

THE STATE FISCAL STABILIZATION FUND AND HIGHER EDUCATION SPENDING

Part 2 of 4

JENNIFER S. COHEN, FEDERAL EDUCATION BUDGET PROJECT

MAY 2011

By late 2008, the United States was in the midst of its most severe economic recession since the 1930s, brought on by a collapse in real estate prices and exacerbated by the failure of many large banks and financial institutions. Heeding calls from economists, Congress and the Obama administration passed a historic law in early 2009 to stimulate the economy with \$862 billion in new spending and tax cuts.

This law, the American Recovery and Reinvestment Act of 2009 (ARRA), included nearly \$100 billion in one-time funding for new and existing education programs, a historic sum given that annual appropriations for federal education programs at the time were approximately \$60 billion. The largest single education program included in the law was the State Fiscal Stabilization Fund, a new \$48.6 billion program that provided direct grant aid to state governments in 2009, 2010, and 2011. The program was designed to help states maintain support for both public K-12 and higher education funding that they might have otherwise cut in response to budget shortfalls brought on by the economic downturn.

As the end of fiscal year 2011 nears, the data now exist to take a close look at how states divided the funding made available through the State Fiscal Stabilization Fund between K-12 and higher education. Specifically, this paper

uses information collected from the states to examine how much of the State Fiscal Stabilization Fund each of the 50 states and the District of Columbia spent on K-12 versus higher education in each fiscal year. Using this information, we can make general conclusions about how the ARRA may have affected state spending on higher education.

This paper is the second in a four-part series examining these trends. The first paper in this series (*The State Fiscal Stabilization Fund and Higher Education Spending in the States*, December 2010) explored how state spending on higher education fluctuated during the implementation of the State Fiscal Stabilization Fund (SFSF). Forthcoming reports will provide a study of how select states used SFSF funds and a look at the status of state higher education funding after the SFSF monies are no longer available at the end of fiscal year 2011.

The State Fiscal Stabilization Fund and State Higher Education Budgets

Background

Congress intended the State Fiscal Stabilization Fund to bolster state budgets for K-12 and higher education by providing federal funds to fill budget shortfalls caused by lower than anticipated tax revenues. The program also required states to agree to pursue four reform areas that were primarily focused on K-12 education – called “assurances” in the law – through their use of the funds. When the SFSF was enacted, some states were already facing funding shortfalls as a result of the economic downturn, while others were projecting shortfalls in the near future. Lawmakers targeted education for the grant aid because public schools and institutions of higher education employ a significant proportion of the workforce in every state. By ensuring that K-12 and higher education were well supported, Congress could theoretically ensure that a significant number of jobs would be saved during the economic downturn.[1]

Congress divided the State Fiscal Stabilization Fund (SFSF) into two parts – Education Stabilization funds, which were to be used to support education purposes only, and Government Services funds, which were to be used to support other government services in addition to education, like public safety or health care. Education Stabilization funds accounted for \$39.8 billion of the \$48.6 billion SFSF. The U.S. Department of Education distributed the funds according to a formula defined in the law based on each state’s share of the national 5 to 24 year-old population and each state’s total population.[2] This means that Education Stabilization funds were distributed based on population, rather than which states were facing the most severe funding shortfalls and would therefore need the most federal support for education funding.

Maintenance of Effort Provision

Lawmakers designed the Education Stabilization fund under the assumption that states would not be able to

maintain then-current levels of spending due to the economic recession and would need federal assistance to maintain their education programs.[3] While some states did need the funds more than others, Congress distributed the funds to all states to garner support from a majority of lawmakers. Congress also wanted to ensure that states would not take advantage of the new federal funds to cut state funding for K-12 and higher education by more than the magnitude of their budget shortfalls. In other words, lawmakers wanted to prevent states from cutting their education budgets by more than they would have absent the federal funds.[4] To accomplish this, Congress included a “maintenance of effort” provision in the law that requires states to maintain education spending for K-12 and higher education at fiscal year 2006 levels in fiscal years 2009, 2010, and 2011.[5] States could then use the Education Stabilization funds to fill the gap between what they spent on higher education in 2006 and the greater of 2008 or 2009 spending levels. The provision effectively put the floor on state spending for education at 2006 levels.[6] (The first paper in this series focused on how states chose to make cuts to their higher education spending as a result of the State Fiscal Stabilization Fund. To learn more, read *The State Fiscal Stabilization Fund and Higher Education Spending in the States*, December 2010.)

