budget advisory

CSBA
April 2009

The American Recovery and Reinvestment Act (ARRA) of 2009

Overview and Implications for California Schools | *The first in an occasional series of advisories on ARRA*

Overview

The American Recovery and Reinvestment Act was signed into law on February 17, 2009. The act allocates roughly $100 billion to education nationally, with about $8.6 billion expected to be allocated to California. As a point of reference, California schools currently receive $3.3 billion in federal aid for such programs as Title I, the Individuals with Disabilities Education Act and the Perkins Act (vocational education). Thus, the ARRA marks a significant increase in federal investment in public schools, albeit on a one-time basis. The funds are only available for use over the next two school years—2009-10 and 2010-11.

This advisory is intended to lay out the basic provisions of the ARRA and provide guidance regarding some critical factors that must be considered as school districts examine how to best use the ARRA resources in this current budget climate. Specifically, the following elements are discussed:

Background

Over the next several months, many details about ARRA will emerge through guidelines from the United States Department of Education. Additionally, while some of the available resources will flow to districts/county offices of education based on existing program formulae (e.g., Title I and NCLB), there are other ARRA resources that require applications by state governors. At this time, it is not known how Governor Schwarzenegger will approach those applications and how they will impact school districts that receive ARRA funds. Also unknown is the extent to which the California Legislature will insert its priorities in the use of ARRA funds. As this information becomes available, CSBA will provide information to help districts/county offices make the best decisions for their students.

For schools, the ARRA provides resources in three primary categories:

1. **Title I.** The Title I allocation to California will increase by about $1.2 billion (nearly double the current allocation). Money will flow in the same manner in which it is currently allocated to districts/county offices and may be used for the purposes outlined in Title I.

2. **IDEA.** The IDEA allocation to California will increase by roughly $1.3 billion, which is roughly double the current allocation. These funds will also flow in the same manner in which they are currently allocated. Local education agencies may use up to 50 percent of these dollars to offset local general fund encroachment for IDEA.

3. **State Fiscal Stabilization Fund.** This new program, with roughly $5.9 billion to be directed to California schools, is intended to restore funding levels for schools to the FY 2008 or 2009 levels, whichever are greater. Governors must apply for SFSF funds and describe how the funding will be used in a fiscally prudent manner that substantially improves teaching and learning. A subset of the SFSF money will be set aside for a program called "Race to the Top," which is geared towards helping states make substantial gains in student achievement. Another smaller subset of funds will be available on a competitive basis for districts/county offices and non-profit organizations that have demonstrated effective strategies in improving student achievement. More details on these two subsets of SFSF are forthcoming from the USDOE.

In addition to Title I, IDEA and the SFSF, additional resources will be provided for Impact Aid Construction, Educational Technology State Grants, Education for Homeless Children and Youths, Head Start, Vocational Rehabilitation State Grants and Federal Work Study.

This unprecedented infusion of additional resources provides great opportunity for districts/county offices. However, districts must proceed with great diligence and caution to ensure that the resources are not only spent in ways that can enhance student achievement, but provide flexibility to redirect resources if there is a loss of state revenue in the next two fiscal years.

Board policy implications

The full implications of ARRA as it relates to local board policy are not yet known. For some programs, including Title I and the Individuals with Disabilities Education Act, the current statutory and regulatory requirements continue to apply; thus, no immediate changes in policy are anticipated.

However, the temporary COBRA subsidy for employees who were laid off between September 1, 2008, and December 31, 2009, comes with new notification and reporting requirements for districts/county offices that must be dealt with immediately. Districts/county ofices need to identify whether any former employees are eligible for the subsidy and send them a notice by April 18 containing details about the availability of the subsidy. Model notices have been prepared by the U.S. Department of Labor and are available at www.efast.dol.gov/ebsa/COBRAmodelnotice.html. Further information is available in CSBA's March issue of Governance and Policy Services News at www.csba.org/NewsAndMedia/Publications/Other%20Newsletters/GPSNews.aspx.

