

American Recovery and Reinvestment Act

State Fiscal Stabilization Fund (SFSF)



State Fiscal Stabilization Fund

- **State Fiscal Stabilization Fund (SFSF) – Amounts to be provided:**
 - **Nationally \$53.6 billion**
 - **Maryland - \$879.8 million**

- **Strongly advise you to read the SFSF guidance. This does not substitute.**



SFSF - Purpose

- ❑ To help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services.
- ❑ To help ensure that local educational agencies (LEAs) and public institutions of higher education (IHEs) have the resources to avert cuts and retain teachers and professors.



SFSF – Purpose

- ❑ The program may also help support the modernization, renovation, and repair of school and college facilities.
- ❑ In addition, the law provides governors with significant resources to support education (including school modernization renovation, and repair), public safety, and other government services.



SFSF – Two Components

- **Education Stabilization Fund**
 - **81.8 percent of the state allocation**
 - **Nationally \$39.5 billion**
 - **Maryland \$719,676,984**
 - **To restore State support for elementary and secondary education, public higher education, and, as applicable, early childhood education programs and services.**



SFSF – Two Components

- **Government Services Fund**
 - 18.2 percent of the state allocation
 - Nationally \$8.8 billion
 - Maryland - \$160,123,730
 - For public safety and other government services

- **SFSF will also provide competitive grants “Race to the Top” and “Invest in What Works and Innovation”**



SFSF – Competitive Grants

- ❑ At least \$4.35 billion to make competitive grants under the "Race to the Top" fund.
 - These grants will help states to drive significant improvement in student achievement, including through making progress toward the four assurances.

- ❑ Up to \$650 million to make competitive awards under the "Invest in What Works and Innovation" fund.
 - These awards will reward LEAs or nonprofit organizations that have made significant gains in closing achievement gaps to serve as models for best practices.



SFSF – Process for State Award

1. Assurances that the State is committed to advancing education reform in four specific areas;
2. Baseline data that demonstrate the State's current status in each of the four education reform areas;
3. Maintenance-of-effort (MOE) information; and
4. A description of how the State intends to use its Stabilization allocation



SFSF – Assurances

- ❑ State must assure that it will implement strategies to:
- ❑ Increase teacher effectiveness and address inequities in the distribution of highly qualified teachers;
- ❑ Establish and use a pre-K-through-college-and-career data system to track progress and foster continuous improvement;
- ❑ Make progress towards rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including limited English proficient students and students with disabilities; and
- ❑ Provide targeted, intensive support and effective interventions to turn around schools identified for corrective action and restructuring.



SFSF – State Maintenance of Effort

- ❑ SFSF MOE requirements are at the State level and apply both to a State's level of support for elementary and secondary education and to its level of support for public IHEs. Those requirements are as follows:
 - In each of FYs 2009, 2010, and 2011, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
 - In each of FYs 2009, 2010, and 2011, the State will maintain State support for public IHEs (not including support for capital projects or for research and development or tuition and fees paid by students) at least at the level of such support in FY 2006.



SFSF – Restoring Levels of State Support

1. Calculate the amounts needed to restore levels of State support for both elementary and secondary education and public IHEs for FY 2009 to the greater of the FY 2008 or FY 2009 levels.
2. Calculate the amounts needed to restore levels of State support for both elementary and secondary education and public IHEs for FY 2010 to the greater of the FY 2008 or FY 2009 levels. If State enacted, prior to October 1, 2008, formula increases or adjustments for FY 2010, follow special restoration requirements.



SFSF – Restoring Levels of State Support

3. Calculate the amounts needed to restore levels of State support for both elementary and secondary education and public IHEs for FY 2011 to the greater of the FY 2008 or FY 2009 levels. If State enacted, prior to October 1, 2008, formula increases or adjustments for FY 2011, follow special restoration requirements.
 4. Award all funds that remain after completing Steps One, Two, and Three to LEAs on the basis of their Title I, Part A shares.
- Maryland's Plan for SFSF is in steps 2 and 3, fully funding the major funding education formulae.



SFSF – Where Funds Are Budgeted

- In the FY 2010 budget, Maryland has appropriated the following SFSF Funds to fully fund the primary State funding formulae (in millions):
 - Geog. Cost of Educ. Index \$ 88.5
 - Supplemental Grant 21.8
 - Transportation Grants 17.3
 - Compensatory Education 26.3
 - Limited English Proficient 4.7
 - Subtotal Direct Grants \$158.6
 - Teacher Retirement \$137.3
 - Total FY 2010 Budget \$295.9



SFSF – Local Application

- ❑ LEAs will be required to submit an application
 - An LEA must submit an application to the Governor in order to receive funds.
 - The LEA application must include basic General Education Provisions Act (GEPA) 442 assurances.
 - The LEA application must address requirements in section 427 of GEPA, as applicable.
 - The Governor may direct an LEA to provide in its application additional information that he or she may reasonably require, but may not restrict the LEA's use of funds beyond the statutory limitations.



