

## National Governors Association Recommendations to the State Fiscal Stabilization Fund

	<i>House (as passed)</i>	<i>Senate (as passed)</i>	<b>NGA Recommendations</b>
<b>Funds Available for Education</b>	<ul style="list-style-type: none"> <li>• \$39 billion grants to governors</li> </ul>	<ul style="list-style-type: none"> <li>• \$31.5 billion grants to governors</li> </ul>	<ul style="list-style-type: none"> <li>• \$39 billion grants to governors</li> </ul>
<b>Funds Availability</b>	<ul style="list-style-type: none"> <li>• ½ available July 1, 2009-September 30, 2010</li> <li>• ½ available July 1, 2010-September 30, 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Available through September 30, 2010.</li> </ul>	<ul style="list-style-type: none"> <li>• Defer to Senate, change obligation period.</li> </ul>
<b>Obligation Period</b>	<ul style="list-style-type: none"> <li>• Use it or lose it” provision requires governor to obligate funds within one year of receiving funds or the Secretary may reallocate funds to other states.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as House</li> </ul>	<ul style="list-style-type: none"> <li>• Governors shall obligate at least 60% of federal funds within 12 months of receiving funds; all remaining federal funds shall be obligated within 18 months of receiving funds.</li> <li>• After 18 months, any unobligated funds would be returned to the Secretary for reallocation to other governors.</li> </ul>
<b>Usage of Funds for Education</b>	<ul style="list-style-type: none"> <li>• At least 61% of funds must be used to support elementary, secondary, or postsecondary education in a state.                             <ul style="list-style-type: none"> <li>○ A governor shall first use the funds to restore state K-12 and higher education funding to fiscal year 2008.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Funds must be used to support elementary, secondary, or postsecondary education, <i>and as applicable early education programs and services.</i> <ul style="list-style-type: none"> <li>○ A governor shall first use the funds to restore state K-12 and higher education funding to fiscal year 2008.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Funds must be used to support elementary, secondary, postsecondary education, and early childhood education programs and services (birth through preschool).                             <ul style="list-style-type: none"> <li>○ A governor shall first use the funds for K-12 and public institutions of higher education.</li> <li>○ For state fiscal year 2009, 2010, 2011, federal funds shall be used to restore funding to state fiscal year 2008; or to the state fiscal year</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ <b>K-12:</b> Funds are provided through the state’s principal elementary and secondary education funding formula</li> <li>○ <b>HEA:</b> Funds are provided to public institutions of higher education in the state.</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>K-12:</b> Funds are provided through the state’s principal elementary and secondary education funding formula, <i>and where applicable, to allow existing State formulas for fiscal years 2009, 2010, and 2011 to be implemented and allow funding for phasing in State equity and adequacy adjustments that were enacted prior to July 1, 2008.</i></li> <li>○ <b>HEA:</b> Same as House</li> </ul>	<p>2008 annually adjusted state fiscal based on the historical average state growth rate between FY04-FY08 separately for elementary and secondary, and postsecondary (whichever best meets the state needs).</p> <p><i><b>Example:</b> State A spent \$100 million in FY08 and the average rate of growth between FY04-FY08 was 6%. Under the NGA proposal, the governor may spend up to \$106 million in FY09, \$112 million in FY10 (adjusted FY09+6%), \$118 million in FY11 (adjusted FY10+6%).</i></p> <ul style="list-style-type: none"> <li>○ <b>K-12:</b> In addition to the above, include the Senate K-12 text (date should be Feb 1, 2009).</li> <li>○ <b>HEA:</b> See above recommendation.</li> </ul>
<p><b>Funds Short or Exceed State Need</b></p>	<ul style="list-style-type: none"> <li>• Shortfall: If the funds are insufficient to restore spending levels, a governor shall allocate funds between K-12 and higher education relative to the state shortfall.</li> <li>• Excess: Any remaining funds will be distributed to local education agencies relative to their Title I shares.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as House</li> </ul>	<ul style="list-style-type: none"> <li>• Defer to House</li> <li>• Excess: Any remaining funds, <i>after funding K-12, HEA, and early education</i>, will be distributed to local education agencies relative to their Title I shares.</li> </ul>

