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MEMORANDUM

DATE: January 26, 2009
TO: TechMIS Subscribers
FROM: Charles Blaschke
SUBJ: Special Stimulus Funding Alert

Attached is our analysis of the proposed stimulus package for K-12 education approved by the House Appropriations Committee last week. While the Senate version has not been released, it most likely will be fairly similar even though it may ask for more funding for certain programs. If the package is passed and signed off by President Obama by mid-February, funding for some of the components could be in the hands of some of the districts by May-June with most of the remaining funding for formula components such as Title I and IDEA being allocated in July. As developments occur, we will be sending you updates. Please call me directly if you have any questions.

Sincerely,

Charles

Special Funding Alert: Preliminary Analysis of Proposed Economic Stimulus House Bill for Education

A Technology Monitoring and Information Service (TechMIS)

SPECIAL FUNDING ALERT

Prepared by:

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January 26, 2009

On January 15th, the House Appropriations Committee released the proposed American Recovery and Reinvestment Economic Stimulus package with some details about the proposed education components, the amount of funds, and how the funds would be allocated to states and/or school districts. In addition to the \$41 billion “Education for the 21st Century” component (see Exhibit A) and the \$14 billion “Modernization” component, funding from other components could be allocated to districts according to overall state priorities and formulas. K-12 schools could receive more than \$100 billion out of the overall stimulus package funded at \$825 billion. While the Senate stimulus version will likely ask for more funding for certain components (e.g., IDEA), several of the details as to how the funds will be allocated and allowable uses will likely not change much because the Obama team developed the House version working closely with House and Senate leadership. Below is our preliminary analysis of some of the components that could benefit TechMIS subscribers and some suggested strategies to consider seriously now.

Of the two-year \$41 billion allocation directly for school districts, \$13 billion would be allocated to Title I with \$11 billion being allocated under the “targeted” and “incentive” Title I formula components. The primary beneficiaries will be large districts with high numbers and percentages of low-income students, including most urban areas. An additional \$2 billion stimulus funding will be allocated to states and, in turn, to eligible districts through School Improvement Grants (under 1003(g)) which were funded this year at \$491 million to be reallocated primarily to districts with schools in “corrective action” or “restructuring.” For next year, overall School Improvement Grant funding could triple to about \$1.5 billion. Six billion dollars, as part of Title I stimulus funding will become available on July 1, 2009, with the remaining available a year later.

The two-year package includes an additional \$13,600 billion for IDEA, with \$600 million being allocated over the two-year timeframe for the Infant and Toddlers programs. The \$13.6 billion stimulus amount would increase the Federal share of special education costs to 27 percent, up from 17-18 percent currently; this would be a significant move toward the goal mandated in 1975 of 40 percent of such costs being paid by the Federal government. According to the

Committee summary of the bill, the additional \$13 billion for IDEA over two years would not only increase the Federal share of special education costs, but also “prevent these mandatory costs from forcing states to cut other areas of education.” During the House Appropriations Committee mark-up, Chairman David Obey emphasized on several occasions that the additional stimulus funding for Title I and IDEA would be used to “fill existing budget holes” and not add dollars for new initiatives. Moreover, he emphasized that the use of such additional funds would not be subject to current “supplement not supplant” and “comparability” provisions in Title I and IDEA and that the “maintenance of effort” requirement would apply back to 2006, not current effort levels.

The E²T² Technology Grants to states and in turn to districts would receive a stimulus increase of \$1 billion over two years. Allocated to states in July, such funds would likely be used to fund projects which were approved, but only funded in part, during the last state competitive grant round, or perhaps proposals which were slightly below the cut and not funded because of limited funding available through the regular E²T² formula grant (about \$270 million) this year. In addition to allowing such funds to be used for technology hardware, software applications, professional development, and related instructional technology staff and services, the House Appropriations Committee report states, “These funds should be used to improve student academic achievement and ensure that students are college and workforce ready by ensuring that every student has 21st Century skills and is technology literate.” The addition of \$500 million each year over the next two years would increase the overall E²T² funding to more than \$700 million, which was about the level several years ago before the Bush Administration began proposing to reduce and/or eliminate the program

Also related to technology, \$250 million would be allocated to the Institute of Education Sciences for competitive grants to states to design and develop data systems that analyze individual student data to improve student achievement. Such systems would also include post-secondary and workforce information according to the bill.