Division between K-12 and Higher Education

The Education Stabilization fund requires that states use the funds for both K-12 and higher education in proportion to each sector’s share of a state’s budget shortfall. It is important to keep in mind that when a state faces a budget shortfall, its legislature decides how to adjust spending to bring the budget into balance. State lawmakers have flexibility over the extent to which they will reduce funding for K-12 or higher education (or both) in response to budget shortfalls. In a state where the legislature made a 60 percent cut to K-12 spending and a 40 percent cut to higher education spending compared to the previous year, the SFSF regulations require that state to spend 60 percent of its allocated Education Stabilization funds on K-12 education and 40 percent on higher education.[7] States

where the legislature chose to spare higher education funding from spending cuts could use the funds to fill only the gaps created by cuts to K-12 education. Additionally, states could choose to divide the funds between both fiscal years 2009 and 2010 or use them in only one of the two years. As a result, states that had no predicted budget shortfall in 2009 could have opted to use all their Education Stabilization funds in 2010, while those with anticipated shortfalls in both years could spread the funds between the two years. States that did not use all of their funds in 2009 and 2010 could use them in 2011 to fill budget gaps in K-12 and higher education in the same manner. This paper focuses on how states ultimately divided their Education Stabilization funds between K-12 and higher education in each fiscal year.

In accordance with program requirements, each of the 50 states and the District of Columbia submitted an application to the U.S. Department of Education by July 1st, 2009, stating how much of their Education Stabilization fund allocation they would need to restore funding levels for K-12 and higher education in fiscal years 2009 and 2010. They refer to this as the "restoration amount." States determined these numbers by calculating the difference between projected spending on K-12 and higher education in each year and the greater of 2008 or 2009 spending on both sectors. For example, if a state spent \$800 million on higher education in 2009, and its projected spending for higher education in 2010 was \$650 million (which was at or above 2006 spending levels for higher education), then the state could opt to use up to \$150 million of its Education Stabilization funding for higher education in 2010. In these applications, states also reported how much, if any, of their Education Stabilization funds they would leave unspent until fiscal year 2011. Any funds a state did not use to restore state funding in fiscal years 2009, 2010, or 2011 would be distributed directly to K-12 school districts in fiscal year 2011 via existing formulas under the Title I program of the Elementary and Secondary Education Act, which provides federal grant aid to school districts with low-income students.

Since states initially submitted their SFSF applications in 2009, many have made additional cuts to their budgets or adjusted how they allocated Education Stabilization funds between the K-12 and higher education sectors and fiscal years. In mid-March of 2011, the U.S. Department of Education required states to submit updated versions of their SFSF applications. These updated applications include revised restoration amounts as well as a break down of fiscal year 2011 Education Stabilization fund spending between K-12 and higher education. As of this writing, the U.S. Department of Education has not made these updated applications available to the public.

It is necessary to directly examine state allocations of Education Stabilization funds by fiscal year to understand how these funds affected higher education funding in the states. However, it is impossible to fully understand the context of higher education spending without also examining how the funds were allocated to K-12 and in what proportion in each fiscal year. This information provides important insight into how states used their Education Stabilization funds to support higher education during the economic downturn and whether higher education was relatively protected from significant budget cuts.

Methodology

We collected data on allocations of Education Stabilization funds directly from staff at state budget, economic stimulus, or education offices. Specifically, these data included how much of its Education Stabilization fund allocation each state spent separately on K-12 and higher education in state fiscal years 2009, 2010, and 2011.[8]

To determine the proportion of each state's Education Stabilization fund allocation spent on each sector in each fiscal year, we divided the amount allocated for each sector and fiscal year by the state's total Education Stabilization fund allocation. (In some cases, these may not add up to 100 because of rounding.)