For new appropriations such as the State Fiscal Stabilization Fund, potential policy changes will depend on how the state chooses to implement the funds. CSBA will continue to monitor the implementation of the ARRA and will revise CSBA sample board policies and administrative regulations as necessary once the state plan is revised and further guidance is issued. In the meantime, districts are encouraged to keep detailed records of how the district is spending ARRA funds, including separate budget tracking and specific information that details how the funds support the broad goals of the initiative.

Layoffs and restorations of laid off positions

In accordance with statutory requirements, many districts issued preliminary layoff notices to certificated employees on March 15. Throughout April, due process hearings before an administrative law judge will be held and a proposed decision will be sent to districts by May 7. Before May 15, boards must adopt a final decision and send affected employees a final layoff notice.

There has been much discussion about whether layoff notices should be rescinded because of the additional revenues resulting from the ARRA. CSBA urges members to be extremely cautious before rescinding layoff notices prior to May 15 or restoring positions after May 15, in part because of the considerable uncertainty which remains about the funding—how much will be received, and what it may be used for. In addition, because this is one-time funding, districts/county offices should be extremely cautious about using it for ongoing purposes such as staffing. Further, the Legislative Analyst's Office believes that the recently enacted state budget is already in an $8 billion deficit for the remainder of 2008-09 and 2009-10. If the ballot measures on the May 19 ballot are not approved, that deficit will grow much larger. Thus, even, with additional revenues from ARRA, districts may have no choice but to lay off employees.

Education Code section 44955.5 provides for an "alternative layoff procedure" which specifies that in any year that the district's total revenue limit per unit of ADA has not increased by at least 2%, the board may initiate a layoff of certificated employees. This authority commences beginning five days after passage of the state budget act and ends on August 15. However CSBA strongly urges members not to rely on this section when deciding whether to restore certificated positions, for the following reasons:

- If the district/county office has already incurred the expense and trouble to initiate a layoff and later rescinds the layoff or restores positions because of ARRA funds, it is possible that the ARRA funds will still be insufficient to close the gap created by the state's growing budget shortfall. Thus, the district/county office, which had already held a due process hearing, would be forced to begin the entire process over again—including new notices, and another hearing process. Districts/county offices would incur additional expenses, and staff morale problems and uncertainty will be increased at the beginning of the school year.

- Boards may not know if their district/county office meets the 2% revenue limit requirement by August 15. Although the state budget has been adopted, revenues are continuing to fall and the adopted budget is dependent on the results of the May 19 election. It is possible that state budget negotiations will need to be opened up again.

  Because the state budget is usually not resolved by August 15, this "alternative procedure" has rarely, if at all, been used by any district/county office. Legal challenges of all types are likely.

Demonstrated improvements in student achievement

Four principles guide the distribution and use of ARRA funds:

a. Spend funds quickly to save and create jobs.

b. Ensure transparency, reporting and accountability.

c. Invest one-time ARRA funds thoughtfully.

d. Advance effective reforms to improve student achievement.

At the heart of the economic stimulus package is a tough choice for educators: Should states and local school districts use the $100 billion increase in federal aid to backfill massive budget cuts, save jobs and stimulate the economy; or should they advance reforms to improve student achievement and close the achievement gaps?

The key point for boards to consider is that ARRA calls on schools to do both. In fact, Education Secretary Arne Duncan has stated, "If all we do is use the stimulus money to invest in the status quo, we're not going to get to where we need to go. We're not going to get close." The first wave of education funding in the economic recovery package is expected to do more than prevent teacher layoffs and fill budget gaps. In order to receive the funds, states must commit to reforms. Because the USDOE is not releasing all of the recovery funds at once, how states use the money to drive these reforms could affect the resources they receive in the next wave of funding.

States that receive funding will need to make assurances regarding their commitment to:

1. Make progress toward rigorous college and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;

2. Establish pre-K-to college and career data systems that track progress and foster continuous improvement;

3. Make improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need; and

4. Provide intensive support and effective interventions for the lowest-performing schools.

While these assurances must be made by states, there are significant implications for local schools. Teacher effectiveness and distribution between sites is a function of local districts and collective bargaining agreements. And, while the state is required to make the four aforementioned assurances, one of the overall principles of ARRA is to advance effective reforms to improve student achievement. Most of these reforms will need to be developed locally. Consequently, districts must be examining how to use these ARRA funds to accelerate student achievement and close achievement gaps.

