MEMBERS ONLY BRIEF

Federal & State Stabilization Funding for Schools

Federal and State Efforts to Address the COVID-19 Pandemic:
An Overview & Analysis

Updated: April 27, 2020
Overview

- On March 26th, Congress passed H.R. 748 – the Coronavirus Aid, Relief and Economic Security (“CARES”) Act. The CARES Act provides $2.2 trillion in federal economic aid in response to the COVID-19 outbreak. It authorizes an “Educational Stabilization Fund,” with states receiving approximately $13.5 billion as part of the “Elementary and Secondary School Emergency Relief Fund.” Each state is to allocate not less than 90% of such grant funds as subgrants to local educational agencies in proportion to the amount of Title I (Part A) funds that such local educational agencies received in the most recent fiscal year.

- The CARES Act enumerates specific purposes for which local educational agencies may spend these monies, including special education, homeless students, providing meals and technology to low income students, summer and afterschool learning programs, basic health and sanitation measures, and such “other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.”
Overview

Education funding of nearly $31 million. Limited direct support for State and Local Govt to buffer against lost tax revenue.
What they got: The final package provides more than $30 billion in emergency education funding for colleges and universities, states and school districts.

Why it matters: House Democrats initially called for double that amount and certain education groups have asked for significantly more help, urging the government to contribute far more toward special education costs, for example.

$13.5 Billion directed to K-12.
# Funding Allocations

$2.23$ Trillion

## Ohio Allocation: Education

<table>
<thead>
<tr>
<th>State</th>
<th>Treasury</th>
<th>Department of Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio</td>
<td>$4,532,573</td>
<td>$105,212</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$489,205</td>
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<tr>
<td></td>
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<td>$381,298</td>
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</tbody>
</table>

* Coronavirus Relief Fund*
* Governor's Fund*
* K-12 Fund*
* Higher Education Fund - General*
How Does this Compare?

ARRA Stimulus Funding

Direct Funding for Education — $77 Billion:

• $40 billion in state stabilization funds to help avert education cuts. This will be given to states in exchange for a commitment to begin advancing education reforms. School systems have discretion to use some of this money for school modernization.

• $13 billion for Title I, including $3 billion for Title I school improvement programs.

• $12 billion for IDEA

• $5 billion in incentive grants to be distributed on a competitive basis to states that most aggressively pursue higher standards, quality assessments, robust data systems and teacher quality initiatives. This includes $650 million to fund school systems and non-profits with strong track records of improving student achievement.

• $5 billion for Early Childhood, including Head Start, early Head Start, child care block grants, and programs for infants with disabilities. (Includes HHS programs)

• $2 billion for other education investments, including pay for performance, data systems, teacher quality investments, technology grants, vocational rehab, work study, and Impact Aid

Additional funding was provided in 2010 bringing total K-12 funding to approximately $100 Billion during the Great Recession
## How Does this Compare?

<table>
<thead>
<tr>
<th></th>
<th>ARRA</th>
<th>CARES Act</th>
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</thead>
<tbody>
<tr>
<td>State Stabilization Funds</td>
<td>$40 Billion</td>
<td>$0</td>
</tr>
<tr>
<td>Title 1</td>
<td>$13 Billion</td>
<td>$13 billion</td>
</tr>
<tr>
<td>IDEA</td>
<td>$12 Billion</td>
<td>$0</td>
</tr>
<tr>
<td>Incentive Grants</td>
<td>$5 Billion</td>
<td>$0</td>
</tr>
<tr>
<td>Early Childhood</td>
<td>$5 Billion</td>
<td>$0</td>
</tr>
<tr>
<td>Education Investments (pay for performance, data systems, etc)</td>
<td>$2 Billion</td>
<td>$0</td>
</tr>
<tr>
<td>Governor’s Fund</td>
<td>$0</td>
<td>$2.9 Billion</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$77 Billion</td>
<td>$15.9 Billion</td>
</tr>
</tbody>
</table>
• Who makes application for funding under the Governor’s Discretionary and Education Stabilization Funds?

