Massachusetts Department of Elementary & Secondary Education

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American Recovery and Reinvestment Act Updates

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American Recovery and Reinvestment Act Updates

Update on the American Recovery and Reinvestment Act (ARRA) of 2009

To: Superintendents and Charter School Leaders

From: Mitchell D. Chester, Commissioner of Elementary and Secondary Education

Date: March 19, 2009

I am pleased to provide you with this update from the Department of Elementary and Secondary Education (ESE) on the preK-12 education funding in the American Recovery and Reinvestment Act (ARRA) of 2009. I know most of you are in the midst of your budget preparations for next year and are anxious to know what funding you can expect, and I appreciate your patience while we have gathered this information. We want to make sure that the information we give you is accurate and reliable.

This update will discuss some general procedures and requirements that apply to all of the programs funded under ARRA, and will provide some preliminary information on the major programs. Information and additional guidance documents are still being prepared by the U.S. Department of Education (USED), and I will keep you informed in future updates.

I. Guiding principles

USED has outlined four guiding principles for the education funding programs under ARRA. Governor Patrick, Secretary Reville and I are committed to following these principles in our administration of this extraordinary one-time infusion of new education funds. Over the next two to three years we need to be able to demonstrate to the nation and the Commonwealth's taxpayers that we have used the funds wisely to improve the quality of our schools, which in turn will help strengthen the nation's economy for decades to come.

I am including text here from the ARRA regarding the goals and principles, because it defines how we will all be held accountable for the use of these funds:

> *The overall goals of the ARRA are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of the ARRA will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance ARRA's short-term economic goals by investing quickly, and we must support ARRA's long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through post-secondary education. Four principles guide the distribution and use of ARRA funds:*
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> 1. ***Spend funds quickly to save and create jobs.*** *ARRA funds will be distributed quickly to states, local educational agencies and other entities in order to avert layoffs, create and save jobs and improve student achievement. States and school districts in turn are urged to move rapidly to develop plans for using funds, consistent with the law's reporting*

and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.

2. ***Improve student achievement through school improvement and reform.*** *ARRA funds should be used to improve student achievement. In addition, the SFSF [State Fiscal Stabilization Fund] provides funds to close the achievement gap, help students from all backgrounds achieve high standards, and address four specific areas that are authorized under bipartisan education legislation - including the Elementary and Secondary Education Act and the America Competes Act of 2007:*

    1. *Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;*
    2. *Establishing preK-to college and career data systems that track progress and foster continuous improvement;*
    3. *Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;*
    4. *Providing intensive support and effective interventions for the lowest-performing schools.*
3. ***Ensure transparency, reporting and accountability.*** *To prevent fraud and abuse, support the most effective uses of ARRA funds, and accurately measure and track results, recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, ARRA funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.*

4. ***Invest one-time ARRA funds thoughtfully to minimize the "funding cliff."*** *ARRA represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.*

II. General provisions

All of the funding provided to districts under ARRA, with the exception of the school construction bond programs, will be distributed via new grants. Districts will be required to submit applications for each ARRA program. Remember that ARRA funds for a particular program cannot be commingled with districts' regular annual allotments for the same program, to ensure that we can track the specific uses of the ARRA funds.

USED expects to establish detailed reporting requirements for the programmatic uses of each grant, and has indicated that quarterly reporting will be required. This will be in addition to the normal financial reports we already require for all grants. All districts will be expected to comply with these reporting requirements in a timely manner.

We recognize that many districts need to use a portion of their ARRA funds to help support ongoing educational programs that would otherwise be reduced or eliminated in this time of fiscal distress. At the same time, if all of the funds are used in this way, we will face another budget crisis in two years, and will have missed an opportunity to make systemic improvements in our schools and districts.

As a result, I am asking all districts to plan on using at least 50 percent of their ARRA funds on strategic investments that will help further our progress toward the goals listed above under guiding principle #2, and that will provide ongoing benefits and/or cost savings beyond the expiration of ARRA funding.

In your planning, I encourage you to pull together your Title I and Special Education directors, in addition to other key curriculum and instruction leaders, to identify investments that will benefit the students in greatest need of improved instruction. These grants represent an opportunity to consider investments that will have a long-term impact and serve a large population of students. To that end, ESE plans to review both Title I and IDEA grant applications together. More guidance on this application process will follow once details of federal requirements are released.