The Teacher Incentive Fund (TIF), now funded at almost \$100 million, would receive \$200 million stimulus over two years to be used to attract and retain highly qualified teachers and principals and to “align their pay with student performance,” according to the Committee report. A portion of such funds would be used to conduct randomized, controlled studies of the impact of performance-based teacher and principal compensation on teacher and principal recruitment and retention in high-need schools. An additional \$100 million would be used to “modernize the teaching workforce, address teacher shortages, and provide new alternative routes for jobless individuals who wish to enter teaching.” It is not clear whether such funds would be distributed through the HEA Title IIa Teacher Quality State Grants program or the Title V Innovative Strategies program, now a block grant that received no funding for FY 2008. Another stimulus component, funding for Homeless Children and Youth, would include \$66 million over the next two years, which will allow slightly over 200,000 homeless students to receive services.

It appears that all of the above components funding would be allocated to SEAs under existing formulas beginning on July 1, 2009.

Under the “School Modernization, Renovation, and Repair” component, the Recovery bill

includes \$14 billion to be allocated to states based on their FY 2008 allocation under Title I. SEAs would distribute funds to districts for school modernization projects. Charter schools would be eligible to receive this assistance in addition to \$25 million for the Credit Enhancement for Charter School facilities competitive grant program. According to the Committee report, one-third of public school buildings “need extensive repair or total replacement and two-thirds have environmental problems such as the presence of asbestos or lead-based paint that are unhealthy for children.” Allowable uses for such funds include upgrading the education technology infrastructure to ensure students have access to up-to-date education technology and school modernization or renovation that will “improve teachers’ ability to teach and students’ ability to learn.” According to current proposed language in the bill, “Each state shall be allocated an amount in proportion to the amount received by all local education agencies in the state under part A of Title I of ESEA for fiscal year 2008 relative to the total amount received by all local education agencies in every state under such part for such fiscal year.” Should this procedure be finally followed, the states receiving Title I increases this year would be the major beneficiaries, with the districts receiving large increases for Title I this year also benefiting most. In our April 7, 2008 TechMIS Special Report, we identified about 600 districts which receive large absolute increases in Title I funding of more than \$400,000 and a similar number receiving a 40% or more increase. Funds would be allocated to states no later than 30 days after enactment and by states to districts within 30 days later. Districts are required to enter into contracts or other binding commitments of such funds within a year after the date of enactment or nine months after such funds are awarded to them. They must use at least 50 percent of the funds within two years. If districts fail to do so, under a “Use It or Lose It” requirement, states are required to recover and redistribute such funds to other LEAs.

Under the \$79 billion state fiscal relief component, \$39 billion would be allocated to LEAs, colleges and universities, distributed through existing state and Federal formulas. While most of these stimulus funds will be used to make up for state revenue shortfalls and declining state aid to K-12 districts, \$15 billion would be provided as “incentive grants” to states that “meet key performance measures,” according to the Committee report, in achieving equity through teacher distribution, establishing longitudinal data systems, and improving assessments for English language learners and certain special education students. An additional set of funding of slightly over \$600 million would be provided to states, districts, and schools that have made significant progress in closing achievement gaps according to an [Education Daily](#) article (January 16th).

