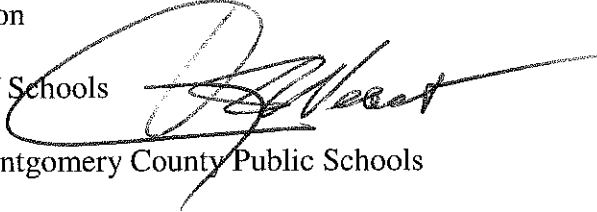


Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

April 1, 2009

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Federal Stimulus Revenue for Montgomery County Public Schools

On February 17, 2009, President Barack Obama signed the *American Recovery and Reinvestment Act of 2009* (ARRA). This economic stimulus measure will provide significant federal aid to Montgomery County Public Schools (MCPS). On February 23, 2009, the Board of Education adopted its FY 2010 Operating Budget Request, including federal grants anticipated from the ARRA law—\$6.1 million for Title I and \$15.3 million for *Individuals with Disabilities Education Act* (IDEA). This memorandum provides an update on the status of the new law as it applies to MCPS.

**Background**

In addition to new revenue, estimated to include \$12.2 million over two years (FY 2010 and FY 2011) for Title I and \$30.7 million for the IDEA grant for special education, there are many provisions that may apply to MCPS or offer opportunities for obtaining other federal grants. Staff is exploring these provisions in cooperation with other county agencies. A summary of potential federal aid for education, as issued by the Maryland State Department of Education (MSDE), is attached.

At this time, the federal government and the state of Maryland have yet to release complete detail or formulate guidance for the administration of many of the grant programs included in the new legislation. As this information is released, MCPS will have a better idea of the amount of potential additional revenue and the timetable for grant applications. MCPS is working cooperatively with other county agencies and departments through the Interagency Steering Committee to prepare for prompt responses to funding opportunities as they become known. Most of these opportunities are for additional funding for existing grants and will be made available through current procedures. This simplifies the process, because most of the rules and criteria are already well known. However, because there may be short application deadlines once grant procedures are announced, it is important to be ready to act quickly and have program plans ready to move forward once grant awards are made.

In addition, we have been informed that the reporting and accountability requirements for programs funded by the federal stimulus will be significantly greater than those for previous federal grants. The county has established a committee to interpret and respond to these requirements. Following is a brief description of the current status of federal stimulus programs that may affect MCPS.

### **Title I**

The law provides a total of \$13.0 billion for Title I programs for disadvantaged children, which is expected to increase the MCPS allocation by approximately \$12.2 million over two years. The budget amendments adopted by the Board expand the number of Title I elementary schools from 27 to 30, including Rosemont, Watkins Mill, and Brown Station elementary schools. An amendment also expands the full-day Head Start program to eight new classes and increases the per-pupil allocation in all Title I schools to \$2,372, an increase of approximately \$429 per student, pending final allocation of the base grant for FY 2010. This new funding will largely follow existing Title I requirements.

### **IDEA**

The law provides \$11.8 billion to increase funding of IDEA programs (special education). The federal government has fallen short of its original commitment to fund 40 percent of special education costs. It now provides only about half of this amount. MCPS currently receives only 10 percent of its instructional special education expenditures from IDEA. The new law would increase federal aid to MCPS by \$30.7 million (60 percent). This additional aid also includes the current provision that requires 15 percent of the IDEA grant to be devoted to the prevention of disproportionate identification of students for special education services, based on race and ethnicity. MCPS uses this part of its IDEA grant to fund a variety of programs, including early childhood programs and diversity training, to reduce disproportionality. This provision applies to the new funding.

### **State Fiscal Stabilization Fund**

Maryland is expected to receive about \$900 million over two years for fiscal stabilization. The purpose of the fiscal stabilization aid is to avoid reductions in state and local spending and to restore cuts made as a result of the recession. The funds are allocated directly to states. Governor Martin O'Malley has proposed to use these funds to avoid reductions in education formula (Thornton) aid to local school districts and to maintain state contributions to teacher retirement. At this time, it appears that MCPS will not receive any of this aid directly. However, this approach helps Montgomery County, because MCPS is scheduled to get the bulk of state education aid formula increases in FY 2010.

### **Technology—Title II-D, Technology Grants**

The law includes \$650 million for Title II-D, Technology grants. Maryland is expected to receive \$8.5 million. MCPS currently receives \$183,000 annually for this program. We would expect a significant increase as a result of the new law. Funds will be distributed according to existing formulas. This program provides curriculum development and professional development to support student and teacher technology literacy.

