



**Southern Education Foundation**  
[www.southerneducation.org](http://www.southerneducation.org)

# ISSUE BRIEF

## **Southern Education And The American Recovery and Reinvestment Act**

**An Analysis of Historic Federal Funding to Improve the South's Low-Achieving Schools**

### **Overview**

The new federal stimulus law, the American Recovery and Reinvestment Act of 2009 (ARRA), offers Southern states a historic opportunity to improve public education from pre-school through college especially for low income students. ARRA allocates over \$100 billion directly to the 15 states of the South for creating jobs and spurring economic renewal during the next two years, and more than one-third of these funds will go toward education. Never before has a federal economic recovery law recognized to this degree the central role that education plays in states' economic growth.

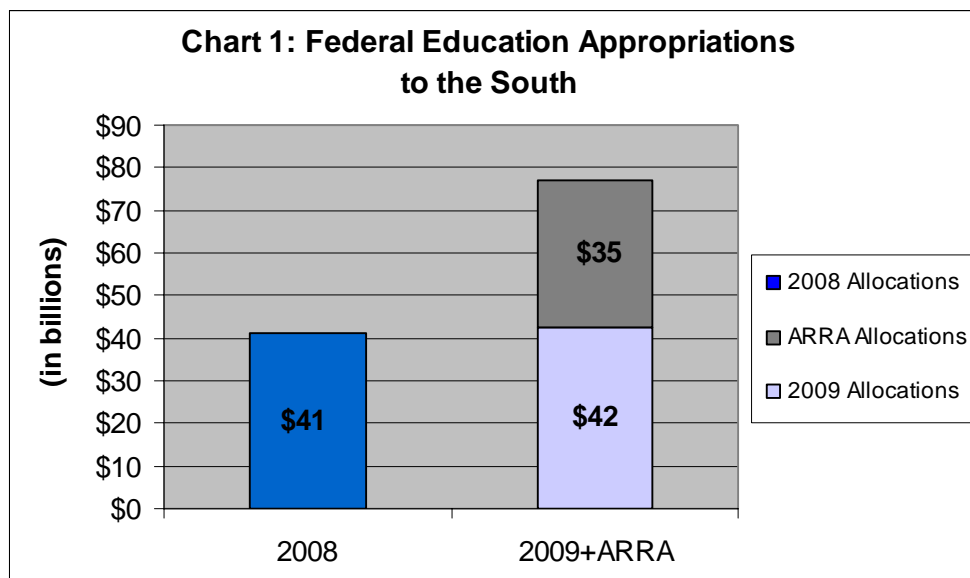
As early as the end of March 2009, the US Department of Education will begin to send the first payments totaling \$35 billion for education in Southern states. The total amount each Southern state receives will range from approximately \$602 million in West Virginia to as much as \$7.9 billion for Texas schools and students. Some funds must be spent in one year; other funds can be spent over two or three years. ARRA expressly advises states that these new funds are a *one-time funding opportunity* for stabilizing education budgets and improving schools.

**Table 1: Grand Total of ARRA Education Allocations**  
*Southern States and the Nation*

	Federal Education \$
<b>Nation</b>	\$ 102,428,873,615
<b>South</b>	\$ 34,593,473,421
Alabama	\$ 1,581,019,686
Arkansas	\$ 976,994,243
Florida	\$ 5,348,189,789
Georgia	\$ 3,160,216,313
Kentucky	\$ 1,403,356,531
Louisiana	\$ 1,540,316,598
Maryland	\$ 1,553,630,266
Mississippi	\$ 1,149,813,761
North Carolina	\$ 2,703,066,094
Oklahoma	\$ 1,200,895,560
South Carolina	\$ 1,395,503,834
Tennessee	\$ 1,919,830,615
Texas	\$ 7,911,736,050
Virginia	\$ 2,147,171,692
West Virginia	\$ 601,732,389

Source: US Department of Education

ARRA funds constitute a supplement to annual federal appropriations to the states for education. That supplement for 2009 provides an estimated \$42 billion to the 15 Southern states for a range of educational needs. When combined with ARRA funds, these states will receive in 2009 a total federal appropriation of \$77 billion --- a 188 percent increase over 2008 federal funding. This combined commitment of federal funding for education in 2009 is the largest single-year allocation of federal funds for education in the nation's history.