In general, USED has indicated that the programmatic and fiscal requirements of existing USED programs, such as IDEA and Title I, will apply to the corresponding additional funds provided under ARRA. This includes the types of allowable expenses as well as maintenance of effort and "supplement not supplant" requirements. In those instances where ARRA provides for an exception to or a waiver of the existing requirements, we will provide details as they become available. In addition, normal federal requirements governing the expenditure of grant funds, including OMB circulars A-87, A-102, and A-133, will apply to all ARRA grants.

We will begin making some of the grant awards for ARRA funds before the end of FY09, and the majority of the ARRA grants will be available to districts through the first three months of FY12. The primary intent, however, is to support services and invest strategically during FY10 and FY11. Districts should focus on this time span when developing and submitting plans for use of the funds.

III. Strategic investments

If ARRA funds are used only to maintain existing programs, districts may simply be postponing budget cutbacks, and at the end of the two years we will have few tangible accomplishments to show for the investment. To avoid this problem, it is important that a

substantial portion of the stimulus funds be used to make strategic investments that will have an impact beyond FY10 and FY11, when the ARRA funding is gone.

We are looking for investments that will yield long-term cost savings and/or cost avoidance; improved educational outcomes; and/or increased capacity to deliver needed services in the future.

The key question to ask of any strategic investment is: After two years, when the funds disappear, what will we have to show for our investment that will last into the future?

For a list of sample strategic investments, please see *Appendix A: Sample Strategic Investments*.

We encourage districts to use ARRA funds to support and strengthen regional and collaborative approaches in order to achieve efficiencies and economies of scale that will last beyond the life of ARRA funding. This could include partnering with other districts, educational collaboratives, non-profit organizations, colleges and universities, and professional associations in making these strategic investments. In awarding competitive grants under ARRA, ESE will give priority to proposals that incorporate other entities in developing capacity across the Commonwealth's educational programs.

IV. ARRA Funding Streams

A. State fiscal stabilization funds (SFSF)

Massachusetts will receive $994,258,205 from the state fiscal stabilization funds authorized under Title XIV of ARRA. Of this amount, 81.8 percent is earmarked for preK-12 and higher education, while the remaining 18.2 percent can be used for a variety of other governmental services at the discretion of the Governor. Earlier today, Governor Patrick announced his intent to use $168 million of SFSF funds in conjunction with the House I budget that he introduced in January to ensure that every school district in Massachusetts reaches its foundation budget level in FY10.

The preliminary allocations for these funds are shown in Appendix B, and are posted on our website at http://www.doe.mass.edu/arra/sfsf.html.

These allocations are based on the Chapter 70 state aid allocations and minimum local contributions proposed by the Governor last January. Local officials are reminded that the Chapter 70 numbers are subject to change during the Legislature's consideration of the state budget. We will calculate and publish the final SFSF allocations for eligible districts after the Legislature enacts the FY10 state budget or adopts an earlier local aid resolution.

Although SFSF funds are intended to supplement the state's Chapter 70 aid, they will not be distributed through the state's normal local aid ("cherry sheet") process. Eligible districts will apply for and receive their allotments as a federal grant, to be expended by the school committee without the need for local appropriation. Districts will be required to report on their use of the funds separately from the district's general fund expenditures.

To ensure that these funds are used in a way that is consistent with the intent of both ARRA and the state's Chapter 70 foundation budget program, districts should plan to use these funds only for instructional services (2000 series in the ESE chart of accounts) and tuition payments to other districts and collaboratives for educational programs (9000 series).

Districts should not assume at this time that there will be any SFSF funds for FY10 grants beyond the amounts needed to reach foundation. USED has required that a portion of these funds be used to support public higher education, and that a portion be reserved to supplement Chapter 70 in FY11.

A district may use SFSF stabilization funds to help satisfy local maintenance of effort requirements of any other education program, after receiving prior approval from USED. We will share details regarding the approval or waiver process when they become available.

B. Individuals with Disabilities Education Act (IDEA) funds

Massachusetts will receive approximately $280 million in additional ARRA funds for school age special education. These funds will flow through the ESE to districts in two parts. Later this spring, districts will submit applications for roughly half of the funds, and then next fall, districts will be asked to amend their grants to include the remaining funds.

We expect to notify districts of the allocation amounts for the first distribution this Friday, March 20, 2009. The allocations for the fall distribution will be released later in the summer. They will be similar to but less than the amounts for the first distribution, as there are a number of set-asides and adjustments that need to be incorporated in the final distribution of the ARRA funds. Please remember that the total of the two distributions is intended to support districts through both FY10 and FY11.

