

## **SUMMARY OF KEY PROVISIONS IN THE 2008 ECONOMIC STIMULUS BILL**

### **[American Recovery and Reinvestment Act]**

House and Senate negotiators reached agreement on the economic stimulus package on February 12. The House of Representatives, on February 13, approved the \$787 billion American Recovery and Reinvestment Act by a 246-183 vote. The Senate approved the agreement later that evening and sent the bill to the President for signature. Most of the funding for workforce training, employment services, and education will be distributed relatively quickly through formula grants and existing funding channels. Both education and labor department funds will be divided into two-year allotments with the first year available quickly this year and the second allotment being made by July 1, 2010. Besides the formula-driven distributions of funds, the Secretary of Education will have authority to distribute discretionary "incentive" funds that may take longer because of distribution through a competitive grant process.

Here are the highlights.

### **EDUCATION**

The bill provides more than \$100 billion in new funding for education, including \$53.6 billion for a State Fiscal Stabilization Fund, which would provide funding to local school districts to prevent cutbacks and layoffs, and provide for school modernization.

#### **State Fiscal Stabilization Fund**

The agreement provides **\$53.6 billion** for a stabilization fund, of which \$39.5 billion would be used to enhance school budgets. States are permitted to use up to \$8.8 billion out of this total fund for school modernization projects. The Secretary will reserve \$5 billion of the national total for State Incentive Grants (\$4.35 billion) and an Innovation Fund (\$650 million). (The agreement does not include funds specifically for school construction as proposed in the House-passed version).

***State Fiscal Stabilization Funding*** (\$39.5 billion). Funds may be used for any purpose authorized under the No Child Left Behind Act, IDEA, or Carl D. Perkins Career and Technical Education Act. State applications must include assurances for:

- Maintenance of effort – keep 2006 level of support.
- Achieving Equity in Teacher Distribution – ensure that low-income students are not disproportionately taught by unqualified teachers.
- Improving collection and use of data – the state will implement a longitudinal data system with the 10 essential elements (in the COMPETES Act) of the Data Quality Campaign.
- Assessments – the state will enhance the quality and alignment of statewide assessments under NCLB.

These funds are distributed by formula: 61% based on a state's relative population of 5 to 24 year-olds and 39% based on a state's relative share of total population.

Regarding higher education use of Stabilization Funds: institutions of higher education receiving funds must use them for educational and general expenditures in such a way as to mitigate the need to raise tuition and fees, or must use them for modernization, renovation, or repairs of facilities that are primarily used for instruction, research, or student housing. Use of funds for endowments and for facilities such as athletic stadiums is prohibited.)

**State Incentive Grants (\$5 billion).** These funds will be distributed by the Secretary through competitive grant applications in fiscal year 2010. Each state receiving a grant must use at least 50% of the grant to provide all local education agencies in the state with subgrants based on their share of title I allocations. The Secretary determines which states receive grants based on information from the State Fiscal Stabilization applications in 2009, which may include information on the state's need to help meet the objectives of: 1) Achieving equity in teacher distribution; 2) Establishing a longitudinal data system; 3) Enhancing the quality of standards and assessments; and 4) Supporting struggling schools identified as needing improvement under NCLB.

**Innovation Fund (\$650 million).** This new program of academic achievement awards would recognize eligible entities that have:

- Closed achievement gaps significantly;
- Exceeded the state's annual measurable objectives (AYP) for 2 or more years;
- Made significant improvements in graduation rates or increased recruitment and placement of high-quality teachers and school leaders;
- Established partnerships with the private sector or philanthropic organizations that will provide matching funds to help bring results to scale.

The awards are to help eligible entities:

- Expand their work and serve as models for best practices;
- Work in partnership with the private sector and the philanthropic community;
- Identify and document best practices that can be shared, and taken to scale based on demonstrated success.

"Eligible entities" means: local educational agencies, or a partnership between a nonprofit organization and one or more local educational agencies or a consortium of schools.

### **Education for the Disadvantaged -- Title I**

The agreement provides **\$13 billion** for Title I grants for disadvantaged student programs under the No Child Left Behind Act. *This amount virtually doubles the current allocation nationwide of \$13.9 billion.* The total is divided between \$10 billion in title I formula grants and \$3 billion in school improvement grants under title I. Funds are distributed under the current formula with \$5 billion of the \$10 billion being allocated through the targeted formula to high-need areas. All funds are to be available for the 2009-2010 and 2010-2011 school years. Funds can be used for early childhood, elementary and secondary education services. The \$3 billion school improvement grants are distributed by the state to local educational agencies for schools identified as needing improvement, corrective action, or restructuring under NCLB, with priority going to districts that serve the lowest-achieving schools. (The agreement *encourages* states to use 40% of their School Improvement allocations for middle and high schools.)

### **School Improvement Programs.**

Under a separate heading, the agreement provides **\$720 million** for School Improvement Programs, which includes \$650 million for the Enhancing Education through Technology program under title II, Part D, of No Child Left Behind, and \$70 million for Education for the Homeless Children and Youth program (under title VII of the McKinney Homeless Assistance Act).