Source: US Department of Education

### **Stabilization Funds for Education**

The largest part of the South's new education monies from ARRA -- approximately 50 percent -- will be in the form of a "stabilization fund" for the primary purpose of helping states prevent the loss of productive education programs and the layoff of teachers. The new federal law requires that 81.8 percent of these ARRA funds go exclusively toward stabilization. The remaining 18.1 percent can also go toward helping to reduce deficits in a state's education budget and in the budgets for other essential governmental functions. (ARRA has a separate large appropriation to each state to stabilize the Medicaid program, which is the second largest expenditure behind education for most states.)

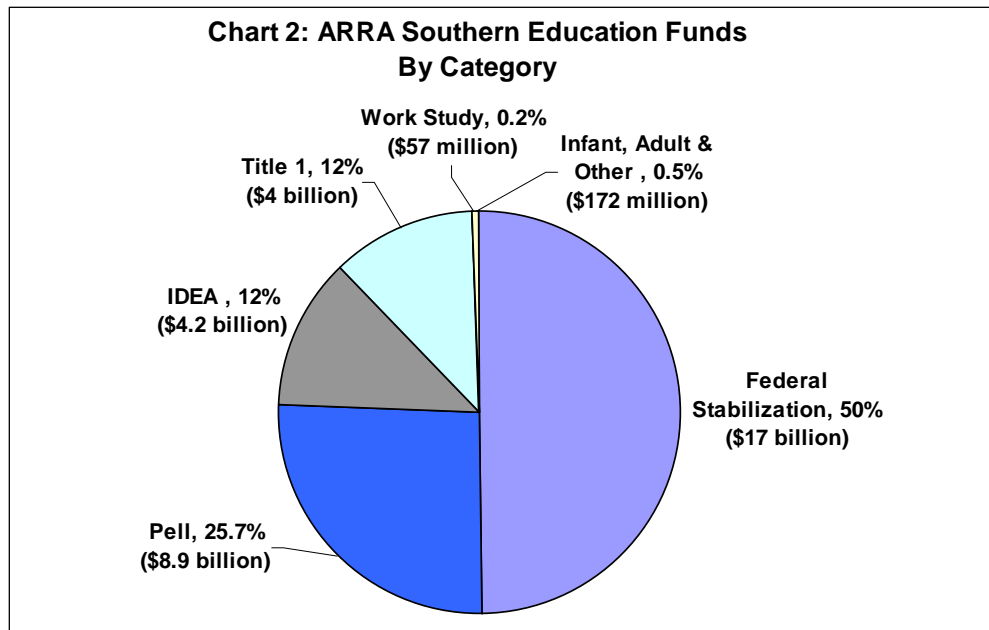
The states' stabilization funds can be used over three years (2009-2011) to support the public education of students in the South's elementary and secondary schools (P-12) and colleges and universities. If Southern states follow their recent patterns for distributing state funds between P-12 schools and higher education, roughly 68 percent to 72 percent of the stabilization funds will go toward P-12 education in the South, although the percentages vary from state to state. Most Southern states are experiencing severe shortfalls in revenues that threaten education budgets in the upcoming 2009-2010 P-12 school year, and ARRA stabilization funds will be helpful in safeguarding against draconian cuts.

