



STATE OF CONNECTICUT

STATE BOARD OF EDUCATION



Frequently Asked Questions (FAQs) American Recovery and Reinvestment Act of 2009 (ARRA) State Fiscal Stabilization Funds

1. **What is State Fiscal Stabilization Funding (SFSF)?**

The ARRA State Fiscal Stabilization Fund (SFSF) is intended to help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The U.S. Department of Education (USDE) will award Connecticut's Governor approximately \$541 million in exchange for a commitment to advance essential education reforms to benefit students from early learning through post-secondary education.

The USDE has provided guidance on SFSF. That federal guidance may be found at:
<http://www.ed.gov/programs/statestabilization/applicant.html>

The below FAQs have been prepared by the Connecticut State Department of Education (CSDE). **Please note that the information provided is current as of May 21, 2009**, in accordance with the federal guidance from the USDE. However, since the application to USDE has not yet been submitted by the Governor's Office and additional guidance and information may become available, **this information is subject to change**.

2. **What is the status of Connecticut's application for its SFSF allocation? If the application has not been submitted, when do you expect to submit the application?**

As stated above, the application has yet to be submitted, but it is our understanding that the intention of the Governor's Office is to sign the completed application by the end of May 2009. The CSDE has established the initial baseline data for measuring the State's progress in meeting the ARRA educational reform assurances, goals and objectives, and has submitted that information to the Governor. According to Section 1 of Public Act 09-12, the Governor must submit the application to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations, education and higher education at least 14 days prior to submission for public hearings to be held on the application. Governors must submit applications for Phase 1 of the SFSF (67 percent of available funding) to the USDE by July 1, 2009.

3. **Will the \$541 million be treated as revenue from the federal government?**

No. Guidance from the USDE indicates that Stabilization Funds should not be considered revenue, but must be used to augment losses in education spending for fiscal years 2009-2011 (*Guidance p.9, Question III-B-1*). The \$541 million is divided into two block grants: the first for education, 81.8 percent of the total; the second for governmental services, or 18.2 percent of the total (*Guidance p.1, Question I-3*). As conceived in the fiscal years 2010 and

2011 budget proposals, all SFSF money was to have been dedicated to Education Cost Sharing (ECS) funding for the next biennium.

4. If not, how will the funds be accounted for?

SFSF dollars will come to the State and be distributed to local education agencies (LEAs) using the ECS funding formula (*Guidance p.11, Question III-B-3*). LEAs will be required to make application to the CSDE for the funds (*Guidance p.16, Question III-C-1*). Each LEA’s share will be sent directly to them – or a municipal account designated for such LEA. Each LEA will be charged with documenting the uses of the SFSF dollars in a separate account (*Guidance p.20, Question III-D-6 (See Chart)*), and the money will be specifically earmarked for schools. Municipalities may not appropriate any of the SFSF funds for municipal expenses.

5. Who has the authority to make this determination?

The determination of how SFSF dollars must be spent is described in statute (*Guidance p.18, Question III-D-1*). The amount of money allocated to K-12 education and Higher Education is determined by the Governor, but once the amounts are declared, neither the State nor the CSDE may prescribe what local boards of education must spend the money on (*Guidance p.23, Question III-D-14*), provided they comply with federal guidelines (see question below) and ensure that they will assist the State in advancing essential reforms in four goal areas: achieving equity in teacher distribution; improving collection and use of data; enhancing the quality of standards and assessments; and supporting struggling schools (*Guidance p.17, Question III-C-2*).

6. How will the State distribute the \$541 million via the ECS formula?

It is our understanding that both the 81.8 percent for education and the 18.2 percent under the Government Services Fund will be combined to restore fiscal years 2010 and 2011 ECS grant to the 2009 level. Using one-half of Connecticut’s stabilization allocation in each year will mean that approximately 14 percent of the grant will be earmarked and paid directly to school districts, while the remaining 86 percent will go to towns as the ECS grant as follows:

	FY 2009	FY 2010	%	FY 2011
Total SFSF (\$541 million)	0	\$270 million	14	\$270 million
Total State Funded ECS	\$1.9 billion	\$1.63 billion	86	\$1.63 billion
Total Annual Grant	\$1.9 billion	\$1.9 billion	100	\$1.9 billion

It should be noted that although it is the Governor’s intent to use the full 18.2 percent under the government services fund for LEAs through the ECS formula, these funds could be awarded as competitive grants, or a state may retain these funds to improve the four goals for school improvement within ARRA. It is also allowable to use these funds to support

administrative costs associated with implementing ARRA, including costs related to monitoring subgrantees and complying with the ARRA reporting requirements (*Guidance p.31, Question IV-2*).

7. Does SFSF affect provisions of Sec. 10-262i of the Connecticut General Statutes regarding the minimum budget requirement (MBR)?

