

The American Recovery and Reinvestment Act of 2009:
Education Jobs and Reform
February 18, 2009

The American Recovery and Reinvestment Act of 2009 ("the Act") was signed into law by President Barack Obama on Tuesday, February 17, 2009. This historic legislation seeks to immediately stimulate job creation during these challenging economic times by cutting taxes and investing hundreds of billions of dollars over the next two years in critical sectors such as energy, health care, infrastructure and education.

Within the education sector, "the Act" will provide an immediate stimulus to the economy by saving or creating hundreds of thousands of early childhood, K-12 and higher education jobs in states across America that are at risk of state and local budget cuts. It will further create thousands of additional construction jobs related to school modernization projects. In the long-term, "the Act" will strengthen the economy by raising Pell grants and tuition tax credits to help more young people attend college.

Importantly, the Act will lay the foundation for a generation of education reform by encouraging states to adopt college and career-ready standards and assessments, to build robust data systems that allow districts to better track the growth of individual students, to turn around failing schools and embrace innovative new learning models, and to invest heavily in teacher and principal quality initiatives that both elevate the teaching profession and help recruit and retain great teachers and principals for underserved schools and communities.

The intent of this legislation is to invest the education dollars quickly, productively and transparently in ways that best meet the short-term and long-term educational interests of children and adults. With that in mind, we are developing a streamlined application process that requires strong commitments on the front end and even stronger proof on the back end that states are not only putting new dollars into the classroom but are making meaningful and measurable progress toward the reform goals of this legislation.

In the coming days, the Department of Education will post specific guidelines and a timetable for each funding stream included in the Act: early childhood and state stabilization funds, IDEA and Title I funds, college affordability funds, and school modernization funds. We will also post statutory language on our website along with state-by-state estimates to help school districts, public colleges and universities plan budgets. Our goal is to get half of the money to the states within 40 days and the second half within six months, conditioned upon receipt of a comprehensive reform plan. The money will be invested in the following categories (figures approximate):

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

College Affordability — \$30.8 Billion:

- \$17 billion to close the shortfall in the Pell Grant program and boost grant amounts by \$500 to \$5350 in the first year and more in the second year, serving an estimated 7 million low and moderate-income young people and adults.
- \$13.8 billion to boost the tuition tax credit from \$1800 to \$2500 for families earning up to \$180,000.

Additional School Modernization — (up to) \$33.6 Billion:

- An additional \$8.8 billion in state stabilization funds are available for other state services including education. Modernization is an eligible use of this funding.
- Finally, the Act provides for states and school systems to issue \$24.8 billion dollars in bonds for renovation, repairs and school construction that will be retired through a combination of local, state and federal dollars.