

January 16, 2009

MEMORANDUM

TO: Interested Parties

FM: Stephen Rhoads
Dale F. Shimasaki, Ph.D.

RE: Federal Economic Stimulus Package

Congress released its \$825 billion economic stimulus plan for the 2009 and 2010 year. This plan can be effective in restoring cuts to CA education due to the state's fiscal crisis. This could also affect the outcome negotiations currently taking place between the Governor and the legislative leadership regarding the 2008-09 and 2009-10 budget.

The education provisions have a new program entitled " Education for the 21st Century: to enable more children to learn in 21st century classrooms, labs, and libraries to help our kids compete with any worker in the world, this package provides:

1. \$41 billion to local school districts through Title I (\$13 billion), IDEA (\$13 billion), a new School Modernization and Repair Program (\$14 billion), and the Education Technology program (\$1 billion). \$79 billion in state fiscal relief to restore cutbacks to key services. Of this amount:
 - \$15 billion is allocated to states as bonus grants as a reward for meeting key performance measures.
 - The remaining \$64 billion is in state fiscal relief to prevent cutbacks in key services. Of this amount, 61 percent of which must be used to restore state aid to school districts under the relevant state formula and to restore cuts in higher education. This can be very useful in backfilling the cuts you need to make for the current and budget year.
2. \$15.6 billion to increase the Pell grant by \$500.
3. \$6 billion for higher education modernization.

The potential effect the package would have on CA would be a major shot in the arm to both K-12 and to postsecondary education. It could infuse \$12.2 billion in new funds to education as shown in the display below. This assumes that CA receives a proportionate share of funds based on its percentage of CA residents to the nation's population. These numbers are very, very rough estimates based on the limited information and analysis available from other sources to date. If we get more details on this package, we will forward it to you.

Federal Economic Stimulus Package and Potential Impact on CA Education
(amounts in billions)

	Federal	Potential Impact on CA
Title I	\$13.0	\$1.56
IDEA	\$13.0	\$1.56
School Modernization and Repair Program (new)	\$14.0	\$1.68
Education Technology	\$1.0	\$0.12
State Fiscal Relief		
Bonus Grants	\$15.0	??
Restoration of State Budget Cuts: 61% to restore state aid	\$64.0	\$4.68
--amounts distributed through existing state/fed formulas	(\$39.0)	
--to states for other high priority needs such as public safety and other critical services	(\$25.0)	
Pell Grant	\$15.6	\$1.87
Higher Education Modernization	\$6.0	\$0.72
TOTALS	\$141.6	\$12.19

Other features in the proposal to be aware of:

- The stimulus impact is over a two year time frame. The totals in the display show the full two year effect. THEY ARE NOT AMOUNTS PER YEAR.
- Under the proposals for State Fiscal Relief, the Governor will have complete authority over the distribution of the funds. There are no provisions to for the state legislature to act or for agency heads such as the State Superintendent to have a role in the distribution or management of funds.
- Congress intends to get this package approved and sent to the President ASAP. The rumored deadline for completion is February 26 at the latest.

For more information:

- Summary of American Recovery and Reinvestment: from House Appropriations Committee:
<http://appropriations.house.gov/pdf/PressSummary01-15-09.pdf>
- Copy of legislation (education provisions on page 244):
<http://appropriations.house.gov/pdf/RecoveryBill01-15-09.pdf>
- Economic analysis of the legislation:
<http://appropriations.house.gov/pdf/EconomicAnalysis01-15-09.pdf>
- Appropriations Committee report:
<http://appropriations.house.gov/pdf/RecoveryReport01-15-09.pdf>