In the vast majority of cases, data provided by state staff differed from the state SFSF application currently posted on the U.S. Department of Education website. This suggests that states have further altered their state K-12 and higher education budgets since the most recently posted applications were submitted. Additionally, in some states the SFSF application restoration amounts did not reflect actual expenditures or allocations of Education Stabilization funds.[9] As a result, we would not expect the data discussed in this paper to perfectly match any information contained in updated SFSF applications when they are made public.

Findings

Our examination of how states divided their Education Stabilization funds between K-12 and higher education revealed several interesting patterns. States spent the majority of Education Stabilization funds on K-12 education – roughly 78.9 percent of the total \$39 billion available for Education Stabilization funds. The remaining 21.2 percent – \$8.3 billion – were spent on higher education. This allocation of funding between K-12 and higher education mirrors the typical state budget, in which states tend to spend far more on K-12 than higher education each year. Only five states – Colorado, Louisiana, Montana, Nevada, and Wyoming – spent a greater percentage of their Education Stabilization funds on higher education than K-12 education over the three fiscal years that the funds were available. This indicates that most states chose to make larger budget cuts to K-12 education than to higher education in response to lower tax revenues resulting from the economic recession.

States chose to spend most of their Education Stabilization funds in 2010 – 49.3 percent or \$19.3 billion. The rest of the money was divided about evenly between fiscal years 2009 and 2011 – a little more than 25 percent in each year. It is somewhat surprising that states spent more than a quarter of the funds in fiscal year 2011, practically two years after Congress appropriated the funds. The U.S. Department of Education's guidance for the State Fiscal Stabilization Fund

encouraged states to spend the money quickly, suggesting that there would be only small amounts remaining for 2011 in most states.[10] The original SFSF application also did not ask states to specify how they would spend their funds between K-12 and higher education in 2011. While some states spent all of their Education Stabilization funds in 2009 and 2010, other states conserved their funds to make up for shortfalls in 2011.

In the sections below, we describe how states chose to spend their Education Stabilization funds in each fiscal year, looking more closely at states that prioritized higher education spending. We examined each fiscal year individually because different states chose to spend their Education Stabilization funds in different years as a result of predicted budget shortfalls and resulting budget cuts. (See Appendix for a full table of findings.)

Fiscal Year 2009

In total, states spent just under \$10 billion of their Education Stabilization funds in fiscal year 2009. Of that, 75.6 percent was spent on K-12 education and 24.4 percent was spent on higher education.

A significant number of states chose not to spend any of their Education Stabilization funds in this year. Thirty-two states did not spend any of their allocations on K-12, while 36 states did not spend any of their allocations on higher education.

Some states, however, did choose to spend a sizeable portion of their Education Stabilization funds in 2009, particularly on K-12 education. Many of these states were facing intense fiscal crises in that year. Eleven states spent more than 25 percent of their total allocation on K-12. In contrast, only two states chose to spend more than 25 percent of their total allocation on higher education. For example, California spent 59.7 percent of its \$4.9 billion Education Stabilization fund allocation on K-12 and 29.4 percent on higher education. California faced one of the largest budget shortfalls in the country in 2009 and chose

Table 1. Division of Education Stabilization Funds between K-12 and Higher Education in 2009, Select States

State	K-12 Education		Higher Education		Total (All Years)
	\$ millions	% of total	\$ millions	% of total	\$ millions
California	2,911	59.7	1,434	29.4	4,879
Colorado	0	0.0	151	24.2	622
Illinois	1,039	61.8	0	0.0	1,681
Indiana	536	64.6	0	0.0	831
South Carolina	339	59.1	198	34.6	573
Wisconsin	552	77.0	0	0.0	717

Source: New America Foundation

to use its Education Stabilization funds quickly to fill budget gaps. This left just 11 percent of its allocation to be spent in fiscal year 2010.

South Carolina spent the highest proportion of its Education Stabilization fund allocation on higher education in 2009 of any state – 34.6 percent of its total \$573 million allocation. The state also spent a significant amount of its allocation on K-12 in that year – 59.1 percent. This rapid drawdown of funds is surprising because South Carolina Governor Mark Sanford initially refused State Fiscal Stabilization Funds. By early April of 2009, however, the Sanford administration applied for the federal funds and distributed them quickly to both school districts and public institutions of higher education.^[11]

Finally, Colorado spent the third highest proportion of its Education Stabilization fund allocation on higher education in 2009 – 24.2 percent of \$622 million. Interestingly, Colorado did not spend any of its Education Stabilization funds on K-12 education in 2009 or 2010. Only Wyoming followed the same pattern. However, Wyoming did not spend any of its Education Stabilization funds until 2011 because it did not face budget shortfalls in the two preceding years.