We expect that the spring application will be streamlined to allow us to make the initial grant awards within a matter of weeks.

The fall amendments will require a more in-depth plan, including the strategic investments to be funded from this source, for the use of the funds over the two-year period.

Districts will be required to meet the IDEA maintenance of effort (MOE) requirements (see ESE Administrative Advisory SPED 2008-1), but note that districts are allowed to use 50 percent of their increased federal funding to offset the MOE requirement. This provision can be used to free up local funds for other educational uses. Districts taking advantage of this MOE offset will be required to report how the freed up local funds are used in addition to reporting how the ARRA IDEA funds are used.

You and your special education directors will receive more detailed guidance on the use of ARRA IDEA funds when the grant applications are released. Districts are reminded of the existing requirement to provide at least a proportionate share of the new funds to support special education services for parentally-enrolled private school students.

ARRA also includes approximately $10 million for preschool special education for Massachusetts. As is our established practice, these funds will be administered by the Department of Early Education and Care.

C. ESEA Title I

Massachusetts will receive approximately $163 million in additional funds under ARRA for Title I, Part A of the Elementary and Secondary Education Act. These funds will be distributed using the existing allocation formulas for Targeted Grants and Education Finance Incentive Grants. Please note that districts that only qualify for Title I Basic or Concentration grants will not be eligible to receive any ARRA Title I funds. We expect to release a complete list of eligible districts in early April.

The grants will be awarded to districts in two phases. The first, involving roughly half the available funds, will take place this spring. We expect to notify districts of the allocation amounts for this first phase in April 2009; the second phase will take place later in FY10. Please keep in mind that the total of the two distributions is intended to support districts in both FY10 and FY11.

USED has stated that it does not have the authority to waive Title I comparability or "supplement not supplant" requirements. However, in cases of severe budget shortfalls, districts may be able to establish compliance with the "supplement not supplant" requirement, even if they use Title I, Part A funds to pay for allowable costs that were previously paid for with state or local funds. In such cases districts will need to document that state and local budget cuts made it impossible to maintain those services with non-federal funds, and that education was not cut disproportionately.

ESE will provide additional guidance this spring on compliance with the "supplement not supplant" requirements. Until then I suggest that districts not assume they can employ this provision.

As noted above, SFSF stabilization funds may be used to help satisfy local maintenance of effort requirements for Title I, Part A. We will provide you with additional details as they become available.

USED will consider requests for waivers relating to set-asides in Title I, including per pupil amounts for supplemental educational services; the limit on how often a state may grant a waiver of the carryover limit; and the maintenance of effort requirement. We are awaiting further guidance on whether districts will need to apply individually for these waivers or whether the state may apply on their behalf.

You and your Title I directors will receive more detailed guidance on the use of ARRA Title I funds when the grant applications are released later this spring.

Massachusetts will also receive approximately $40 million under ARRA for Title I for school improvement grants, which will be awarded on a competitive basis. We will update you on this opportunity when more information is available.

D. ESEA Title IID

Massachusetts will receive approximately $10.6 million for educational technology under the ARRA for Title IID of the Elementary and Secondary Education Act. Of that total, 50 percent will be entitlement grants and 50 percent will be competitive grants. Initial allocations for the entitlement and competitive grants will be released this fall.

E. McKinney-Vento Homeless Assistance Program

Massachusetts will receive approximately $1 million in additional ARRA funds for McKinney-Vento. States have the option of distributing these funds on a formula or competitive basis. Because of the relatively small amount, and the need to ensure that the funds are used in a way that has a significant impact, I have decided to distribute the entire amount through competitive awards. We expect to issue a request for proposals later this spring.

F. National School Lunch Program

Massachusetts will receive approximately $1.4 million for competitive grants to school food authorities for the replacement of outdated food service equipment. Priority will be given to schools in which at least 50 percent of the students are eligible for free or reduced-price meals. USDA is encouraging states to award the grants by June 8, 2009, and school food authorities will be encouraged to complete their procurement and expenditure activities within three months of grant award. Grant applications will be available shortly.

G. Bonds for school construction and renovation

ARRA includes three programs to assist districts with the financing of school construction and renovation projects. The first is an expansion and extension of the existing Qualified Zone Academy Bond (QZAB) program. Applications for QZAB allotments can be submitted to ESE at any time and are processed on a first come, first served basis. Program information and application instructions are posted at http://finance1.doe.mass.edu/sbuilding/qzab_rfp.html.