Many Southern states are experiencing severe shortfalls in revenues that threaten education budgets in the upcoming 2009-2010 school year, and ARRA stabilization funds will help protect education budgets from draconian cuts. But, these federal funds will have a different impact in different states across the South. In some states such as Alabama, current and projected deficits in the states' education budget will probably exceed available stabilization funds over the next two years (See Appendix 1). Similar problems appear in states like Florida, Georgia, Maryland, Louisiana, North Carolina, and Virginia. It appears possible that ARRA stabilization funds could plug much or all of education budget deficits in Oklahoma and South Carolina over the next two years if the rates of decline in state revenues do not accelerate in the last half of 2009 and 2010.

There are some Southern states that may have no deficits or relatively small deficits in their education budgets for the next school year. Arkansas, Kentucky, Mississippi, Texas, West Virginia, and possibly Tennessee may not need to use much of the ARRA stabilization funds to fill budget gaps in 2009-2011. If so, these states will have substantial, additional federal appropriations primarily for improving their high-poverty schools – not simply maintaining them. ARRA obligates states to turn unused stabilization funds into improvement funds primarily for high-poverty school districts and their students.

**Pell Grants for Low Income College Students**

ARRA allocates almost \$9 billion in need-based aid for low income college students in the South. The new federal law provides added funding through Pell grants to college students who qualify for federal financial aid on the basis on family income. Need-based aid funds constitute one-fourth of all ARRA education funding in the South. The monies will go directly to accredited colleges and universities, both private and public, to support the tuition, fees, and other college-related costs of students who have or will qualify in 2009-10 for Pell grants. These funds supplement annual federal funds already allocated for Pell recipients. Accredited schools that have a significant percentage of low income students will especially benefit from this ARRA support.



Source: US Department of Education

### **Funds for Students with Disabilities**

The third largest ARRA fund allocation is to assist students with disabilities in Southern P-12 schools. The Southern states will receive almost \$4.2 billion for this purpose. These funds can be spent over two years. These funds are in addition to regular yearly allocations under the Individuals with Disabilities Education Act (IDEA).

### **Funding for High-Poverty Schools**

The fourth biggest funding stream from ARRA for Southern education will go to high-poverty schools and the low income students they serve. These federal monies constitute as much as \$4 billion in added funds for the South's school districts that have a significant percentage of students from families in poverty. These funds supplement Title I allocations already committed to high-poverty schools for 2009. Southern state departments of education will retain as much as 4 percent of the \$4 billion to set up a competitive "school improvement fund" for high-poverty schools and as much as 1 percent to administer the fund. The remaining monies will go to local school districts that will develop their own local spending plans to enable high-poverty, low-performing schools help their students perform at higher levels.

### **Other Funding Possibilities**

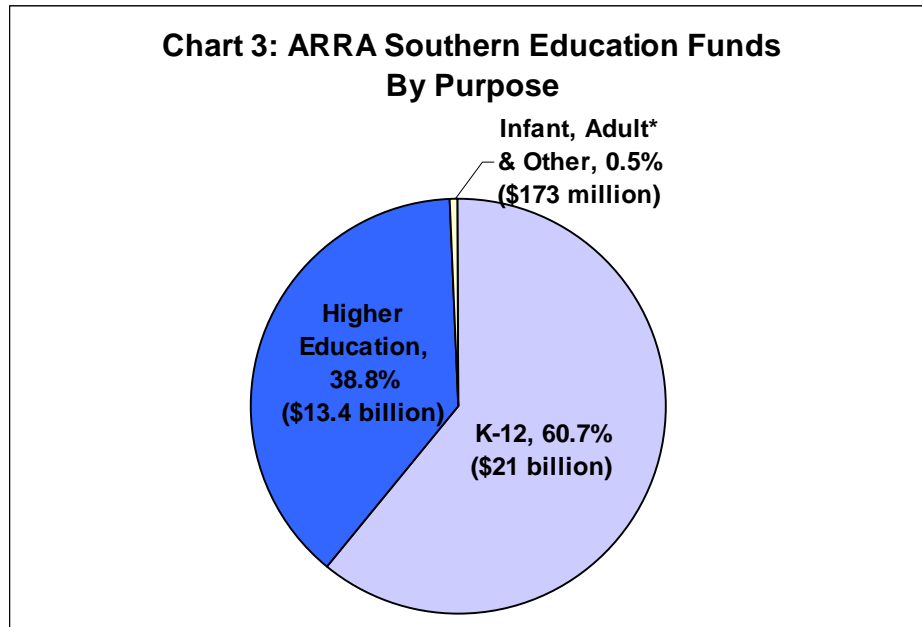
The Southern states also will have an opportunity to compete for added funds from the US Department of Education, primarily to improve low-achieving schools in high-poverty districts. The US Secretary of Education will issue guidelines for spending almost \$5 billion among the states for this purpose. (See page 4 of SEF Policy Brief on ARRA). If Southern states are competitive in acquiring these funds, the South's students could benefit from as much as an additional \$1.5 billion in school-related funding.