The economic stimulus package is scheduled to be passed and delivered to the President for signature in mid-February and will arrive about the same time the President submits his proposed education appropriations level for FY 2010. Perhaps creating even more confusion will be the passage of the FY 2009 appropriations bill as the current Continuing Resolution runs out in early March. Officials from several vested interest groups have volunteered that, while increased stimulus funding for their memberships and programs are not included in the stimulus package proposal thus far, there would be other opportunities, such as the FY 2009 appropriations, to increase specific funding, especially for programs of high priority to both Secretary-designate Duncan and President Obama, such as afterschool programs or early childhood programs (e.g., the stimulus included a \$2 billion increase for Child Care and Development Block Grant and a similar increase for Head Start but not the \$10 billion amount called for by Obama).

During the floor debate on the House Committee Bill, amendments will be offered -- primarily by Republicans -- which could make changes in certain areas including: (a) formulas used to determine state or LEA allocations (e.g., perhaps the use of a more current Census data set if one is available); (b) timing in the “use-it-or-lose-it requirements” (e.g., requiring more to be spent or committed during the first year of allocation); and (c) some of the allowable uses of funds within certain components (e.g., school repair and modernization). However, under the assumption that such changes will not be major, there are suggested strategies that some TechMIS subscribers may wish to consider.

One such suggestion would be to identify and then contact districts who submitted applications for funding under such programs as E²T², which were not rated quite high enough to make the cut, or which were partially funded last year, or which were funded and have the capacity to expand quickly by adding schools because SEAs will be under pressure to award such funds to LEAs quickly rather than holding new grant competitions.

Another suggestion would be to contact districts that received large increases in Title I funds this year, as they will likely be major beneficiaries of certain programs, including regular Title I funding for FY 2009, and new school “modernization” stimulus funding. TechMIS subscribers are cautioned about using various district allocation estimates which are becoming available from groups with specific vested interest and how such funds could be used. Some of the current district estimates are inflated hoping to generate grassroots support in Congress for full funding or even increasing the stimulus bill.

Subscribers should seriously consider pricing and contractual and license flexibilities, such as lease-purchase over two- to three-years for professional development and support contracts, which allow LEAs to beat the deadline for making firm commitments and obligations while allowing for payments to be made over two to three years.

And finally, if anyone has specific questions about the identification of states and districts which will likely benefit the most, please feel free to contact Charles Blaschke directly.

Exhibit A

**U.S. DEPARTMENT OF EDUCATION
FUNDS AVAILABLE TO
PURCHASE SUPPLEMENTAL
PRODUCTS AND SERVICES**

(millions of dollars)

	FY2007 Joint Resolution	FY2008 Omnibus Bill	FY2009-10 House Stimulus Addn(est.)
Title I (Total)	14,726	15,489	+13,000
Total LEA Grants (Part A)	12,838	13,899	
Basic	6,808	6,598	
Concentration	1,365	1,365	
Targeted Grants	2,332	2,968	
Finance Incentive Grants	2,332	2,968	
Migrant	387	380	
Even Start	82	66	
Reading First/Early Reading First	1,147	506	
Striving Readers	32	35	
School Improvement Grants	125	491	+2,000
Math Now	---	---	
State Innovation Grants(Title V A)	99	---	
Improving Teacher Quality(Title II)	2,887	2,935	+100
English Acquisition	669	700	
State Assessments	408	409	
Math Science Partnerships	182	179	+40 (NSF)
Advanced Placement/International Baccalaureate	37	44	
Teacher Incentive Fund	*	97	+200
Technology State Grants(Title II D)	272	267	+1,000
Special Education (EHA/IDEA)	10,783	10,948	+13,600
Adult Education	564	554	
Vocational/Technical	1,182	1,161	
Safe & Drug-Free Schools and Communities State Grants	347	295	
21st Century Community Learning Centers	981	1,081	
21st Century Learning Opportunities	---	---	
Pell Grants for Kids	---	---	
Statewide Data Systems	25	48	+250
College Mentoring (GEAR-UP)	303	303	
HEA TRIO Program	828	828	
Head Start/Child Care & Development Block Grant			+4,100 (HHS)

* reduced to \$200,000 in FY 2007

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