropriation to realize savings.
Enhancing Education Through Technology		Legislation	Use for various local California Longitudinal Pupil Achievement Data System (CALPADS)-related activities.
Statewide Education Database Grant		Legislation	Use for various state-level enhancements to CALPADS.
Subsidized school construction bonds		Oversight	Ensure bond funds used appropriately.
Qualified Zone Academy Bonds		Oversight	Ensure bond funds used appropriately.
Impact Aid		Budgetary Action	Authorize funding for existing program.
McKinney-Vento Homeless Assistance		Budgetary Action	Authorize funding for existing program.
Child Nutrition Equipment		Budgetary Action	Authorize funding for new program.
Teacher performance-based compensation grants		Legislation	If desired, state could apply for grant.