### **Fund for the Improvement of Education.**

The bill provides **\$200 million** to the Fund for the Improvement of Education under title V of NCLB. The fund supports nationally significant programs to help students meet challenging academic standards. Funds are to be used in competitive grants to local educational agencies to implement performance-based teacher and principal compensation systems in high-need schools that consider gains in student academic achievement and provide educators with incentives to take on additional responsibilities and leadership roles. Funds are also available for technical assistance and evaluation.

### **Statewide Longitudinal Data Systems.**

The Institute of Education Sciences received **\$250 million** for competitive grants to states that will help states implement and use statewide longitudinal data systems that include not only education data for elementary and secondary students, reflecting the 10 essential elements promoted by the Data Quality Campaign, but also postsecondary and workforce information. *Current funding is \$48.3 million. At the current level, after three rounds of grant competitions since 2005, 27 states have been awarded grants. All 50 states have applied.*

### **Special Education**

States receive **\$12.2 billion** for the educational services to disabled students under the Individuals with Disabilities Education Act (IDEA). IDEA helps states pay the additional costs of providing special education and related services to children with disabilities aged 3 through 21.

### **Rehabilitation Services and Disability Research.**

The bill includes **\$680 million** for rehabilitation services and disability research. Of that total, \$540 million is to be available for vocational rehabilitation state grants.

### **Student Financial Assistance.**

The agreement includes **\$15.8 billion** for student financial assistance in postsecondary education. Of that total \$15.6 billion is available for Pell Grants and \$200 million is available for Work-Study programs. The bill includes an additional **\$60 million** for Student Aid Administration.

### **Higher Education**

The agreement includes **\$100 million** for the Higher Education account, which may be used for various institutional development programs and national priority programs in higher education. The Secretary will develop guidance on the use and distribution of these funds.

## **TRAINING AND EMPLOYMENT**

### **Workforce Investment Act Programs.**

The bill provides **\$3.95 billion** for Workforce Investment Act programs. Within this amount, \$2.95 billion is provided through formula grants to the states for training and employment services. These funds are to be allotted *within 30 days* of enactment. (The law was enacted February 17). The Congress intends these funds to be spent quickly and effectively. To facilitate increased training of individuals for high-demand occupations, Congress provides authority for local workforce investment boards to contract with institutions of higher education (including community colleges) and other eligible training providers.

**Adult Services.** The bill provides **\$500 million** for adult services. Language was included to ensure that supportive services and needs-related payments are available to support the employment and training needs of priority populations, such as welfare recipients and other low-income individuals.

**Youth Services.** The bill provides **\$1.2 billion** for youth. Congress is particularly interested in these funds being used to create summer employment opportunities for youth. Language is included to apply the work readiness performance indicator to summer jobs as an appropriate measure for those activities. Year-round activities are also allowed. The bill extends the age of eligibility for services through age 24 to allow local programs to reach young adults who have become disconnected from both education and the labor market. This more than doubles the current amount (\$924 million) in the system.

**Dislocated Worker Services.** The bill provides **\$1.2 billion** for dislocated worker service strategies. This appropriation almost doubles the amount currently allocated in the system (\$1.4 billion).

**Dislocated Worker Assistance National Reserve.** **\$200 million** is provided to allow the Secretary to award national emergency grants to respond to plant closings, mass layoffs and other worker dislocations.

**YouthBuild Program.** The agreement includes **\$50 million** for the YouthBuild program for expanded services for at-risk youth, who gain education and occupational credentials while constructing or rehabilitating affordable housing. Local grantees can serve individuals who have dropped out of school and reenrolled in an alternative school, if that reenrollment is part of a sequential service strategy.

**Training in High-Growth and Emerging Industries.** The agreement includes **\$750 million** for a program of competitive grants for worker training and placement in high growth and emerging industry sectors. Within that amount \$500 million is for projects that prepare workers for careers in energy efficiency and renewable energy as described in the Green Jobs Act of 2007. Priority consideration for the remainder of the grants will be given to projects that prepare workers for careers in the health care sector. Other industries mentioned include wireless and broadband deployment and advanced manufacturing.

**Job Corps.** The agreement includes **\$250 million** for the Job Corps. The funds will support construction and modernization of a network of residential facilities serving at-risk youth. A portion of the funds are available for the operational needs of the Job Corps program, including activities to provide additional training for careers in the energy efficiency, renewable energy, and environmental protection industries.

**Community Service Employment for Older Americans.**

The bill includes **\$120 million** to support additional employment opportunities for low-income seniors under the Community Service Employment for Older Americans program.

**State Unemployment Insurance and Employment Service Operations.**

The bill includes **\$400 million** for these activities. \$250 million of this amount is earmarked for reemployment services to connect unemployment insurance claimants to employment and training opportunities that will facilitate their reentry to employment. Funds are distributed by the existing Wagner-Peyser formula. (Current allotments to states for this purpose total \$703 million).

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