

Update on Federal Education Stimulus Spending in Tennessee

Introduction

As part of the American Recovery and Reinvestment Act, Tennessee will receive approximately \$2.3 billion in new federal funds under formula based allocations. The majority of those funds are for education. The State has already received additional funding for Title I grants for eligible local school districts (\$194.1 million) and for Individuals with Disabilities Education Act programs (\$229.6 million), as well as funding for two smaller programs for homeless children and technology.

Most of the new federal funding for education will come through the State Fiscal Stabilization Fund. Tennessee is eligible for approximately \$775 million in Education Stabilization funds and another \$172.5 million in Government Services funds. Education Stabilization funds can only be used for elementary, secondary and higher education programs, while Government Service funds can be used to provide assistance to a wide array of government programs including health and public safety.

Last week, the federal Department of Education announced that it had approved Tennessee's application for funding under the State Fiscal Stabilization Fund. As a result, the State will receive an initial allotment of \$635 million and will be eligible to apply for the remaining \$313 million in the Fall.

This brief examines how the State has proposed using the State Fiscal Stabilization Fund dollars and compares Tennessee's proposed uses to those in the fifteen other states that have had their applications approved by the federal government. As of this writing, California, Florida, Georgia, Indiana, Maine, Minnesota, Mississippi, Nevada, New York, Oregon, Rhode Island, South Dakota, Utah and Wisconsin have all had their applications for funding approved.¹

¹ All state applications are available on line at www.ed.gov/programs/statestabilization/resources.html. In addition, the New America Foundation is maintaining a helpful blog that is tracking the State Fiscal Stabilization Fund process at www.newamerica.net/blog/ed_money_watch.

Key Findings

More than 40% of Education Stabilization funds in Tennessee will go unspent in FY 2009 and FY 2010

- Under ARRA, states can use Education Stabilization funds in FY 2009, FY 2010 and FY 2011.
- Of the sixteen states with funding applications approved by the federal government, half plan on using all Education Stabilization funds in FY 2009 and FY 2010. Excluding Tennessee, the fifteen other states with approved funding applications plan on spending 96% of total allocated Education Stabilization funds in FY 2009 and FY 2010.
- Tennessee's plan calls for leaving 43.5% of its total Education Stabilization allocation unspent until FY 2011. Only Mississippi (52.2%) plans to leave a higher percentage of its allocation unspent in the current and coming fiscal year.

Tennessee is the only state that has allocated a majority of its Education Stabilization funds to higher education rather than elementary and secondary education.

- Of those funds allocated in 2009 and 2010, Tennessee plans to spend 64.7% on institutions of higher education and 35.3% on elementary and secondary education.
- Every other state with an approved funding application plans on spending a majority of Education Stabilization funds on elementary and secondary education. Excluding Tennessee, the other fifteen states combined allocate a total of 78.4% of Education Stabilization funds to elementary and secondary education – more than double the 35.3% allocated to elementary and secondary education in Tennessee.
- Three states (Illinois, New York and Wisconsin) have allocated more than 90% of funds to elementary and secondary education. The second lowest allocation to elementary and secondary education was Minnesota, with 62%.

Even when taking account of funding from the Government Services fund, Tennessee still has the lowest percentage of funds allocated to elementary and secondary education of all states with approved funding applications.

- Tennessee has indicated that it plans to spend 65.74% of its Government Services fund allocation on elementary and secondary education. Only five states have plans to allocate Government Services fund dollars to elementary and secondary education and only Illinois (79%) has proposed allocating a higher percentage.
- Based on FY 2009 and FY 2010 Education Stabilization fund allocations and its Government Services fund allocation, Tennessee has proposed allocating \$267.8 million out of \$610.3 million in ARRA State Fiscal Stabilization Fund dollars to elementary and secondary education. This represents **43.9%** of total allocated dollars.

- Excluding Tennessee, the fifteen other states have allocated a combined **69.2%** of State Fiscal Stabilization Fund dollars to elementary and secondary education.

Allocation of State Fiscal Stabilization Fund \$
to Elementary and Secondary Education

	Percentage of Allocation to Elementary and Secondary Education
Illinois	94.2%
Wisconsin	86.7%
New York	82.4%
Indiana	67.3%
Maine	66.0%
Florida	64.8%
Rhode Island	62.3%
California	61.7%
Oregon	60.5%
Georgia	60.1%
Minnesota	60.1%
Utah	58.3%
Mississippi	54.0%
Nevada	52.8%
South Dakota	49.9%
Tennessee	43.9%