

## American Recovery and Reinvestment Act and State Fiscal Stabilization Fund Overview November 2009

### American Recovery & Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) was passed by the U.S. Congress and signed by the President on February 17, 2009. The overall purpose of the Act is to create jobs in the short run and make needed investments for the long run. The bulk of the Act's education funding will go towards meeting K-12 needs, though \$30.8 billion of the Act has been designated to increase college affordability; this funding includes \$17 billion to the Pell Grant program and \$13.8 billion to boost the tuition tax credit. Within the University System of Ohio, funds from the ARRA's State Fiscal Stabilization Fund will be used for tuition support.

### State Fiscal Stabilization Fund

The State Fiscal Stabilization Fund (SFSF) program is a new one-time appropriation of \$53.6 billion under the American Recovery and Reinvestment Act of 2009 (ARRA). The program will help ensure that local educational agencies (LEAs) and public institutions of higher education (IHEs) have the resources to avert cuts and retain teachers and professors. Ohio will use SFSF money to limit tuition growth in FY10 and FY11. Operating support will be given to institutions of higher education using the same methodology as is seen in the State Share of Instruction (SSI).

Beginning August 2009, higher education stakeholders will be able to access the FY 2010 monthly subsidy distribution schedules on the OBR website in order to examine the separate state and federal revenue streams going to each Ohio college or university on a monthly basis ([http://regents.ohio.gov/financial/selected\\_budget\\_detail/subsidy\\_schedule.php](http://regents.ohio.gov/financial/selected_budget_detail/subsidy_schedule.php)). While state general revenue fund (GRF) funding will continue to be shown as line 235-501 funding, federal stimulus funding will be tracked using line 235-644.

### **Can SFSF funds be used to save higher education bargaining unit jobs?**

Yes. According to the USDOE SFSF Fact sheet, subject to limited restrictions in ARRA, institutions of higher education (IHE) may use program funds for: (1) education and general expenditures, and in such a way as to mitigate the need to raise tuition and fees for in-state students; or (2) the modernization, renovation, or repair of IHE facilities that are primarily used for instruction, research, or student housing. IHEs should use funds consistent with the intent and overall goals of ARRA: to create and save jobs and to advance the education reforms set forth in the assurances section so as to produce lasting results for students from early learning to college. *Excerpted from the USDOE Fact Sheet, State Fiscal Stabilization Fund, March 7, 2009.* <http://www.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html>

One of the primary purposes of the SFSF was to help ensure that local educational agencies (LEAs) and publicly funded institutions of higher education (IHEs) have the resources to avert cuts and retain teachers and professors.

Excerpted from the USDOE PowerPoint Presentation, *Saving and Creating Jobs and Reforming Education*, April 3, 2009. <http://www.ed.gov/policy/gen/leg/recovery/presentation/arra.pdf>

**What are the possible restrictions/issues for using SFSF funds?**

States must use 81.8 percent of SFSF funds for the support of public elementary, secondary, and higher education, and, as applicable, early childhood education programs and services. States must use their allocations to help restore for FY 2009, 2010, and 2011 support for public elementary, secondary, and postsecondary education to the greater of the FY 2008 or FY 2009 level. The funds needed to restore support for elementary and secondary education must be run through the state's primary elementary and secondary education funding formulae. The funds for higher education must go to IHEs.

Subject to limited restrictions in ARRA, IHEs may use program funds for: (1) education and general expenditures, and in such a way as to mitigate the need to raise tuition and fees for in-state students; or (2) the modernization, renovation, or repair of IHE facilities that are primarily used for instruction, research, or student housing. IHEs may not use funds to increase their endowments. Excerpted from the USDOE Fact Sheet, *State Fiscal Stabilization Fund*, March 7, 2009. Available at <http://www.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html>

**How can higher education locals influence their college or university's use of SFSF funds?**

Create and implement a plan to identify the college or university's planned response to the funding opportunity. Identify how much SSI funding the college or university received in FY 2008 and FY 2009 and its funding amount for FY 2010. Ohio must use its SFSF allocations to help restore for FY 2009, 2010, and 2011 support for public elementary, secondary, and postsecondary education to the greater of the FY 2008 or FY 2009 level. The funds for higher education must go to IHEs.

Federal stimulus funding for each Ohio college/university will be available beginning in August ([http://regents.ohio.gov/financial/selected\\_budget\\_detail/subsidy\\_schedule.php](http://regents.ohio.gov/financial/selected_budget_detail/subsidy_schedule.php)). Ask the college if it has a plan for spending its SFSF funds. If it is considering laying off faculty or staff, identify whether or not the positions could be paid for with SFSF funds. Utilize the resources noted above to develop a plan to protect jobs and salaries by referring back to the federal guidance on the purpose of the funding.

**COLLECTIVE BARGAINING & RESEARCH DIVISION (CBaR)**