A few states spent significant portions of their Education Stabilization funds on K-12 education in 2009 and did not spend any of their allocations on higher education in the same year. Illinois, Indiana, and Wisconsin all spent more than 60 percent of their total Education Stabilization fund allocations on K-12 in that year. This suggests that these

states either shielded their higher education budgets from cuts, making K-12 education bear the brunt of spending reductions, or chose not to use Education Stabilization funds to support their higher education budgets even though the legislature may have cut higher education spending.

Fiscal Year 2010

States spent the bulk of Education Stabilization funds in fiscal year 2010 – \$19.3 billion or 49.3 percent. Of that, 79.9 percent was spent on K-12 and 20.1 percent was spent on higher education.

Forty states spent more than 25 percent of their allocations on K-12. Of those states, 17 spent more than half of their allocations on K-12 alone. In comparison, only seven states spent more than 25 percent of their Education Stabilization fund allocations on higher education.

Only three states – Colorado, Nevada, and Wyoming – did not spend any of their Education Stabilization fund allocations on K-12 that year, while 10 states did not spend any of the funds on higher education.

Colorado spent the highest proportion of its Education Stabilization fund allocation on higher education – 61.4 percent of its total \$622 million allocation. Colorado did not spend any of its allocation on K-12 in 2010 or 2009. This suggests that, when confronted with budget shortfalls, the state chose to make cuts to higher education spending rather than K-12 spending and fill those gaps with Education Stabilization funds.

Table 2. Division of Education Stabilization Funds between K-12 and Higher Education in 2010, Select States

State	K-12 Education		Higher Education		Total (All Years)
	\$ millions	% of total	\$ millions	% of total	\$ millions
Colorado	0	0.0	382	61.4	622
Connecticut	272	50.3	0	0.0	542
Louisiana	100	17.3	190	32.7	580
Massachusetts	134	16.5	249	30.6	813
Montana	25	22.3	31	27.3	114
Nevada	0	0.0	185	57.0	324
North Dakota	85	99.8	0	0.0	86
Vermont	39	50.0	0	0.0	77
Wyoming	0	0.0	0	0.0	68

Source: New America Foundation

Nevada spent the next highest proportion of its Education Stabilization fund allocation on higher education – 57.0 percent of its total \$324 million allocation. Like Colorado, Nevada did not spend any of its Education Stabilization funds on K-12 education in 2010. However, it did spend 43.0 percent of its allocation on K-12 in 2009. This suggests that while Nevada likely made significant cuts to K-12 education in 2009, the state cut higher education funding significantly in 2010.

A few other states spent a higher proportion of their Education Stabilization funds on higher education than K-12 in 2010. These include Louisiana, which spent 32.7 percent of its allocation on higher education, Massachusetts, which spent 30.6 percent of its allocation on higher education, and Montana, which spent 27.3 percent of its allocation on higher education. Because state budgets for K-12 education are usually significantly larger than state budgets for higher education, this suggests that these states chose to make larger budget cuts to higher education (both in terms of dollar amount and proportion of total spending) than K-12 education. States were then able to use the Education Stabilization funds to restore some of the funding that they cut.

A few states also spent notably more of their Education Stabilization funds on K-12 than higher education in 2010. For example, North Dakota spent 99.8 percent of its \$86 million Education Stabilization fund allocation on K-12 in

2010 and none of it on higher education. Interestingly, North Dakota was not facing a budget crisis during this time due to strong revenues stemming from the state’s oil industry.[12] Despite its favorable budget situation, the state chose to take advantage of the Education Stabilization funds to support K-12 education. Vermont and Connecticut also spent more than 50 percent of their funds on K-12 in 2010 while spending nothing on higher education.