### **Infants and Toddlers**

The law includes \$500 million for the IDEA Infants and Toddlers grant. MCPS receives \$875,000 annually for this grant through the Montgomery County Department of Health and Human Services. Maryland's allocation of additional funds is estimated at \$7.5 million. Initial distribution will be made following the issuance of guidelines.

### **Head Start**

The law appropriates an additional \$1.0 billion for Head Start and \$1.1 billion for Early Head Start programs. The Head Start funding will add to the existing program. MCPS receives Head Start funding as a contractor through the Montgomery County Department of Health and Human Services, the official grantee for Montgomery County. Because funding for this program has been level for several years, it has not kept up with increasing costs of the program. Hopefully, the additional funding can help relieve this shortfall. Provisions related to Early Head Start, a competitive grant, are not yet clear.

### **Medicaid**

The new law increases the proportion of federal reimbursement for state Medicaid expenditures. It also extends until July 1, 2009, the existing moratorium on changes in federal rules governing Medicaid reimbursement. This is important to MCPS because it maintains the existing reimbursement for case management services for MCPS students receiving special education services. It will be necessary to track this provision to make sure that before July 1, 2009, the rules are revised to assure equal treatment of special education students benefiting from Medicaid.

### **Competitive Grant Opportunities**

The new legislation includes considerable funding for competitive grants which will provide opportunities to MCPS. Some are tied to our educational mission, and others would affect our operations. It is expected that application deadlines will occur very soon, so it is important to begin preparatory work promptly. In education, competitive grant opportunities include Title VII-B, McKinney-Vento Assistance for Homeless Students (\$70 million); Teacher Incentive Fund (\$200 million); grants for state and local educational innovation (\$650 million); state

incentive grants to reward states for closing the achievement gap (\$4.3 billion); and a variety of other grants discussed below.

In addition to competitive grants in education, funding in other parts of the law may potentially be available for some MCPS activities, either singly or in collaboration with other county agencies. Opportunities may include energy efficiency and renewable energy, homeland security planning, workforce development, transportation, and environmental protection. Information on these opportunities and how they may be accessed is being gathered.

### **Incentive Grants—“Race to the Top”**

The law includes \$4.3 billion in competitive incentive grants to encourage education reform efforts in school districts having difficulty meeting the requirements of the *No Child Left Behind Act* (NCLB). The first phase of these grants will be distributed in December 2009 to states. The criteria for these grants include the encouragement of efforts to improve the distribution of highly qualified teachers, improve the collection and use of longitudinal data on student performance, improve standards and assessment tools, and generally help schools struggling to meet NCLB requirements. Half of these funds will be distributed to local school districts and the other half may be awarded to non-profit organizations. Because MCPS has had great success in meeting state achievement standards, it appears less likely that MCPS will qualify for a large share of these funds, but this determination will await the issuance of specific guidance. Grant application procedures were posted on March 9, 2009, but no deadline for applications has been set. Initial awards are expected in December 2009.

### **Innovation Grants—“Invest in What Works”**

The law includes \$650 million in competitive innovation grants for local school districts or consortia of school districts. The grants are to be awarded to districts that have shown evidence of closing the achievement gap or that can serve as models for other districts to close achievement gaps. MCPS would appear to have a good opportunity to receive a significant share of these funds, depending on the specific criteria to be issued. No deadline for these grants has been announced.

### **State School Improvement Grants**

There is \$3 billion for new State School Improvement Grants to be awarded to schools in need of extra support to reach Adequate Yearly Progress (AYP) goals under NCLB. MCPS will be competing for its share of these grants.

**McKinney-Vento Homeless Assistance**

The law includes \$70 million to expand the McKinney-Vento Homeless Assistance grant. This program provides tutoring and other academic support for homeless students. MCPS currently receives \$75,000 annually for this program. It is awarded competitively to local school districts based on the number of homeless students enrolled. This funding should provide additional support for the program, although the growth of homelessness statewide has reduced the amounts received by MCPS in previous years.

**Impact Aid Construction**

The law provides formula and competitive grants for districts receiving federal impact aid for modernization and energy efficiency projects at schools. Based on income criteria, Montgomery County will not be eligible for any competitive grants, but it may receive some support from formula grants.