While it is not yet known how California will make its assurances and what impact those assurances will have in creating obligations for local districts, it is not too early for districts to begin examining ways in which the ARRA dollars could most effectively be used to accelerate student achievement. Following are some considerations for districts as they begin to examine how to augment their educational program with ARRA funds.

Data. States that apply for the ARRA funds must show that they will establish or improve their statewide P-16 education longitudinal data systems by:

- Improving the rigor and quality of content knowledge requirements and assessments;

- Ensuring that students are prepared to succeed in postsecondary endeavors; and

- Enabling states to have valid and reliable information to inform education policy and practice.

While the state will be examining state data systems, ARRA resources provide a great opportunity for districts to invest in their own data systems. These locally-developed systems can delve much more deeply into the elements of teaching and learning that will never be captured in a state system, such as the inclusion of district-level formative assessment data, attendance/tardiness, staff attendance, transcript information, AP exam scores, etc., that can help inform instruction and policy at the school and district level. An effective data system can provide real time data to teachers, parents, and students.

Teacher and principal quality. ARRA provides an opportunity for districts to examine and implement ways to ensure that the best teachers and principals are at the schools and classes within schools that need them most. This is also an excellent time to examine what types of staff development are most effective and how the district/county office can sustain an effective professional development program after the ARRA resources have expired.

Lowest performing schools. While the state will examine its leverage to provide support to low performing schools, districts/county offices can also use the ARRA dollars to provide intensive intervention for its lowest performing schools. Districts/county offices might consider using the funds to scale up strategies that are working around the country, including:

- providing opportunities during the school day for teachers to collaborate and work as a team;
- expanding instructional time to ensure students have access to not only a rigorous core curriculum but also the arts, sports, debate teams;
- developing schools as community centers, as a resource to the neighborhood where parents can improve their literacy skills, connect with teachers and other parents and access services; or,
- provide opportunities for students in these schools to go beyond their communities, such as getting 4th, 5th, and 6th graders on college campuses so they can envision themselves there.

These additional resources also provide districts and school boards with an opportunity to change practices that still exist as a result of historical practice, but are now in the way of accelerating student achievement.

Transparency

ARRA specifically requires states to develop rigorous reporting requirements beyond what is typically required by other federal programs. It is expected that these reporting requirements will not only require districts to clearly detail how the ARRA funds were spent, but also to link those local allocations to improved student achievement. With all of the attention given to how "bail out" money for AIG, banks and the auto industry were spent, schools should anticipate the same level of scrutiny for how these ARRA dollars are utilized. Not only will districts need to develop a clear theory of action for how these one-time investments are intended to improve student achievement, they will need to account for how the money is spent and the outcomes achieved. The long-term impact of this transparency is critical. The public is not likely to support additional investments in education in the future if it does not feel confident that school districts were good stewards of these additional resources.

Additional resources

United States Department of Education (ARRA law, USDOE guidelines, etc)

