

This is an excerpt from the Congressional report that accompanies the final version of H.R. 1, the American Recovery and Reinvestment Act, the economic recovery bill that was signed into law by President Obama. For more information contact [AIA Government Advocacy](#).

TITLE XIV – STATE FISCAL STABILIZATION FUND

DEPARTMENT OF EDUCATION

STATE FISCAL STABILIZATION FUND

The conference agreement provides \$53,600,000,000 for a State Fiscal Stabilization Fund, instead of \$79,000,000,000 as provided by the House and \$39,000,000,000 as provided by the Senate. The conference agreement makes the entire amount available upon enactment of the bill as proposed by the Senate. House bill designated half of these funds to become available on July 1, 2009, and half of the funds to become available on July 1, 2010. The economic recovery bill includes these funds in order to provide fiscal relief to the States to prevent tax increases and cutbacks in critical education and other services.

GENERAL PROVISIONS - THIS TITLE

ALLOCATIONS

The conference agreement provides that up to one-half of 1 percent of the State Fiscal Stabilization Fund is allocated to the outlying areas, based on their respective needs; an additional \$14,000,000 is allocated to the Department of Education for administration, oversight, and evaluation; and \$5,000,000,000 is reserved for the Secretary of Education for State Incentive Grants and an Innovation Fund. The agreement provides that any remaining funds (\$48,300,000,000) shall be allocated to States on the following basis: 61 percent based on population ages 5 through 24 and 39 percent based on total population. The House and Senate included similar provisions, except that the House bill provided \$15,000,000,000 and the Senate bill provided \$7,500,000,000 for State Incentive Grants and an Innovation Fund.

STATE USES OF FUNDS

The conference agreement requires Governors to use at least 83 percent (\$40,089,000,000) of its State allocation to support elementary, secondary, and higher education. Funding received must first be used to restore State aid to school districts under the State's primary elementary and secondary education funding formulae to the greater of the fiscal year 2008 or 2009 level in each of fiscal years 2009, 2010, and 2011, and, where applicable, to allow existing formula increases

for elementary and secondary education for fiscal years 2010 and 2011 to be implemented; and to restore State support to public institutions of higher education to the greater of the fiscal year 2008 or fiscal year 2009 level, to the extent feasible given available Stabilization funds. Any remaining education funds must be allocated to school districts based on the Federal Title I formula. The conference agreement also provides that Governors may use up to 17 percent (\$8,211,000,000) of State allocations for public safety and other government services, which may include education services and higher education modernization, renovation and repair activities.

The House and Senate bills contained similar provisions, except that the House bill did not provide for Stabilization funds to be used for existing formula increases for elementary and secondary education for fiscal years 2010 and 2011, while the Senate bill did not provide Stabilization funds for a Governor's discretionary fund for public safety and other government services.

USES OF FUNDS BY LOCAL EDUCATIONAL AGENCIES

The conference agreement provides that school districts receiving Stabilization funds may only use the funds for activities authorized under the Elementary and Secondary Education Act (ESEA), the Individuals with Disabilities Act (IDEA), the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins), and for school modernization, renovation, and repair of public school facilities (including charter schools), which may include modernization, renovation, and repairs consistent with a recognized green building rating system. The House and Senate bills included similar provisions, except that neither bill permitted funds for capital projects unless authorized under ESEA, IDEA, or the Perkins Act.

USES OF FUNDS BY LOCAL EDUCATIONAL AGENCIES

The conference agreement provides that public institutions of higher education receiving Stabilization funds must use these funds for educational and general expenditures, and in such a way as to mitigate the need to raise tuition and fees, or for modernization, renovation, or repairs of facilities that are primarily used for instruction, research, or student housing. Use of funds for endowments and certain types of facilities such as athletic stadiums are prohibited. The House and Senate bills included similar provisions, except that neither bill permitted funds for higher education modernization, renovation, or repair projects.

STATE APPLICATIONS

The conference agreement requires that Governors shall submit applications in order to receive Stabilization funds, which shall include certain assurances, provide baseline data regarding each of the areas described in such assurances, and describe how States intend to use their allocations. Such assurances shall include that the State will: in each of fiscal years 2009, 2010, and 2011, maintain State support for elementary, secondary, and public postsecondary education at least at the levels in fiscal year 2006, and address 3 key areas: achieve equity in teacher distribution, establish a longitudinal data system that includes the elements described in the America COMPETES Act, and enhance the quality of academic assessments relating to English language learners and students with disabilities. The agreement further provides that, in order to receive an Incentive Grant, a Governor shall: submit an application that describes the State's progress in each of the assurances and how the State would use grant funding to continue making progress toward meeting the State's student academic achievement standards. The House and Senate bills contained similar provisions, except both bills included slightly difference requirements pertaining to assurances.