**YouthBuild**

The law includes an additional \$50 million for YouthBuild, a program that serves youth who have dropped out of school and reenrolled in an alternative school program. It is a competitive grant. MCPS has not previously received a YouthBuild grant, but there may be an opportunity to submit an application in partnership with Montgomery College and non-profit organizations.

**Teacher Incentive Fund**

The law includes \$200 million for the Teacher Incentive Fund. This competitive grant program provides grants to local school districts to encourage innovative compensation programs to recruit and retain teachers. Funds are expected to be awarded in the fall of 2009. MCPS staff plans to apply for this grant through a partnership with the Montgomery County Education Association, Montgomery County Association of Administrative and Supervisory Personnel, and SEIU Local 500.

**School Lunch Equipment Assistance**

The law includes \$100 million for National School Lunch Program Equipment Assistance to buy cafeteria equipment in schools with high levels of students on free and reduced-price meals. Maryland is expected to receive \$1.3 million, and MCPS should qualify for approximately \$100,000, depending on the criteria. This will help fund the purchase of needed replacement equipment in schools.

### **School Construction Financing**

The law excludes funding for school construction projects; however, it does include some measures that may expand locally funded capital projects. The bill has a variety of tax provisions aimed at reducing debt service costs for state and local governments, which may allow them to borrow more in the private market or borrow at lower rates. For example, the law provides tax credit bonds that allow financing of school construction and may reduce interest rates on debt. Governments also may receive direct federal payments of tax credits in lieu of issuing tax exempt bonds. These provisions will require considerable analysis and review. The Montgomery County Department of Finance is taking the lead on this program with MCPS staff participation.

### **Supplantation and Maintenance of Effort**

As the new law is reviewed, there will be extensive discussion of supplantation or maintenance of state and local effort. In some respects, the new law continues the existing practice that bars supplantation. Other provisions are new to this law and may require detailed interpretation. Considerable interpretive latitude is left to the United States Secretary of Education.

Additional support for existing programs, such as Title I and IDEA, follows the current supplantation provisions in those laws. In general, federal supplantation rules prohibit states or school districts from using federal funds to provide educational services for qualifying students or schools that are provided generally to other students or schools with local resources. The federal aid must be used for extra services. This is different from state supplantation rules that prevent local districts from using state resources for services previously provided with local resources.

The new law assumes that in the absence of additional federal support, states "that have experienced a precipitous decline in financial resources" because of the economic situation would reduce aid to education or other services. The state fiscal stabilization aid is meant mainly to restore or avoid reductions rather than to add new services. This is a significant change from prior law. Therefore, the law empowers the United States Secretary of Education to waive requirements for maintaining local effort. However, Section 14012 (c) provides that "the Secretary shall not grant a waiver or modification under this section unless the Secretary determines that the State or local educational agency receiving such waiver or modification will not provide for elementary and secondary education, for the fiscal year under consideration, a smaller percentage of the total revenues available to the State or local educational agency than the amount provided for such purpose in the previous fiscal year." This is designed to protect local districts from having the additional federal funds transferred for noneducational uses. However, it will take considerable interpretation to understand and enforce this provision.

The law also allows local districts to treat additional funds as if they were local funds in meeting state maintenance of effort requirements, including for IDEA. Thus, if a local district must reduce its spending and violate state maintenance of effort formulas, the federal aid can backstop local money to meet state requirements.

### **Next Steps**

The county government has established a collaborative process for assessing the impact of the new law and coordinating grant applications to maximize Montgomery County's opportunities for funding. The Interagency Steering Committee meets weekly and includes representatives of all county agencies. MCPS also is included in relevant interagency work groups to pursue competitive grants. The governor's office has held technical support meetings to make agencies aware of required procedures and deadlines.

I will continue to keep you informed of further developments as the provisions of the federal stimulus are more completely understood. If you have any questions, please call Mr. Larry A. Bowers, chief operating officer, at 301-279-3626 or Dr. Marshall Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547.