<p><b>MOE</b></p>	<ul style="list-style-type: none"> <li>To be eligible for an award, a state must maintain state spending on K-12 education at least at the level of fiscal year 2006; and a state must maintain state spending on public institutions of higher education at least at the level for fiscal year 2006 (excluding capital projects and research and development).</li> </ul>	<ul style="list-style-type: none"> <li>To be eligible for an award, a state must maintain state spending on K-12 education at least at the level of fiscal year 2006 <i>in FY2009 and FY2010</i>; and a state must maintain state spending on public institutions of higher education at least at the level for fiscal year 2006 <i>in FY2009 and FY2010</i> (excluding capital projects and research and development).</li> </ul>	<ul style="list-style-type: none"> <li>To be eligible for an award, a state must maintain state spending on K-12 education at least at the level of <i>state</i> fiscal year 2006 <i>in FY2010 and FY2011 (excluding capital projects)</i>; and a state must maintain state spending on public institutions of higher education at least at the level for <i>state</i> fiscal year 2006 <i>in FY2010 and FY2011</i> (excluding capital projects and research and development).*</li> </ul> <p><i>*Note: If federal funds are not available for use in state fiscal year 2011, the MOE should only apply to 2010.</i></p>
<p><b>Other Assurances</b></p>	<ul style="list-style-type: none"> <li>Assurances and Requirements for Funds: In addition to the Maintenance of Effort requirements, states shall: <ol style="list-style-type: none"> <li><b>Teachers:</b> Take steps to comply with Section 1111(b)(8)(C) of ESEA to ensure to address inequities between the distribution of teachers in high-and low-poverty schools, and to ensure that low-income and minority children are not taught at a higher rates than other children by inexperienced, unqualified, and out-of-field teachers.</li> <li><b>Data:</b> Establish a longitudinal data system that includes the elements as described in the America COMPETES Act.</li> <li><b>Standards and Assessments:</b> Enhance academic assessments to</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li><i>In addition to the House provisions, states shall:</i> <ol style="list-style-type: none"> <li><b>3B. Standards and Assessments:</b> <i>In addition to House provisions, also take steps to improve state content standards and student academic standards per the America COMPETES Act (6401(e)(1)(A)(ii).</i></li> <li><b>4. Corrective Action:</b> <i>Ensure compliance with Section 1116(b)(7)(C)(iv) and 1116(b)(8)(B) to oversee local school districts compliance with corrective action steps, e.g. replace staff, new curriculum, decrease management authority, appoint outside experts, extend school day or year, or restructure internal organization of school.</i></li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Defer to Senate on assurances 1, 2, 3 and 4, but allow governors to use stabilization funds to work on these assurances, including the data systems.</li> <li><b>Standards and Assessment:</b> Delete Senate assurance # 3B in light of the ongoing work of governors in this area, and the existing requirements in ESEA.</li> </ul>

	<p>comply with ESEA related to the inclusion of students with disabilities, limited English proficient students, and the provision of accommodations for those students to participate in assessments.</p>		
<b>Flexible Fund for Other Critical Purposes</b>	<ul style="list-style-type: none"> <li>• \$25 billion in grants to governors</li> </ul>	<ul style="list-style-type: none"> <li>• No such provision</li> </ul>	<ul style="list-style-type: none"> <li>• TBD</li> </ul>
<b>Usage of Funds for Critical Purposes</b>	<ul style="list-style-type: none"> <li>• Governor may use funds for other critical purposes.</li> </ul>	<ul style="list-style-type: none"> <li>• No such provision</li> </ul>	<ul style="list-style-type: none"> <li>• Defer to House</li> </ul>
<b>Other Provisions</b>	<ul style="list-style-type: none"> <li>• Local education agencies must use funds in accordance with prevailing federal laws, such as NCLB, IDEA, or Perkins.</li> <li>• Institutions of higher education must use funds to mitigate the need to raise tuition and fees for in-state students. Funds under this section may not be used for construction, renovation or repair of higher education institutions.</li> <li>• State Reports: Governors receiving state stabilization fund shall submit a report to the Secretary describing use of funds, how the funds distributed funds, the number of jobs saved or created, tax increases averted, progress to reduce inequities in the distribution of highly qualified teachers, progress to implement a state longitudinal data system, progress to develop a valid and reliable assessment for limited English</li> </ul>	<ul style="list-style-type: none"> <li>• Same as House</li> <li>• Same as House</li> <li>• Same as House</li> </ul>	<ul style="list-style-type: none"> <li>• Defer to House</li> <li>• Defer to House</li> <li>• Same as House, with the added provision that each state may retain up to 5% of the state allocation to administer the state stabilization fund, oversee spending for accountability and compliance purposes, comply with the assurances, and provide the Secretary with the necessary reporting requirements.</li> </ul>

	<p>proficient students and students with disabilities, the avoidance of higher education tuition and fees increases, and the extent to which higher education institutions of maintained, increased, or decreased enrollment of in-state students, and so forth.</p>		
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**State Incentive Fund**