Fiscal Year 2011

States spent just over one-quarter of their Education Stabilization funds in 2011 – \$9.8 billion. This number is larger than we would have expected given the perceived severity of budget shortfalls in 2009 and 2010. In the original SFSF applications, the U.S. Department of Education did not require states to specify how they would divide the funds between K-12 and higher education in 2011, likely because they did not expect states to have much of the money remaining. But it appears that many states chose to conserve their Education Stabilization funds until 2011.

Wyoming, for example, did not spend any of its funds in 2009 or 2010, leaving 100 percent of its funds remaining in 2011. Wyoming was one of a few states without a budget shortfall in 2009 or 2010.[13] Moreover, the state will only spend \$58 million of its \$68 million allocation on higher education in 2011, leaving \$10 million unspent. According to the law, this remaining \$10 million will be distributed to K-12 school districts via the Title I funding formula.

Alaska had 72.5 percent of its \$93 million allocation remaining in 2011. Former Governor Sarah Palin initially refused to use the funds in 2009 and 2010, intending to distribute all of them to K-12 in 2011.^[14] However, based on the data collected from the Alaska Department of Education, the state did distribute funds to K-12 school districts in fiscal year 2010.

Eleven states did not have any Education Stabilization funds remaining in 2011. As previously mentioned, these states – including California, Illinois, Nevada, and New Jersey – confronted particularly large budget shortfalls in 2009 and 2010, and chose to use the federal quickly funds to fill budget gaps.

Unsurprisingly, the division of Education Stabilization funds between K-12 and higher education in 2011 reflects how states allocated the funds in 2009 and 2010 – 80.2 percent of funds were spent on K-12 while 20.0 percent were spent on higher education.

However, not all states spent Education Stabilization funds on both K-12 and higher education in 2011 – four states chose not to spend any of their funds on K-12, while 11 chose not to spend any of their funds on higher education. This suggests that these states chose to focus their 2011 budget cuts on only one sector of education, rather than both.

Some states spent substantial portions of their Education Stabilization funds on either K-12 or higher education in 2011. Nineteen states spent more than 25 percent of their allocations on K-12 education and two states spent more than 25 percent on higher education. Given that these states had not spent significant amounts of their funds before 2011, it is likely that they did not feel the full effect of the economic downturn until later in 2010 and into 2011. Conversely, it is also possible that these states had projected even greater budget shortfalls in 2011 than in 2009 or 2010 and chose to conserve their Education Stabilization funds until then.

Louisiana spent 50 percent of its \$580 million Education Stabilization fund allocation on higher education. The state spent none of its allocation on K-12 in that year. In 2010, Louisiana also spent a larger proportion of its Education Stabilization fund allocation on higher education than K-12 – 32.7 percent versus 17.3 percent. This suggests that Louisiana made larger cuts to state spending on higher education than K-12 education, particularly in fiscal year 2011.

Montana spent 25.2 percent of its \$114 million in Education Stabilization funds on higher education. This is just slightly less than the 25.3 percent it spent on K-12 in that same year. Though the Education Stabilization fund allocations for the

Table 3. Division of Education Stabilization Funds between K-12 and Higher Education in 2011, Select States

State	K-12 Education		Higher Education		Total (All Years)
	\$ millions	% of total	\$ millions		\$ millions
Alaska	67	72.5	0	0.0	93
California	0	0.0	0	0.0	4,879
Illinois	0	0.0	0	0.0	1,681
Indiana	4	0.5	79	9.5	831
Kansas	53	14.3	59	16	367
Louisiana	0	0.0	290	50	580
Montana	29	25.3	29	25.2	114
Nevada	0	0.0	0	0.0	324
New Jersey	0	0.0	0	0.0	1,088
Rhode Island	26	19.5	28	20.8	135
Wyoming	0	0.0	85.2	85.2	68

Source: New America Foundation

two sectors are nearly identical, it is likely that higher education faced larger cuts as a proportion of state spending on higher education than K-12 education because K-12 budgets are typically larger than higher education budgets.

Finally, Rhode Island spent 20.8 percent of its \$135 million Education Stabilization fund allocation on higher education. Prior to 2011, Rhode Island had only used its Education Stabilization funds to support K-12 education. This suggests that the state did not make large cuts to its higher education budget until 2011, when Education Stabilization funds were first used to fill in budget gaps.