State Education Agencies (SEAs) like the Ohio Department of Education are responsible for applying for funding to the federal government through the U.S. Department of Education.
FAQs

• How will funds under the Education Stabilization Fund flow to school districts?

  Funds will be allocated on the same basis as the Title I Secondary Education Act (ESSA/ESEA)

  School districts DO NOT need to apply for these funds.
FAQs

• Can funding for schools be used to support online or distance learning for students?

Yes. Funds that school districts receive under the Education Stabilization Fund may be used to purchase broadband connectivity and educational technology for students, including computers, tablets, software, and hotspots. Funds may also be used to purchase assistive technology or adaptive equipment for students with disabilities, and to support professional development for educators and other school staff to support online learning.
FAQs

• How can funds be used to support students and families experiencing homelessness?

School districts may use funds under the Education Stabilization Fund for any activity authorized under subtitle B of title VII of the McKinney-Vento Homeless Assistance Act. Additionally, school districts have broad flexibility to use funds to meet the unique needs of students experiencing homelessness and purchase educational technology or broadband connectivity for such students.
FAQs

• Do students who attend private schools get any relief?

Yes. Under the Education Stabilization Fund, school districts that receive funding have to provide equitable services to low income children who attend private schools in the same manner as they provide those services under the ESEA.
FAQs

• Can the Secretary of Education waive any provision of the Elementary and Secondary Education Act?

No. The waiver authority provided under Section 3511 largely restates the authority she has under the ESEA. Section 3511 does establish an expedited process for certain waivers and does permit Secretary DeVos to waive the Title I carryover provision and Section 421(b) of the General Education Provisions Act (GEPA) to allow federal grantees to spend their federal education funds over a longer time period. Otherwise, the provisions included in Section 3511 are already waivable under ESEA and do not constitute new, broad authority for the Secretary.
FAQs

• Can The U.S. Secretary of Education waive any provision of the Individuals with Disabilities Education Act (IDEA)?

No. Secretary DeVos will provide a report to Congress in 30 days on her recommendations for waivers under IDEA. However, it would take an act of Congress to implement any of her recommendations. No new waiver authority was granted to Secretary DeVos for IDEA under CARES.
Conditions

- The Act includes a condition that school districts must continue to pay their employees and contractors during school closures in order to receive their share of the funds. Specifically, sec. 18006 of the Act states: “[a] local educational agency, State, institution of higher education, or other entity that receives funds under “Education Stabilization Fund”, shall to the greatest extent practicable, continue to pay its employees and contractors during the period of any disruptions or closures related to coronavirus.”
Why is this important?

• This is consistent with state law including but not limited to 3319.08(B) and 3319.081(G) of the Ohio Revised Code

• Reflected in agency guidance:
  • Example: Office of Head Start (OHS) is directing programs to continue to pay wages and provide benefits for staff unable to report to work during center closures necessary to address COVID-19. This additional emergency response flexibility is important to ensure critical grants management activities can continue during closures. It will help ensure staff are ready and able to return to work as soon as it is possible to resume operations.
Conditions (*cont.*)

- Recipients must continue to pay employees and contractors during the period of any disruptions or closures related to coronavirus, if possible.
- States receiving the Governor’s or K-12 funds must maintain funding for elementary and secondary and higher education programs at least at the average of the state’s funding in the last three years*. For Ohio this equates to:
  - Maximum 2.5% - 2.9% cut in FY 2020; 3.2% - 3.7% cut in FY 2021 for Primary and Secondary Education if looking at total K-12 GRF Funding as the comparison.
    - Funding cuts could be up to 4% in FY 2020 and 5% in FY 2021 if only looking at 3-year average of foundation aid and student wellness and success funding.
  - Maximum cut of 2.1% - 5.9% in FY 2020; 3% - 8.8% in FY 2021 for Higher Education

*Can be waived by U.S. Secretary Education upon state request.
Why is this important?

