

American Recovery and Reinvestment Act: Investing in Education for the 21st Century

Economists tell us that strategic investments in education are one of the best ways to help America become stronger, and more productive and competitive. The American Recovery and Reinvestment Act, signed into law by President Obama on February 17, makes investments to modernize our schools, help the states avoid teacher layoffs and other education cutbacks, and make college more affordable. Economist Zandi estimates that, overall, this recovery package will save or create more than 250,000 jobs in the education and health care sectors.

Preventing Teacher Layoffs and Education Cuts/Modernizing Schools

- Establishes a \$53.6 billion State Fiscal Stabilization Fund, which has three components:
 - \$39.5 billion that goes to local school districts using existing funding formulas, which can be used to restore state education cuts; prevent teacher layoffs; prevent other education cutbacks; modernize, renovate, and repair public schools; and for other purposes;
 - \$5 billion in incentive and innovation grants to be distributed by the Secretary of Education on a competitive basis to states and local school districts for progress achieved on key education reform and student achievement objectives; and
 - \$8.8 billion to states for high-priority needs such as public safety and other critical services, which may include education, including modernization, renovation and repair of public school and higher education facilities.
- The State Fiscal Stabilization Fund is vitally needed because states are facing an unprecedented, massive fiscal crisis. Budget shortfalls are already projected for 43 states for the upcoming FY 2010. Initial estimates of these shortfalls total almost \$94 billion. As the full extent of FY 2010 deficits become known, state shortfalls are likely to equal \$145 billion.
- In recent months, 28 states have implemented cuts in education due to budget shortfalls – for example, Georgia has cut aid to school districts by \$95 per pupil; the University of Florida has eliminated 430 faculty and staff positions; and the University of Kentucky is raising its tuition 9 percent.
- Without the recovery package, school districts across the country would have to enact further cuts. Newspaper stories from across the country show the following: “As many as 2,300 teachers could face midyear layoffs because of the state budget crisis, Los Angeles Unified School District officials said.” (Los Angeles Times, 1/7/09) “Local school officials are preparing for drastic budget cuts...Most Marion and Polk County school districts are considering shortening the school year, asking staff to take salary cuts, or eliminating programs.” (Statesman Journal – Oregon, 1/21/09)
- Projects to modernize public school and higher education facilities – which are permitted under the State Fiscal Stabilization Fund – will create new construction jobs while ensuring that students can learn and teachers can teach in safe, healthy, technologically up-to-date, energy-efficient learning environments.

Additional School Modernization Funding

- Also includes school modernization bond provisions. These provisions create a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a limitation on the amount of qualified school modernization bonds that may be issued of \$25 billion.

Making College More Affordable as Working Families Are Struggling

- In this recession, tens of millions of students are losing the opportunity to go to college, with their families struggling – and this package includes key steps to keep the doors of college open to these students.
- Improves current higher education tax credits, by creating a new “American Opportunity” tax credit with a maximum of \$2,500 rather than the current maximum of \$1,800 -- thereby making college more affordable for millions of low- and moderate-income students.
- Also provides this new “American Opportunity” tax credit to more than 4 million low-income students who had not had any access to higher education tax credits in the past – by making it partially refundable. As a result, the nearly one-fifth of high school seniors who receive no tax credit under the current system will receive a tax cut to make college affordable for the first time.
- Makes college more affordable for approximately 7 million students by increasing the maximum Pell Grant by \$500, for a maximum of \$5,350 in 2009 and \$5,550 in 2010, and also backfilling the program’s funding shortfall.
- Adds \$200 million to the vital Work-Study program that supports undergraduate and graduate students who work while attending college. The increased funding will allow an additional 133,000 students to participate.
- As the National Association of Independent Colleges and Universities has stated, “Together these proposals mean that low-income students and families on the brink of stopping or dropping out of their higher education plans can stay in, and that unemployed workers can choose retraining for a new job.”

Investing in Early Childhood Development

- Provides \$2.1 billion for Head Start, which provides comprehensive development services to low-income preschool children – thereby providing services for 110,000 additional children. The \$2.1 billion in additional funds includes \$1.1 billion for the vital Early Head Start infant and toddler program. These investments will create 50,000 new jobs, increasing the demand for early educators, transportation providers, nutrition providers, etc.
- Research has shown that Head Start works and is a good investment for taxpayers – saving society money in the long-term. Studies have shown that Head Start is one of the best ways to improve child well-being, increase the educational achievement and future productivity of children, and reduce crime.
- Provides \$2 billion for the Child Care and Development Block Grant to provide child care services to an additional 300,000 children in low-income families while their parents go to work. Today, only one out of every seven children eligible for federal child care assistance receives it.

Providing Other Key Education Investments

- Provides \$13 billion for Title I grants to help disadvantaged kids reach high academic standards – ensuring that in this period of tight state and local budgets these vital services are maintained.
- Provides \$12.2 billion for grants for IDEA (Special Education) to increase the federal share of these costs, and ensure adequate resources for these mandatory services.
- Provides \$650 million for Education Technology, in order to invest in 21st century classrooms, including funding computer labs and training teachers to use technology.
- Provides \$300 million for improving teacher quality, including \$200 million for competitive grants to school districts and states to provide performance pay for teachers and principals who raise student achievement and close the achievement gaps in high-need schools and \$100 million for competitive grants to states to address teacher shortages and modernize the teaching workforce.
- Provides \$250 million for statewide data systems, providing competitive grants to states to design and develop data systems that analyze individual student data to help teachers and administrators improve student achievement.