A few states spent more of their Education Stabilization fund allocations on higher education than K-12 education in 2011. These include Indiana, Kansas, Rhode Island, and Wyoming. However, the vast majority of states continued to provide more Education Stabilization fund support for K-12 than higher education.

Conclusion

This paper examines how states divided their Education Stabilization funds between K-12 and higher education in fiscal years 2009, 2010, and 2011. States divided the funds based on the size and proportion of budget cuts they made to each sector in response to budget shortfalls. Our findings show that, on average, states allocated 78.9 percent of this funding to K-12 education and the remaining 21.2 percent to higher education. This closely mirrors how much of state spending is typically dedicated to each sector of education.

Higher education usually makes up a smaller proportion of annual state spending than K-12, so it stands to reason that states would use more of the federal funds to support K-12 education during an economic downturn. Only five states used a greater proportion of Education Stabilization funds for higher education than K-12. This suggests that these states decided to make budget cuts to higher education that were both larger in size and proportion of total higher education spending than cuts to K-12.

For the states that spent more of the funds to compensate for budget cuts to K-12 funding, it is clear that they made larger budget cuts to K-12 than higher education and used the federal funds to make up for those budget cuts. While it is likely true that cuts to K-12 were larger in dollar amount in these states, it is still possible that cuts to higher education in these states made up a higher proportion of total higher education spending. States spend significantly more annually on K-12 than higher education, meaning that smaller sized cuts to higher education could still be in greater proportions.

Further, the way states account for higher education funding obscures the degree to which higher education budgets have been cut. Public institutions have other sources of revenue besides state, local, and federal funding. Specifically, institutions of higher education can raise tuition and fees or increase student enrollment to bring in additional revenue. Many states consider such tuition and fee increases as additional state revenue and adjust their state budgets accordingly. Typically, public institutions of higher education employ a combination of budget cuts and tuition and fee hikes to cope with challenging budget situations. As a result, states are able to cut actual state funding for higher education while increasing tuition and fees, making the net loss of funding for higher education appear smaller than it actually is. These states are then able to use less Education Stabilization funding to make up for the budget gap than they would have without the increases in tuition and fees. It is, however, beyond the scope of this paper to determine the degree to which each state has compensated for budget cuts with tuition and fee increases.

K-12 school systems, on the other hand, are typically unable to raise revenue from sources other than state and local taxes. As a result, cuts to state funding for K-12 education usually mean that schools must cut teachers, services, or other expenditures. It is possible, though politically difficult, for K-12 school systems to increase local tax revenues to make up for losses in state funds. Further, public K-12 education is available to and required for

children up to a certain age. Conversely, only a self-selected population in a given state attends public institutions of higher education, meaning that the number of beneficiaries is much smaller than for K-12.

Given these challenges, it is often more politically viable for state lawmakers to cut higher education funding and preserve K-12 funding during economic downturns. In fact, evidence suggests that states have made significant cuts to higher education spending during the implementation of the American Recovery and Reinvestment Act. The first paper in this series found that 23 states that used Education Stabilization funds to support higher education spending reduced the share of total state spending dedicated to higher education in the first year they used the funds (2009 or 2010). In other words, cuts to higher education outpaced cuts to other areas of spending in these states. Further, six of these states – Tennessee, Arkansas, Pennsylvania, Wyoming, West Virginia, and New York – actually cut state higher education spending in either 2009 or 2010 while simultaneously increasing total state spending. It appears these states used their Education Stabilization funds to replace state funds for higher education, allowing them to shift that funding to other areas of their budgets and increase other spending. Though these states were able to at least partially fill these budget gaps with Education Stabilization funds, they chose to make their higher education systems more vulnerable through those cuts while increasing state spending elsewhere.

When the State Fiscal Stabilization Funds run out at the end of fiscal year 2011, states will no longer have federal

funding to support higher education budget gaps. Though Congress passed the \$10 billion Education Jobs Fund in August of 2010 to help further support state education budgets, those funds can only be used to support K-12 spending, not higher education. However, the maintenance of effort provision in the Education Jobs Fund still pertains to state higher education spending, meaning that states must maintain higher education spending levels as well as K-12 spending levels in order to receive the funds. This will likely spur a shift in how states choose to cut education spending; they will likely cut more funding from K-12 to allow states to allocate sufficient funds for higher education. However, it is unclear whether many states will be able to restore higher education funding to 2008 or 2009 levels without further assistance from the federal government.