JDW:vnb

Attachment

Copy to:  
Executive Staff

**Maryland State Department of Education**  
**Preliminary Analysis: American Recovery and Reinvestment Act (ARRA)**

Program	National Appropriation	Estimated Maryland Allocation	Fund Availability	Application	Fund Expiration	Additional Information
Title I-A Grants to States	\$10 Billion	\$136,436,011 <sup>a</sup>	50% available late March 2009; Remainder available Sept/Oct 2009	No new application required for first 50%; To receive remainder, State must submit, for USDE review and approval, an amendment to its Consolidated Application that addresses how it will meet the recordkeeping and reporting requirements of the ARRA.	Available for obligation until 9/30/11	\$5 billion through targeted grants (Sec. 1125); \$5 billion through incentive grants (Sec. 1125a). To states and LEAs by formula. Each LEA will be required to file with the SEA a school-by-school listing of per-pupil educational expenditures from State and local sources during the 2008-2009 academic year, no later than December 1, 2009. Each SEA will report that information to USDE by March 31, 2010. Congressional intent that 40% be directed to middle and high schools. Secretary has indicated a preference for extended time in school (extended day, Saturday, extended year, etc.). To states by formula; Competitive to LEAs.
Title I-A School Improvement Grants	\$3 Billion	\$40,652,000 <sup>b</sup>	Beginning in Fall 2009	Conditioned upon receipt of further information that will be outlined in future guidance		
IDEA (Part B); Section 611; Grants to States	\$11.3 Billion	\$200,241,802 <sup>a</sup>	50% available late March 2009; Remainder available Sept/Oct 2009	No new application required for first 50%;	Must be obligated by 9/30/11	To states and LEAs by formula; Amount awarded to states in March should be made available to LEAs by 4/30/09.
IDEA (Part B); Section 619; Preschool	\$400 Million	\$6,922,121 <sup>a</sup>	50% available late March 2009; Remainder available Sept/Oct 2009	No new application required for first 50%;	Must be obligated by 9/30/11	Amount awarded to states in March should be made available to LEAs by 4/30/09.
IDEA (Part C); Infants and Toddlers	\$500 Million	\$7,505,513 <sup>a</sup>	A minimum of 50% available by end of		Must be obligated by 9/30/11	

Program	National Appropriation	Estimated Maryland Allocation	Fund Availability	Application	Fund Expiration	Additional Information
State Data Systems (IES Grants)	\$250 Million	Competitive	March as soon as guidelines are issued; Remainder available Sept/Oct 2009 50% June/July 2009; 50% Sept/Oct 2009			For States to develop Longitudinal Data Systems that include postsecondary and workforce information; Competitive; Guidelines will be posted shortly.
Education Technology State Grants	\$650 Million	\$8,527,644 <sup>a</sup>	50% June/July 2009; 50% Sept/Oct 2009	Conditioned upon receipt of further information that will be outlined in future guidance		½ allocated to LEAs based on Title I formula; ½ allocated as competitive grants.
Homeless Children/Youth	\$70 Million	862,000 <sup>b</sup>	100% Available by end of March 2009			McKinney-Vento Homeless Act. To each State in proportion to the number of homeless students identified by the State during the 2007-2008 school year relative to the number of such children identified nationally during that school year. SEAs shall subgrant to LEAs on a competitive basis or according to a formula based on the number of homeless students identified by the LEAs in the State.
Teacher Incentive Fund	\$200 Million	Competitive	Beginning in Fall 2009	Competitive; Guidelines will be posted shortly.		To LEAs for innovative compensation programs to recruit and retain teachers. These funds shall be expended as directed in the fifth, sixth, and seventh provisos under the heading "Innovation and Improvement" in the Department of Education Appropriations Act, 2008. A portion of the funds shall also be used for a rigorous national evaluation by the Institute of Education Sciences, utilizing randomized controlled methodology to the extent feasible, that assesses the impact of performance-based teacher and principal compensation systems supported by the funds provided in this Act on teacher and principal recruitment and retention in high-