SFSF – Local Application

- ❑ Discretion to require an LEA to provide in its application additional information that the Governor may reasonably require.
 - For example, the Governor may require an LEA to describe how it intends to use its Education Stabilization funds.
 - Additionally, the Governor may require the LEA to demonstrate that it has the capacity to comply with the strict ARRA reporting requirements before the State awards funds to the LEA.
- ❑ A Governor may not use the local application process to restrict an LEA's use of the funds beyond the limitations in the ARRA.



SFSF – Local Application

- While a Governor may not restrict an LEA's use of Education Stabilization funds beyond the limitations in the ARRA, he or she may require an LEA to describe in its local application how the LEA will assist the State in advancing essential reforms in the four areas for which the State provides assurances in its application for Stabilization funds.



SFSF – Allowable LEA Uses

- ❑ Subject to the limited statutory prohibitions described below, section 14003(a) of the ARRA authorizes an LEA to use Education Stabilization funds for any activity that is authorized under the following Federal education acts:
 - The Elementary and Secondary Education Act of 1965 (ESEA);
 - The Individuals with Disabilities Education Act (IDEA);
 - The Adult Education and Family Literacy Act (AEFLA); or
 - The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act).



SFSF – Allowable LEA Uses

- An LEA may use its Education Stabilization funds for any activities authorized under the ESEA, the IDEA, the AEFLA, or the Perkins Act, regardless of whether the Education Stabilization Funds were awarded through the State's primary education funding formula(e) or based on the LEA's relative share of funding under Title I, Part A.



SFSF – Allowable LEA Uses

- ❑ The Department encourages LEAs to use available Education Stabilization resources in ways most likely to assist the State in making progress in areas related to the four education reform assurances in the State's Stabilization application and to lead to improved results for students, long-term gains in school system capacity, and increased efficiency and effectiveness.
- ❑ See question III-D-8 of the SFSF Guidance for detailed examples.



SFSF – Allowable LEA Uses

- ❑ To the extent consistent with State law, an LEA may use Education Stabilization funds for modernization, renovation, or repair of public school facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system.
- ❑ If an LEA uses Education Stabilization funds for modernization, renovation, or repair of public school facilities or for construction of new school facilities , the LEA must comply with specific requirements relating to the use of American iron, steel, and manufactured goods used in the project. (See Section 1605 of the ARRA.)



SFSF – Allowable LEA Uses

- ❑ Construction, Modernization, Renovation, and Repair
- ❑ Section V of the USDE guidance provides substantial information on:
 - ❑ Definition
 - ❑ Restrictions on Use
 - ❑ Allowable and Unallowable projects
 - ❑ Additional Resources
 - ❑ Preference for Quick Start
 - ❑ Wage Requirements
 - ❑ Required certifications
 - ❑ etc.



SFSF – Allowable LEA Uses

- ❑ III-D-11. May an LEA use Education Stabilization funds for construction activities that are not considered to be modernization, renovation, or repair?
- ❑ Yes. Construction of new school buildings is an authorized activity under the Impact Aid construction program in section 8007 of the ESEA. Thus, subject to the ARRA statutory requirements and prohibitions governing the uses of Education Stabilization funds, an LEA (including a charter school LEA) may use the funds to support the construction of new school buildings, including construction activities that are consistent with a recognized green-building rating system.



SFSF – Allowable LEA Uses

- ❑ **III-D-4. Are the Education Stabilization funds that the Governor awards to LEAs through the State's primary funding formulae considered to be State funds, subject to the requirements that generally apply to funds awarded under those formulae?**
- ❑ **No. State funding formulae are used solely as the mechanism to determine the amount of Education Stabilization funds that each LEA will receive. The Education Stabilization funds are Federal funds, and the ARRA, the Federal laws referenced in III-D-1, and other applicable Federal requirements (such as the OMB cost principles) govern their uses.**



SFSF – Allowable LEA Uses

- ❑ **III-D-15. Is an LEA required to provide equitable services for private school students and teachers with Education Stabilization funds?**
- ❑ **No. There is no requirement in the ARRA that an LEA provide equitable services for private school students with Education Stabilization funds, even if those funds are used for an activity authorized by a program that otherwise requires equitable services. However, an LEA may provide services for private school students and teachers to the extent that the activities are authorized by the ESEA, the IDEA, the AEFLA, or the Perkins Act.**



SFSF – Allowable LEA Uses

- ❑ May be used to support both current expenditures and other expenses such as capital expenditures.
- ❑ Among other things, the Education Stabilization funds may be used for activities such as:
 - paying the salaries of administrators, teachers, and support staff;
 - purchasing textbooks, computers, and other equipment;
 - supporting programs designed to address the educational needs of children at risk of academic failure, limited English proficient students, children with disabilities, and gifted students;
 - and meeting the general expenses of the LEA.