Currently, Sec. 10-262i(c) requires that any increase in ECS received by a town must be used for educational purposes. It directs the State Department of Education to compare the budgeted appropriation in a town receiving an increase in ECS with the budgeted appropriation for the prior year. What is still not determined is what Connecticut's minimum budget requirement (MBR) for education will be for cities and towns in 2010 and 2011. At this point, the level of funding for ECS for the next biennium has not been determined, nor is it clear how the federal stimulus funds will flow. Until this is determined, all that we know about the formula is that approximately 14 percent of the ECS dollar amount must go directly to local boards of education under the current assumption that all SFSF funds will be distributed using the ECS formula. However, it is anticipated that the Governor and General Assembly will address the MBR section of the statute during the current session.

8. Are there alternative ways to distribute the money?

The SFSF dollars may be distributed through the allocation system designed for Title I, but only if a state does not use it for restoring funds lost in fiscal years 2009, 2010 and 2011 (*Guidance p.19, Question III-D-5*). If this were to happen, the money would come to LEAs through the Title I formula, but they could spend it in the same way as envisioned for SFSF. In other words, even if the money came through the Title I formula, it would not have to be used on Title I programs. What would happen, however, is many communities – particularly small, rural communities that do not currently receive Title I funds – would receive none of the SFSF funds.

9. Who has the authority to make the final determination as to how the funds are distributed?

The authority for determining how the funds are distributed, between higher education and K-12 education and governmental services, rests with the Governor. (*Guidance p.10, Question III-B-1*)

10. What can an LEA use its SFSF for?

An LEA may use its Education Stabilization funds for any activities authorized under the Elementary and Secondary Education Act (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 or based on the LEA's relative share of funding under Title I, Part A. (*Guidance p. 24, Question III-D-15*)

11. If the total \$541 million is distributed using ECS, must higher education be appropriated at 2009 levels in the next biennium?

“For public institutions of higher education, a State must also restore the levels of State support (excluding tuition and fees paid by students) to the greater of the FY 2008 or FY 2009 levels of support” (*Guidance p.9, Question III-B-1*). At this point, it appears that this will hold true.

12. Are there other implications for higher education funding?

None that we can determine.

13. It is my understanding that SFSF funding will go to the Governor’s Office. Will the funds be distributed directly to local boards of education?

Yes. (*Guidance p.7, Question III-A-3 (See Chart)*)

14. Does the Governor have the discretion in the timing of the distribution or must the funds be fully distributed upon receipt?

The Governor has the discretion of when to release the funds. (*Guidance p.15, Question III-B-10*)

15. Who distributes the funding?

The Connecticut State Department of Education.

16. What requirements would CSDE (if funding distributor) have to follow regarding auditing and accounting provisions?

The accountability provisions of ARRA require that the CSDE set up clear procedures for awarding and tracking the funding that goes to school districts and that districts meet the reporting requirements associated with the fund use. The USDE will be providing additional guidance on the tracking of funds and the reporting requirements shortly. (*Guidance p.42-45, Section VII*)

17. Will the funds that go directly to the local boards of education be subject to the same statutory requirements as state dollars appropriated via ECS?

No. SFSF dollars must be spent on activities consistent with the Elementary and Secondary Education Act, which allows for broad discretion at the local level. The SFSF funds, as noted above, are a direct earmark for local boards of education. (*Guidance p.19, Question III-D-4*)

18. What happens if a state budget is not in place when SFSF funds become available?

The state budget does not have to be formally approved in order to receive SFSF funds, but the budget must show at least in its various stages of development that deficits in fiscal years 2009, 2010 and 2011 are being restored by SFSF funds.

19. Is there a way for the state to account for the SFSF funding as non-federal funding?

No.

20. What happens if there is need to use SFSF funding to supplant current education expenditures to achieve maintenance of effort (MOE) for IDEA and Title I?

Local boards of education may use SFSF funding to meet their IDEA and Title I spending requirements, if necessary. Or, in the instance of Title I, they can seek a waiver from USDE, to not be held to the MOE standard. It is our view that most communities will be able to meet their MOE requirements for both Title I and IDEA, since they are already positioned to do so based on expenditure levels established in 2008 and 2009. (*Guidance p.41, Question VI-B-1*)

21. If allowed, how can localities apply for permission to do so?

See above.

22. Can SFSF funding be used to supplant current state education expenditures within the state budget?

Only if SFSF funding is being used to restore funding lost to budget cuts in the ECS allocations for fiscal years 2009-2011. If it cannot be shown that the funding is being used to restore losses, it must be distributed to LEAs via the Title I formula allocation.

23. Why is there an assumption that all funding would go to K-12 and not higher education?

The assumption can be traced to the Governor's desire to maintain ECS funding for all cities and towns over the biennium, and the belief that higher education would be sufficiently funded to meet the MOE requirements based on 2006 expenditure levels.