Also, states and local government are eligible for special federal tax credit bonds for constructing and renovating public schools. These two federal bonding programs are available for financing almost \$25 billion in new school construction and renovation and could save states and local governments up to 50 percent on the total bonded cost of school construction and renovation. If Southern states

take advantage of these programs, it could add as much as \$7.5 billion or more to improving the physical plant of public schools.

### ARRA Funds by Recipient

ARRA's education funding will go to support learning for all ages, but the bulk of these federal monies will probably go to P-12 schools.<sup>1</sup> Across the South, SEF estimates that 61 percent of the ARRA education funding -- \$21 billion -- will be distributed and spent for P-12 schools and their students and that almost 39 percent will be spent for the benefit of students at the South's colleges and universities. About one-half of one percent will be spent for adult and infant learning.<sup>2</sup>



Source: US Department of Education

### ARRA Funds Add to Per Pupil Revenues

Stabilization Funds: ARRA can make a significant difference in targeted support for the South's students, especially its neediest students, during the next two years. In states where stabilization funds are needed entirely to fill education

<sup>1</sup> This calculation assumes states will proportionately distribute between P-12 schools and higher education according to the proportion by which the state has divided up state revenues for education between K-12 and higher education in recent years.

<sup>2</sup> These data do not include ARRA allocations through Head Start, Early Start, and child care that are administered by the US Department of Health and Human Services.

budget deficits,<sup>3</sup> this part of the new federal funding could add significantly to levels of P-12 per pupil support. Region-wide, the stabilization funds will increase P-12 education revenues by an average of \$716 per pupil (See Appendix 2). In North Carolina, ARRA adds \$693 per pupil; \$756 per pupil in Florida; \$788 per pupil in South Carolina; and \$621 per pupil in Texas.<sup>4</sup>

IDEA Funds: The education funds coming to South for the special education of students with disabilities will be a significant addition to P-12 budgets. Across the 15 Southern states, ARRA will add as much as \$1,843 per disabled pupil to current revenues. South Carolina will probably receive the largest per pupil addition for students with special needs – almost \$3,000 per child. Louisiana will receive an estimated \$2,188 per pupil in added revenues.

High-Poverty School Funding (Title I): ARRA will also add a considerable amount of funding for the education of P-12 students from families in poverty who attend “high-poverty” schools. On average, the Southern states will receive approximately \$1,198 additional dollars for each student. Maryland will receive the largest addition --- an estimated \$1,418 per pupil. Mississippi will receive an estimated \$1,047.

In the Southern states where stabilization funds are not needed to bridge education budget deficits, leftover ARRA funds are to go to the state’s Title I schools – those with high rates of students from poor families. In these states, unused stabilization funds become additional funds targeted to students living in poverty. West Virginia, for example, does not have a current budget deficit. Therefore, assuming 2/3 of West Virginia’s stabilization funds are not needed to bridge budget deficits, the state’s ARRA funding for high-poverty schools would jump from \$1,249 to a total of \$3,570 per pupil.