SFSF – Allowable LEA Uses

- ❑ **Cautionary Note:**
- ❑ **Whether an LEA uses its Education Stabilization funds for activities authorized under the Impact Aid program or for activities authorized under any of the other programs in the ESEA, the IDEA, the AEFLA, or the Perkins Act, the LEA must:**
 - a) maintain records that separately track and account for its Education Stabilization funds and**
 - b) report on the specific uses of those funds. (See discussion under Part VII of the Guidance – “Transparency, Accountability, Reporting, and Other Obligations”.)**



SFSF – Prohibitions on Use

- ❑ Section 14003 of the ARRA prohibits an LEA from using Education Stabilization funds for –
 - Payment of maintenance costs;
 - Stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
 - Purchase or upgrade of vehicles;
 - Improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities; or
 - School modernization, renovation, or repair that is inconsistent with State law.



SFSF – Prohibitions on Use

- ❑ In addition, no Stabilization funds (either Education Stabilization funds or Government Services funds) may be used to provide financial assistance to students to attend private elementary or secondary schools, unless the funds are used to provide special education and related services to children with disabilities as authorized by the IDEA (Section 14011 of the ARRA).
- ❑ There are also other prohibitions in section 1604 of the ARRA – for example, prohibitions against using funds for an aquarium, zoo, golf course, or swimming pool – that apply to the use of Stabilization funds by any entity.



SFSF – Prohibitions on Use

- ❑ III-D-12. May an LEA use Education Stabilization funds to supplement or restore its local “rainy day” fund rather than use the funds for specific purposes?
- ❑ No. An LEA’s transfer of Education Stabilization funds to its local “rainy day” fund would not constitute an “obligation” of the funds. The LEA must actually obligate the funds for specific allowable activities during the period of fund availability.



SFSF – Period of Availability

- ❑ Education Stabilization funds remain available for local obligation through September 30, 2011.
- ❑ An LEA may use Education Stabilization funds to support authorized activities in school years 2008-2009, 2009-2010, and 2010-2011.
- ❑ The funds may also support educational activities that the LEA provides between school years.
- ❑ This obligation deadline applies to all of the Education Stabilization funds that an LEA receives, regardless of when the Governor awards those funds to the LEA.



SFSF – LEA Use for MOE Purposes

- ❑ Using Stabilization Funds to Meet Other MOE Requirements (section VI-B of the guidance)

- ❑ Section 14012(d) of the ARRA provides that,
 - “[u]pon prior approval from the Secretary”, a State or LEA may treat Stabilization funds that are used for elementary, secondary, or postsecondary education as non-Federal funds for the purpose of any requirement to maintain fiscal effort under any other program that the Department administers.



SFSF – LEA Use for MOE Purposes

- The Secretary will permit a State or an LEA to treat Stabilization funds as non-Federal funds for MOE purposes of other Federal programs only if the following criteria are met:
 1. The State first demonstrates to the Department, on the basis of auditable data, that it is complying with the Stabilization program MOE requirements, or they have been waived and...



SFSF – LEA Use for MOE Purposes

- 2. The State or LEA has available for inspection auditable data demonstrating that the portion of its Stabilization funds that it seeks to treat as non-Federal funds to meet the MOE requirements of other Federal programs was spent in such a manner that had the Stabilization funds been non-Federal funds, the Stabilization funds would have been permitted to be used in determining the State's or LEA's compliance with the MOE requirement of that other program.**



SFSF – LEA Use for MOE Purposes

□ Notes

- Will require USDE Secretary approval
- Counts toward MOE, but not toward supplement vs. supplant requirements
- Two noted requirements
 - State meets SFSF MOE requirements
 - State / Local data that they were spent in a manner that if non-federal they would be allowable for MOE for the
- USDE will consider the proportion of education spending relative to state revenues
- More guidance forthcoming from USDE



SFSF – Transparency/Accountability

- ❑ All ARRA funds must be spent with an unprecedented level of transparency and accountability.
- ❑ All recipients of ARRA funds must maintain accurate, complete, and reliable documentation of all ARRA expenditures.
- ❑ The law contains very stringent reporting requirements and requires that detailed information on the uses of funds be available publicly on www.recovery.gov.



SFSF – Transparency/Accountability

- ❑ States have important oversight responsibilities and must monitor grant and subgrant supported activities to ensure compliance with all applicable Federal requirements.
- ❑ If a grantee or subgrantee fails to comply with requirements governing the funds, the Department may, consistent with applicable administrative procedures, take one or more enforcement actions, including
 - withholding or suspending, in whole or part, funds awarded under the program, or
 - recovering misspent funds following an audit



SFSF – Transparency/Accountability

- Reporting
 - Quarterly Reports
 - Substantial reporting requirements under 1512(c) of the ARRA
 - Annual Reports
 - The uses of funds within the State;
 - How the State distributed the funds it received;
 - The number of jobs that the Governor estimates were saved or created with the funds;
 - Tax increases that the Governor estimates were averted because of the funds;



SFSF – Transparency/Accountability

- The State's progress in reducing inequities in the distribution of highly qualified teachers, implementing a State longitudinal data system, and developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
 - IHE reports and data; and
 - A description of each modernization, renovation, and repair project funded, including the amounts awarded and project costs. (See Section 14008 of the ARRA.)
- Data to complete these reports will be required from subgrantees – grants will be coming under a separate fund number.

