



## American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) created multiple funding streams that will be funneled to state education agencies and local school districts. This paper identifies those funding streams, the amounts allocated within each stream, how the funds will be distributed, and the purposes for which the funds are intended.

### State Fiscal Stabilization Fund

The state may use stabilization funds for three purposes: 1) to fill budget holes through the state's primary elementary and secondary funding formulas ensuring that funding in the 2009-10 through the 2011-12 school years, remains at a minimum, no less than level of state support during the 2008-09 or 2009-10 school years, whichever was larger, 2) to allow for increases in existing state formulas for adequacy and equity purposes during the 2010-12 school years, and 3) to flow remaining funds to Local Education Agencies (LEA)<sup>1</sup> through Title I formulas.

- Texas will receive \$3.97 billion in state fiscal stabilization funds, with 81.8 percent (approximately \$3.25 billion) specifically allocated to public and higher education. The remaining 18.2 percent (\$723 million) is directed towards public safety, and other government services, which may include elementary and secondary schools.
- The Governor must apply for and these funds and outline their intended uses. Currently, the Legislature is debating how the \$3.25 billion should be split between public and higher education. All funds used to fill state budget holes or to support increases in existing formulas will go to LEAs through the Texas Education Agency (TEA).
- Fiscal stabilization funds that are not used to fill state budget holes or to increase state formulas will go to LEAs through Title I formulas. LEAs may use these funds for any activity authorized by Elementary & Secondary Education Act (i.e. NCLB), IDEA, Adult and Family Literacy, or Carl Perkins. Additionally LEAs may use these funds to avoid laying off teachers and other school employees, or for modernization, renovation, and repairs that are consistent with a recognized green building rating system.

---

<sup>1</sup> The term "Local Education Agencies" or "LEAs" encompasses school districts and open-enrollment charter schools.

- LEAs that receive fiscal stabilization funds through Title I formulas are prohibited from using these funds for payments of maintenance costs, stadium/athletic facilities, vehicle purchase/upgrades, improvement of non educational stand-alone buildings, i.e., central administration building, or construction.

#### Education for the Disadvantaged

- Texas will receive \$945 million for Title I Targeted Grants and Education Finance Incentive Grants (EFIG) combined. An LEA is eligible for the Targeted and EFIG grants if the LEA's number of Title I-eligible students is at least ten and that number represents 5 percent or greater of the LEA's population<sup>2</sup> (ages 5-17 inclusive, as documented by the Census Bureau's poverty criteria). Individual school districts may find their estimated Title I allocation [here](#).
- Texas will receive \$285 million in School Improvement Grants (SIG). These grants will be distributed directly to LEAs through Title I formulas. All states have been encouraged to use 40 percent of their SIG funding for middle and high schools. States are also expected to use some of that funding for early childhood programs/activities.

#### School Improvement Program (to meet ESEA, Title II, Part D requirements)

- Texas will receive \$59.4 million for education technology that improves academic achievement. Current law requires these funds to be granted on a 50/50 basis between formulas and competitive process. Eligible local entities include high-need LEAs or an eligible local partnership.
- Texas will also receive \$3.5 million in funding under the McKinney-Vento Homeless Assistance Act. Such funds may be granted via formulas or through a competitive process.

#### Special Education

- Texas will receive \$916 million in IDEA, Part B – Grants to States. The Texas Education Agency will disseminate these funds directly to school districts through existing IDEA formulas. Individual school districts may find their estimated IDEA allocations [here](#).
- In addition to the Grants to States, Texas will receive \$22.4 million in IDEA, Part B – Preschool Grants. Again these funds will be disseminated directly to school districts through existing IDEA formulas.

#### Other funding sources (Numbers are national, not Texas specific)

- "Impact Aid" – The U.S. Department of Education (USED) will distribute \$100 million for the construction of schools that educate federally-connected students (military children & Native Americans).
- "Innovation & Improvement" – ARRA allocates \$200 million to the Teacher Incentive Fund. The USED will administer competitive grants to LEAs, states or partnerships involving a non-profit

---

<sup>2</sup> The LEA's allocations are based on the most recent census data and then by county for the Targeted and EFIG programs. Then the suballocations are further determined by the thresholds in school district or school enrollment.

organization to develop and implement performance based teacher incentive programs in high need schools.

- The Institute of Education Sciences within USED received \$250 million to help states build statewide data systems that contain longitudinal data including postsecondary and workforce information.

#### Qualified School Construction Bonds

- Texas will receive approximately \$594 million in obligation authority for no/low interest bonds. All bond proceeds must be spent within 3 years of issuance except under limited circumstances. Bonds are no/low interest and bondholders receive a tax credit against federal tax liability. The list of permissible bondholders is expanded beyond banks and insurance companies. There are three types of bonds.
  - Qualified School Construction Bonds – The qualified purpose of these bonds is clearly for school construction, renovation, and land. It remains unclear if the purpose may include equipment or acquisition of existing buildings. Bond authority will consist of a 40 percent direct allocation to the 100 largest school districts plus 25 additional school districts determined by USDOE. The remaining 60 percent will be allocated to states based on prior year Title I funding.
  - Qualified Zone Academy Bonds – The qualified purpose of these bonds is for renovation, equipment, curriculum development, and teacher training for a “qualified zone academy.” These bonds require a 10 percent private match. Thirty-five percent of the students in the school must be eligible for free/reduced lunch, or alternatively, the school must be located within a federal empowerment zone. Bond authority will be allocated based on prior year Title I funding.
  - Qualified Energy Conservation Bonds – The qualified purpose of these bonds are for capital expenditures that reduce energy consumption in public buildings (not limited to schools) by 20 percent using Green Community Programs. Bond authority will be allocated to states by population, then through sub allocations to large municipalities or counties by population.

#### Other Bonds

- “Build America” bonds are created for general government purposes. These bonds contain both an interest payment and a tax credit for the bondholder. There is no limit on issuance of these bonds, and the only qualified purpose is anything that can be financed with government tax exempt bonds.
- “Bank Qualified Bonds” increase 2009 and 2010 limits to permit \$30 million per year, by issuer, to not be subjected to the interest expense disallowance. Banks may have up to 2 percent of total assets in these bonds.