	<b>House (as passed)</b>	<b>Senate (as passed)</b>	<b>NGA Recommendations</b>
<b>Appropriation</b>	\$15 billion to governors at the Secretary's discretion	\$7.5 billion to governors at the Secretary's discretion	\$7.5 billion to governors at the Secretary's discretion
<b>Allocation</b>	<ul style="list-style-type: none"> <li>Funds are available to states that make significant progress with the above three assurances.</li> </ul>	<ul style="list-style-type: none"> <li>Funds are allocated to states that make significant progress with the above <i>four assurances in FY2010. In the application for a state stabilization fund, the governor will note the current status of each assurance for the Secretary to determine if significant progress has been made by the State.</i></li> </ul>	<ul style="list-style-type: none"> <li>Defer to Senate</li> </ul>
<b>Usage of Funds</b>	<ul style="list-style-type: none"> <li>Each state receiving an incentive fund award shall use at least 50% of award for subgrants to local education agencies, relative to Title I share.</li> </ul>	<ul style="list-style-type: none"> <li>Same as House</li> </ul>	<ul style="list-style-type: none"> <li>Each governor receiving an incentive fund award shall use at least 50% of the award for subgrants to local education agencies, relative to Title I share and remaining funds shall be used for any critical purpose as identified by the governor.</li> </ul>

### Innovation Fund

	<b>House (as passed)</b>	<b>Senate (as passed)</b>	<b>NGA Recommendations</b>
<b>Appropriation</b>	\$650 million	\$650 million	\$650 million
<b>Allocation</b>	<ul style="list-style-type: none"> <li>Funds are reserved for the Secretary to recognize states, local education agencies, or schools that make significant gains to close the achievement gap.</li> </ul>	<ul style="list-style-type: none"> <li>Funds are reserved for the Secretary to recognize <i>local education agencies, or a partnership between a nonprofit organization and one or more LEA's or a consortium of schools</i> that make significant gains to close the achievement gap.</li> </ul>	<ul style="list-style-type: none"> <li>Defer to House</li> </ul>
<b>Basic for Awards</b>	<p>Significant progress in closing achievement gap, including</p> <ul style="list-style-type: none"> <li>Allow states, LEAs, and schools to expand work and serve as models of best practices;</li> <li>Allow states, LEAs, and schools to partnership with the private sector and philanthropic community; and</li> <li>Identify and document best practices that can be shared and brought to scale.</li> </ul> <p>State, LEA, or school shall:</p> <ul style="list-style-type: none"> <li>Close the achievement gap;</li> <li>Exceed state's annual measurable objectives for 2 or more consecutive years for all subgroups</li> <li>Increase graduation rates, increased recruitment and placement of high quality teachers;</li> <li>Demonstrate establish links with private sector or philanthropic community.</li> </ul>	<ul style="list-style-type: none"> <li><i>Same as House, except for LEAs and school only (States are not eligible for awards).</i></li> </ul>	<ul style="list-style-type: none"> <li>Defer to House</li> </ul>

**Regulatory Relief**

	<b>House (<i>as passed</i>)</b>	<b>Senate (<i>as passed</i>)</b>	<b>NGA Recommendations</b>
<b>Regulatory Relief</b>	<ul style="list-style-type: none"> <li>• No comparable provisions</li>   <li>• No comparable provisions</li>   <li>• No comparable provisions</li> </ul>	<ul style="list-style-type: none"> <li>• Authorizes the Secretary of Education to waive or modify, in order to ease fiscal burden, any requirements related to maintenance of effort or the use of federal funds to supplement, not supplant, non-Federal funds.</li>   <li>• Applicable for fiscal years 2009 and 2010.</li>   <li>• Relative to IDEA: The Secretary may waive or modify the maintenance of effort requirement for FY 2009 and 2010, and the level of effort required for 2011 shall not be reduced because of the waiver or modification.</li> </ul>	<ul style="list-style-type: none"> <li>• Defer to Senate, with application to the State Stabilization Fund, add the following:  <b>The Secretary must provide governors with a written response accepting or denying the governor’s waiver request within 10 days of receipt of such a waiver request. If granted a waiver, federal funds would immediately be made available to the governor.</b></li>   <li>• Defer to Senate, add “<b>and 2011.</b>”</li>   <li>• Relative to IDEA: For fiscal years 2010 and 2011, states may count up to 50% of their increase in the federal Part-B allocation toward their state maintenance of effort requirement. The Secretary shall waive MOE penalties for states during this period and may not reduce allocations of funds in FY2010, 2011, and 2012 for failure to meet MOE.</li> </ul>