Newly created programs include the qualified school construction bond program, which provides zero percent financing for qualified projects, and the Build America Bond program, which allows municipalities and regional school districts to issue taxable bonds with a partial interest subsidy from the federal government. Regulations and guidance regarding these two programs will be issued by the Treasury Department at a future date.

V. For additional information:

- We have created a new webpage devoted to ARRA news and updates relating to K12 education, which can be found at www.doe.mass.edu/arra/. As information is released, we will post it there. Information about other ARRA funding for Massachusetts is available on Governor Patrick's website at www.mass.gov/recovery .
- The Massachusetts Association of School Superintendents (MASS) is sponsoring a "drive-through" information session for superintendents on March 30, 2009 at 9 a.m. at Assabet Valley Regional Technical High School in Marlborough. I will be there, along with key members of our staff, to give you the latest updates and answer questions. For more information on that session, please contact MASS.
- The ARRA legislative language and federal guidance documents are posted on the U.S. Department of Education's ARRA webpage .
- The Massachusetts Association of School Business Officials is planning a webinar for district business managers on March 26 at noon. Check the MASBO website for further information.
- Program-specific questions can be directed to the appropriate ESE program office. General questions regarding ARRA can be directed to Associate Commissioner Jeff Wulfson in our School Finance office at jwulfson@doe.mass.edu.

Appendix A

Sample Strategic Investments for ARRA Funds

The list below illustrates some of the ways in which a district could use its ARRA funds to make strategic investments. This list is meant to be illustrative, not exhaustive.

To guide you as you consider ways to invest ARRA resources, ESE will identify additional options in the coming weeks. We hope to expand some of our most promising professional development initiatives in special education, mathematics, science, literacy, ESL and other areas so that districts will have additional options for investing ARRA funds. There will be restrictions specific to each fund category and ESE will provide forthcoming guidance on those restrictions.

- **Licensure and Career Development.**
    - Provide educational incentives (e.g., tuition vouchers) to licensed teachers in core subject areas to attain Special Education or English language learner (ELL) certification. Hire substitutes, as necessary, to allow teachers to participate in accelerated programs that culminate in the awarding of a degree, certificate, or license
    - Provide on-site coaching to classroom teachers to meet criteria for designation as a master teacher or instructional coach
    - Provide part-time or full-time leaves of absence for paraprofessionals to participate in ESE-approved teacher residency/licensure programs in high need areas such as special education, ELL or mathematics;
    - Establish a two-year summer or Saturday "lab school" program combining teacher training with extended learning time for students who most need the added time in order to prepare new teachers and give existing staff an opportunity to develop better practice

- **Dropout Prevention**
  - Strengthen dropout prevention programs in middle and high schools by hiring specialists to train regular school staff on appropriate services, supports, and activities
  - Participate with the state and other districts to develop the foundation for a cost-effective "virtual high school" experience for adolescents most at risk of dropping out
- **Professional Development**
  - Hire substitutes and/or consultants to provide teachers with release time for professional development in such areas as formative assessment, response to intervention, early and adolescent literacy, middle grade mathematics and family involvement
  - Retain staff who might otherwise be laid off to serve on a team of teachers assigned to teach groups of students while their teachers participate in intensive planning and professional development that would not be possible without this short-term infusion of funding
  - Provide training for teachers, paraprofessionals and others on issues related to the behavioral health needs of students beginning in early childhood programs and extending through high school
  - Strengthen district-wide preschool and early elementary programs by providing teachers and paraprofessionals with high-quality, sustained professional development aimed at aligning instruction and goals with state academic achievement standards
- **Purchase of Materials**
  - Purchase high quality curriculum resources (including technology) that have been shown to positively impact teaching and learning for students below grade level in core content areas
  - Collaborate with one or more districts in the hiring of a vendor to develop an electronic system for collecting classroom-level formative and summative assessment data that are exportable to the data warehouse and to assist with data-based decision-making
- **Regional Capacity Building**
  - Start or expand special education programs in districts or at educational collaboratives to reduce the need for more costly and distant student placements
  - Establish a regional center at an educational collaborative that assumes responsibility for several districts' a) data management and analysis using ESE's data warehouse, b) purchase and maintenance of technology, and c) professional development in effective use of technology to improve instruction.

Appendix B

download spreadsheet

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