- Essentially establishes a Maintenance of Effort (MOE) requirement.
- Provides some stability for primary and secondary education.
- Establishes guidelines for state decision making.
- Enables districts to begin planning.
What to Expect on State Fiscal & Policy Front

• This will likely be a sharp decline followed by a slow recovery.
  • Looking back at state economic indicators for Ohio from the Great Recession.
    • State sales tax collections went down in 2009 by -6.83%.
    • This compares to a state personal income tax drop of -15.48% (The overall 2-year decline was -19.92% comparing 2008 to 2010).
    • The sales tax only had an initial 1-year decline and then began to go back up.
    • This compares to income tax collections which dropped again in 2010 before beginning to rise again.
    • Sales tax collections were back to 2008 pre-recession levels bevy 2012, 1 year before overall tax collections
    • The unemployment rate was finally back to 2007 precession high by 2014.

We also have to factor in the effect of Tax Reforms enacted since the Great Recession.
What to Expect on State Fiscal & Policy Front

• Ohio Approaches One Million Unemployment Claims amid Pandemic
  • Ohio tallied 109,369 initial unemployment claims for the week ending Saturday, April 18, bringing the five-week total of claims to 964,566, according to the Ohio Department of Job and Family Services. For comparison, the state logged 715,512 claims in all of 2018 and 2019 combined.
What to Expect on State Fiscal & Policy Front

• Looking at a “State Budget Watch Special Series” from the Center for Budget Policy Priorities, the 12 states they looked at anticipate total tax collection declines on average of 8% - 13% on the high end, with Michigan and New York anticipating losses of 16% and 17% in FY 2021 (on the high end). The impact for the remaining quarter of state fiscal year 2020 is more conservative.

• Ohio’s total General Revenue Fund tax receipts finished the month of March $159.4 million (-10.5%) below estimate.

• April’s numbers will be available on or before May 10.
What May Happen Next at Federal Level

Deal Reached on Fourth Stimulus Package
According to reports, the package provides:
• $310 billion for the Paycheck Protection Program
• $50-$60 billion for an Economic Injury Disaster Loan program
• $75 billion for hospitals and $25 billion for virus testing

The deal does not include additional funding for state and local governments or for K-12 education.
This necessitates the need for a fifth stimulus bill.
What May Happen Next

• Education groups request more than $200 billion in K-12 education relief.

• 12 CEF members representing K-12 educators wrote a letter to Congress asking for more than $200 billion in education relief funding. The letter highlighted increased costs associated with teaching and providing other normally school-based services during the pandemic and "the fact that state revenues [the source of nearly half of education funding] are expected to fall between 15 and 20 percent." The letter asked for:
  • $175 billion for K-12 education funding
  • $13 billion for IDEA,
  • $12 billion for Title I,
  • $2 billion for the E-rate program,
  • school infrastructure funding, and
  • include public schools as employers in the payroll tax credit.
Final Thoughts

• The CARES Act should not be thought of as fiscal stimulus but as an economic stabilization package. Most of the provisions of the Acts were designed to prevent the private sector from unraveling. We are in an “economic timeout”. The next federal action should be more of a stimulus and should include more for K-12. This current package of $13.5 billion compares to $100 billion during the Great Recession in multiple relief packages between 2008-2010.

• The ESC state strategy needs to think about an ESC role in
  • Coordination and support of communication and multi-agency/cross-sector initiatives;
  • Funding support within the Governor’s discretionary fund;
  • Supporting role in planning, responding, recovery and restarting; and
  • Addressing issues related to billable services.

• ESC federal strategy should focus on increased support for all districts, a role for ESCs, focus on compensatory services, continued flexibility.
Resources

OESCA Resources
• https://www.oesca.org/vnews/display.v/SEC/COVID-19%20Updates

Government Resources
• https://www.ed.gov/coronavirus
• https://www.cbo.gov/system/files/2020-04/hr748.pdf

AESA Community Platform and Resources
• https://aesacommunity.aesa.us/home

AASA Resources
• https://aasa.org/LeadingEdge.aspx
• Congressional Action to Date
• COVID resources for district leaders
Questions?

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