This development will present West Virginia with an incredibly large funding opportunity to make a large one-time investment in improving the achievement and graduation rates of the state’s poorest students and often its

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<sup>3</sup> This calculation of new per pupil revenues assumes that states will use the same ratio for distributing ARRA revenues between P-12 schools and higher education that they have used in recent years to distribute state revenues between P-12 schools and higher education.

<sup>4</sup> Per pupil revenues from ARRA’s stabilization fund vary by state because they are to be distributed on a formula relating to a state’s population, not its public school enrollment.

lowest-performing schools. This opportunity also may be on the horizon in Arkansas, Kentucky, Mississippi, Oklahoma, Texas, and possibly Tennessee.

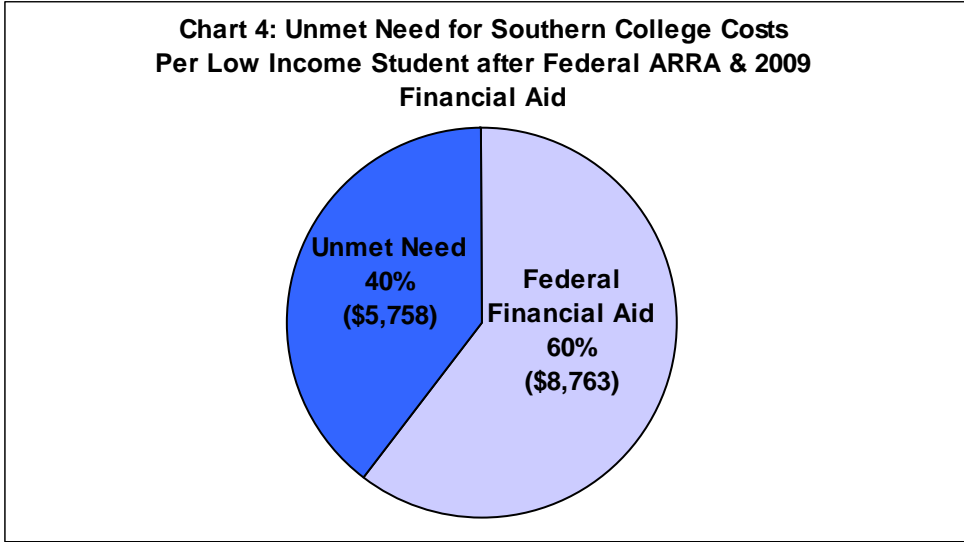
**Table 2: Total Potential Title I ARRA Funding Per Pupil Revenues:**  
*Selected Southern States*

	ARRA Title I	Potential FSF Funds to Title I	Total Potential ARRA Title I
Arkansas	\$1,309	\$2,053	<b>\$3,363</b>
Kentucky	\$1,292	\$1,042	<b>\$2,334</b>
Mississippi	\$1,047	\$1,472	<b>\$2,519</b>
Tennessee	\$1,281	\$417	<b>\$1,698</b>
Texas	\$1,153	\$1,186	<b>\$2,339</b>
West Virginia	\$1,249	\$2,610	<b>\$3,859</b>

Source: US Department of Education

Pell Grants for Low Income College Students: The ARRA increase in Pell grants will bring the largest per pupil increase to low income college students. On average, low income students across the South, who are currently eligible for Pell grants, will receive an additional \$5,086 in 2009-10 school year to help pay for college. Each of Louisiana’s low income Pell-eligible students will receive on average approximately \$5,245 to help pay for college. In Mississippi, the amount is an estimated \$5,461 in Pell grants and in Georgia it is \$5,102.

These added funds will make college a lot more affordable for the South’s more than 1.8 million low income college students in the school year beginning in the fall of 2009. But, this extra support is for one-year only – not for the next two to four years that most Pell-eligible students must complete in order to get a degree. In addition, while providing a large increase in support for each Pell recipient in the South, ARRA funds will not cover most of the average college costs that low income students in the South incur if they attend four-year colleges and universities.



