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MEMORANDUM

DATE: July 24, 2012
TO: TechMIS Subscribers
FROM: Charles Blaschke, Blair Curry and Suzanne Thouvenelle
SUBJ: Sequestration Update

Enclosed is a Sequestration Update which has some good news.

**Sequestration Update:
USED Tells Chief State School Officers that Sequestration,
If It Occurs, Will Not Impact FY 2012 Appropriations (SY 2012-13)
Spending at the District Level**

*A Technology Monitoring and Information Service (TechMIS)
Special Report*

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Without much fanfare over last weekend, Deputy Secretary Anthony Miller sent a letter to Chief State School Officers clarifying impact of potential sequestration for Title I, IDEA, school improvement programs, and career technical and adult education, stating that "...the Department will take the sequester from funds that would become available in July 2013 for school year 2013-14, not from the 2012 advance appropriations available in October 2012." Moreover, the July 20th letter states, "It has come to our attention that some States may have urged school districts to hold back on spending for the 2012-13 school year because of the possibility of sequestration. Assuming Congress enacts a 2013 appropriations bill that is structured similarly to the pending House or Senate bills – a reasonable assumption based on past practice – there is no reason to believe that a sequestration would affect funding for the 2012-13 school year...the potential for sequestration should not upset planning and hiring decisions for the immediately upcoming 2012-13 school year. Federal funds have already been appropriated and will be provided for this school year, through grants made in July 2012 and advanced funds that will be obligated in October 2012."

As we have reported, the potential 7-9 percent sequestration reduction included in the Budget Control Act scheduled to take effect on January 2, 2013 has caused several SEAs to either withhold up to ten percent of Title I allocations for this coming school year such as Texas, or have recommended that district Title I directors to hold up to nine percent of Title I funds this year to the district level "reserve" until the sequestration decision is resolved in January. The withholding or threat of sequestration will cause a market paralysis in niches such as Title I and special education, especially in October-December; AASA found in its most recent district survey that more than half of the districts have already built into their FY 2013 budget the sequestration reduction (go to AASA.org website or next TechMIS full issue).

The sequestration clarification also applies to competitive grant programs scheduled to be awarded under the FY 2012 appropriations. The only program that would be impacted in the FY

2012 appropriations would be the \$1.2 billion Impact Aid program which goes to more than 1,000 school districts which “could experience more significant short-term funding problem due to sequestration than other districts.”

The USED clarification letter, if implemented by SEAs, could have several significant implications for TechMIS subscribers including:

- the amount of FY 2011 Title I funds planned to be carried over from this year to SY 2012-13 to soften the potential “sequestration blow” will now likely be spent/obligated by September 30th;
- the amount of FY 2012 Title I funding beginning to flow this month (approximately one-third) and remainder in October (approximately two-thirds) will not have to be put in reserve or otherwise withheld at the district level to meet potential sequestration reductions mid-year; and
- districts which have already taken into account the seven to nine percent sequestration in their FY 2013 proposed budget will likely revise their budgets or at the least will release such funds for other Title I and IDEA allowable purchases early next year.

Secretary Duncan is supposed to testify before the Senate Committee headed by Chairman Tom Harkin (D-IA) this week on the probable impact of sequestration on education. The above letter and his testimony could evoke responses from the GOP which could affect the implementation of the new “clarification” letter; however, in the mean time marketing/sales staff should be made aware of the “clarification letter” and in turn appraise district decision makers of its contents. District officials who have questions should contact their SEA Title I Office which, as of Monday July 23, were sent directly a copy of the June 20th letter from Deputy Secretary Miller, according to Rich Long, Executive Director National Title I Association. We will continue to follow developments in this area and communicate directly with TechMIS subscribers through subsequent updates and/or telephone conference calls.