Program	National Appropriation	Estimated Maryland Allocation	Fund Availability	Application	Fund Expiration	Additional Information
State Fiscal Stabilization Fund (SFSF): 1. State Fiscal Stabilization Fund - Education	\$53.6 Billion  \$39.5 Billion	\$879,800,714 <sup>a</sup>  \$719,676,984 (81.8%)	Phase 1: 67% Available end of March 2009 - will be distributed within 2 weeks of receipt of an approvable SFSF application; Phase 2: Sept/Oct 2009	Phase 1 Application will be user friendly and must include: (a) Assurances in 4 areas; (b) Baseline Data on current status in the 4 areas; (c) Basic Information on how funds will be used. Phase 2 Application: State Plan detailing strategies for addressing the education reforms in the Assurances; Must also describe how the state is implementing the record-keeping and reporting requirements under ARRA; further guidance forthcoming in near future.		need schools and subjects to teach in low-performing schools  Assurances. (1) Maintenance of effort. (A) Elementary and secondary education. The State will, in each of fiscal years 2009, 2010, and 2011, maintain State support for elementary and secondary education at least at the level of such support in fiscal year 2006. (2) Achieving equity in teacher distribution The State will take actions to improve teacher effectiveness and address inequities in the distribution of highly qualified teachers between high- and low-poverty schools, (3) Improving collection and use of data. The State will establish a longitudinal data system that includes the elements described in the America COMPETES Act. (4) Standards and assessments. The State: (A) will enhance the quality of the academic assessments it administers, (B) will comply with ESEA requirements related to the inclusion of children with disabilities and limited English proficient students in State assessments, the development of valid and reliable assessments for those students, and the provision of accommodations that enable their participation in State assessments; and (C) will take steps to improve State academic content standards and student academic achievement standards consistent with the America COMPETES Act. (5) Supporting struggling schools. The State will ensure compliance with ESEA requirements with respect to schools in improvement.
2. State Fiscal Stabilization Fund - Flex	\$8.8 Billion	\$160,123,730 (18.2%)				

Program	National Appropriation	Estimated Maryland Allocation	Fund Availability	Application	Fund Expiration	Additional Information
3. State Fiscal Stabilization Fund – Incentive Grants	\$4.35 Billion	Competitive	1 <sup>st</sup> Round – Dec. 2009 (30%); 2 <sup>nd</sup> Round – Spring 2010 (70%)			“Race to the Top” funds; To consortiums of states for education reform (50% must be sub-granted to LEAs)
4. State Fiscal Stabilization Fund – Innovation Grants	\$650 Million	Competitive				“Invest in What Works”; \$650 million Competitive to LEAs and non-profits for Innovation;
Child Care Development Block Grant	\$2 Billion	\$24,040,000 <sup>d</sup> (Of which \$1.987 Million is targeted for Quality Expansion and \$1.15 Million for Infants and Toddlers).				
Head Start/Early Head Start	\$2.1 Billion	\$ 7,897,000 <sup>d</sup>				
National School Lunch Program Equipment Assistance	\$100 Million	\$1,299,000 <sup>d</sup>				By formula to state; competitive to LEAs
Vocational Rehabilitation State Grants	\$540 Million	\$6,879,192 <sup>e</sup>	50% available by end of March as soon as guidelines are issued; 50% available Sept/Oct 2009			

Program	National Appropriation	Estimated Maryland Allocation	Fund Availability	Application	Fund Expiration	Additional Information
Independent Living Programs	\$140 Million Centers for Ind. Living- \$87.5 Million Older Blind Ind.- \$34.3 Million State Grants for Ind. Living- \$18.2 Million	Centers for Ind. Living- \$1,300,000** Older Blind Ind. Living - \$629,924 <sup>a</sup> State Grants for Ind. Living- \$249,474 <sup>a</sup>  *Funding goes directly from USDE to Centers for Ind. Living	37.5% distributed by formula by end of March; 62.5% by competitive grants at a later date;			
School Construction; School Modernization Tax Credit;	\$22 billion					Federal government pays interest through tax credits = \$9.9 billion. May be used for new construction, repairs, modernization. Funds must be spent within 3 years of issuance of bond. \$22 billion (\$11 billion for each of 2009 and 2010). 60% allocated to States based on share of Title I funding. 40% allocated directly to "large" LEAs. (100 LEAs with largest number of children from families in poverty). Up to additional 25 LEAs selected by Secretary of Education.
School Construction; Qualified Zone Academy Bonds (QZABs).	\$ 1.4 billion					\$1.4 billion for 2009 (current amount is \$400 million). \$1.4 billion for 2010. Federal cost = \$1 billion.

a. Source: USDE charts posted 2/18/09

b. Source: CRS charts, 2/13/09

- c. Source: MSDE Estimate
- d. Source: FFIS charts, 2/17/09
- 1. MD Allocations are estimated. They are not intended to predict specific amounts states will receive.
- 2. Many issues are still unclear including: Maintenance of Effort requirements, Supplement/Not Supplant requirements, Comparability requirements, State Administrative Holdbacks, Timing of distribution of funds, and others. Additional Guidance is expected to be forthcoming from US Department of Education.

dgl 03/12/09