Source: SREB State Data Exchange, College Board

### **Conclusion**

In a region plagued by a long history of underfunded education, ARRA presents an unprecedented opportunity to lessen the effects of the deep recession on education spending in the South. It will provide significant federal funding to help the South’s low income students, now a majority in the South’s public schools, as well as improve the region’s low-achieving schools. Amid hard times, the South should make the most of this unique opportunity.

An SEF Policy Brief accompanies this SEF Issue Brief.

### **About Southern Education Foundation (SEF)**

The Southern Education Foundation (SEF) is the nation’s oldest education foundation that today advances creative solutions to improve the education of the American South’s diverse, low-income students from early childhood through college. SEF began as the Peabody Education Fund in 1867. For more information, visit: [www.southerneducation.org](http://www.southerneducation.org).

**Appendix 1: ARRA Fiscal Stabilization Funds and State Education  
Budget Shortfalls 2009 & 2010  
Southern States and the Nation**

	States with Projected FY 2009 + FY 2010 Edu Budget Gaps	Federal Education \$ FSF-ARRA	Remaining FSF-ARRA after filling Projected Edu Budget Gaps
<b>Nation</b>	\$78,588,052,784	\$53,600,000,000	-\$24,988,052,784
<b>South</b>	\$19,552,681,756	\$17,216,283,430	-\$2,336,398,326
Alabama	\$1,410,406,973	\$729,041,407	-\$681,365,566
Arkansas	\$147,053,319	\$443,830,097	\$296,776,778
Florida	\$3,913,066,935	\$2,700,292,474	-\$1,212,774,461
Georgia	\$2,174,110,915	\$1,541,319,187	-\$632,791,728
Kentucky	\$437,730,702	\$651,341,789	\$213,611,087
Louisiana	\$835,657,189	\$708,548,266	-\$127,108,923
Maryland	\$1,214,950,514	\$879,800,714	-\$335,149,800
Mississippi	\$162,430,659	\$479,300,666	\$316,870,007
North Carolina	\$3,237,556,188	\$1,420,454,235	-\$1,817,101,953
Oklahoma	\$491,932,281	\$578,020,433	\$86,088,152
South Carolina	\$655,111,520	\$694,060,272	\$38,948,752
Tennessee	\$839,714,066	\$947,597,843	\$107,883,777
Texas	\$2,338,663,985	\$3,973,437,816	\$1,634,773,831
Virginia	\$1,647,258,364	\$1,202,770,052	-\$444,488,312
West Virginia	\$47,038,147	\$266,468,179	\$219,430,032

Source: CBPP; US Census Bureau

## Appendix 2: Per Pupil Revenues from ARRA Education Funds by Major Programs

*Southern States and the Nation*

	Federal Stabilization	Special Education	Title I	Per pupil Pell Grant: ARRA
<b>Nation</b>	\$761	\$1,873	\$1,327	\$4,898
<b>South</b>	\$716	\$1,843	\$1,198	\$5,086
Alabama	\$704	\$2,120	\$1,141	\$5,070
Arkansas	\$716	\$1,804	\$1,309	\$5,108
Florida	\$756	\$1,630	\$1,241	\$4,956
Georgia	\$733	\$1,647	\$1,322	\$5,102
Kentucky	\$703	\$1,538	\$1,292	\$4,966
Louisiana	\$723	\$2,188	\$987	\$5,245
Maryland	\$795	\$1,955	\$1,418	\$4,584
Mississippi	\$706	\$1,826	\$1,047	\$5,461
North Carolina	\$693	\$1,694	\$1,156	\$4,587
Oklahoma	\$683	\$1,584	\$1,199	\$4,922
South Carolina	\$788	\$2,928	\$1,129	\$4,836
Tennessee	\$711	\$2,401	\$1,281	\$4,868
Texas	\$621	\$1,962	\$1,153	\$4,692
Virginia	\$751	\$1,695	\$1,309	\$4,779
West Virginia	\$799	\$1,641	\$1,249	\$5,167

Source: US Department of Education