www.ed.gov/policy/gen/leg/recovery/implementation.html

California Department of Education

www.cde.ca.gov/fg/aa/ar/

National School Boards Association

www.nsba.org/MainMenu/Advocacy/FederalLaws/FederalFunding/Stimulus.aspx

Addendum—Timelines

Program	Funding to California	Distribution method	Timeline for funding availability
State Fiscal Stabilization Fund (SFSF) to restore state support for elementary and secondary education to the greater of FY 2008 or FY 2009 and other high priority services States must submit yearly reports that describe the use and distribution of funds, including the number of jobs saved or created, progress in addressing the inequities in the distribution of HQTS, implementation of a state longitudinal data system, developing and implements assessments for ELs and special education students.	$5.96 billion	Application by governor including assurances pertaining to maintenance of effort of state support, achieving equity in teacher distribution and quality, establishing a longitudinal data system, enhancing assessments for EL's and special education students, and supporting struggling schools. **Funding to be used as follows:** 81.8% for K-20 education and preschool ($4.875 billion) 18.2% for other government purposes ($1.084 billion)	67% of the SFSF by the end of March or early April 2009 and within two weeks of receipt of an approved application. Remaining funds (33%) will be made available between July and October 2009 and upon approval of a more detailed state application.
State Incentive Grants—"Race to the Top" Grants—the USDOE will conduct a national competition among states provide grants to improve education quality and results statewide. These funds are to help states drive substantial gains in student achievement by supporting states making dramatic progress on the four reform goals in ARRA.	$4.35 billion (nationally)	Competitive application process with the selection by the U.S. Secretary of Education	Awarded in two rounds fall 2009 and spring 2010
Local Innovation Funds—"Invest in What Works and Innovation" Fund—to recognize LEAs and partnerships that have made significant gains in closing achievement gaps, exceeded annual student performance objectives or significantly increased academic achievement of all groups, improvement graduation rates, increased recruitment and placement of HQTs	$650 million	Competitive application process with grants awarded by the US Secretary of Education	Awarded in two rounds fall 2009 and spring 2010
Title 1, Part A basic grants to LEAs to help disadvantaged students meet state academic standards.	$1.128 billion	Current funding formula	50% by the end of March 2009 50% between July and October 2009
Title I, School Improvement Grants to assist schools in Program Improvement. States are encouraged to use 40% of the funds for middle and high schools.	$383 million	Competitive grant process	Available in the fall of 2009

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IDEA, Part B (ages 6-21) for services to students with disabilities.	$1.227 billion	Current funding formula	50% by the end of March 2009 50% between July and October 2009
IDEA, Part B (ages 3-5) for services to preschool aged children with disabilities.	$41.028 million	Current funding formula	50% by the end of March 2009 50% between July and October 2009
IDEA, Part C (birth to age 2) for services to disabled children.	$53 million	Current funding formula through the CA. Department of Developmental Services	50% by the end of March 2009 50% between July and October 2009
Education for Homeless Youth (McKinney-Vento Funds) for grants to eligible LEAs for provides services to homeless children, youth and families.	$18.138 million	Current funding formula	Available by the end of March 2009
Impact Aid Construction to support school construction in LEAs that education federally connected students or federally owned land.	$1.428 million	40% distributed by formula 60% distributed by competitive grant	Available by the end of March 2009 Available at a later date
Education Technology for technology hardware, software application, professional development and related instructional technology staff.	$70.8 million	Current funding formula	Available in the fall of 2009
Teacher Incentive Fund to develop and implement innovative strategies that provide financial incentives to recruit and retain teachers/principals who raise student achievement.	$200 million (nationally)	Competitive grants to school districts, states and partnerships	Available in the fall of 2009
Teacher Quality Enhancement Grants to reform teacher licensing and certification requirements to provide alternative methods of teacher preparation and routs to certification	$100 million (nationally)	Competitive grants to states that will be administered by Institutions of Higher Education within the state	Available in the fall of 2009
Statewide Data Systems to design, develop, and implement longitudinal data systems to manage, analyze, disaggregate and use individual student data.	$250 million (nationally)	Competitive grants for states	Available in the fall of 2009

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Program	Funding to California	Distribution method	Timeline for Funding Availability
Head Start funds to improve and expand local programs.	$82.495 million	Allocated to Head Start Agencies by the US Dept. of Health & Human Services	(information on fund availability not yet known)
Early Head Start funds to expand programs of which up to 10% shall be available for training and assistance.	$1.1 billion (nationally)	Competitive grant process from the US Department of Health & Human Services	(information on fund availability not yet known)
Child Care and Development Block Grant to supplement state funds for child care assistance for low-income families.	$220.274 million	Current funding formulary	(information on fund availability not yet known)
Child Nutrition Equipment Grants to school food authorities based on the need for equipment assistance.	$12.86 million	Competitive grants from the state to schools with priority given to schools with not less than 50% of the students qualifying for free or reduced cost meals.	US Department of Agriculture recommends that the funds be expended to schools by June 8, 2009.