In sum, our findings show that K-12 education received the lion's share of Education Stabilization funds. Still, these funds played a significant role in higher education funding in many states in 2009, 2010, and 2011. This suggests that states did not protect higher education from budget cuts during the economic downturn and in some cases made larger cuts to higher education than K-12 education. While it is impossible to speculate on whether, and how, states would have cut higher education spending absent the Education Stabilization funds, it is clear that the funds helped to keep higher education budgets afloat in many states.

Jennifer Cohen is a Senior Policy Analyst for the New America Foundation's Education Policy Program. The Federal Education Budget Project receives support from the Bill & Melinda Gates Foundation.

Appendix: Division of ARRA Education Stabilization Funds by Education Sector and Year

State	Higher Ed		Higher Ed		K-12 2011	Higher Ed 2011	Total Allocation
	K-12 2009	2009	K-12 2010	2010			
Alabama	\$ 0	\$ 0	\$ 179	\$ 119	\$ 179	\$ 119	\$ 596
	% 0.0%	% 0.0%	% 30.1%	% 19.9%	% 30.1%	% 19.9%	
Alaska	\$ 0	\$ 0	\$ 26	\$ 0	\$ 67	\$ 0	\$ 93
	% 0.0%	% 0.0%	% 27.5%	% 0.0%	% 72.5%	% 0.0%	
Arizona	\$ 0	\$ 183	\$ 521	\$ 83	\$ 43	\$ 2	\$ 832
	% 0.0%	% 22.0%	% 62.6%	% 10.0%	% 5.1%	% 0.3%	
Arkansas	\$ 0	\$ 0	\$ 134	\$ 13	\$ 202	\$ 14	\$ 363
	% 0.0%	% 0.0%	% 36.8%	% 3.6%	% 55.7%	% 4.0%	
California	\$ 2,911	\$ 1,434	\$ 500	\$ 34	\$ 0	\$ 0	\$ 4,879
	% 59.7%	% 29.4%	% 10.2%	% 0.7%	% 0.0%	% 0.0%	
Colorado	\$ 0	\$ 151	\$ 0	\$ 382	\$ 63	\$ 26	\$ 622
	% 0.0%	% 24.2%	% 0.0%	% 61.4%	% 10.2%	% 4.2%	
Connecticut	\$ 0	\$ 0	\$ 272	\$ 0	\$ 270	\$ 0	\$ 542
	% 0.0%	% 0.0%	% 50.3%	% 0.0%	% 49.7%	% 0.0%	
Delaware	\$ 0	\$ 0	\$ 51	\$ 16	\$ 25	\$ 18	\$ 110
	% 0.0%	% 0.0%	% 46.6%	% 14.4%	% 22.8%	% 16.2%	
District of Columbia	\$ 0	\$ 0	\$ 72	\$ 1	\$ 0	\$ 0	\$ 73
	% 0.0%	% 0.0%	% 98.2%	% 1.8%	% 0.0%	% 0.0%	
Florida	\$ 0	\$ 0	\$ 1,153	\$ 252	\$ 585	\$ 219	\$ 2,209
	% 0.0%	% 0.0%	% 52.2%	% 11.4%	% 26.5%	% 9.9%	
Georgia	\$ 158	\$ 19	\$ 630	\$ 328	\$ 126	\$ 0	\$ 1,261
	% 12.5%	% 1.5%	% 49.9%	% 26.0%	% 10.0%	% 0.0%	
Hawaii	\$ 0	\$ 0	\$ 55	\$ 24	\$ 55	\$ 23	\$ 157
	% 0.0%	% 0.0%	% 35.3%	% 15.1%	% 35.0%	% 14.6%	
Idaho	\$ 0	\$ 0	\$ 179	\$ 15	\$ 0	\$ 7	\$ 202
	% 0.0%	% 0.0%	% 88.9%	% 7.5%	% 0.0%	% 3.6%	
Illinois	\$ 1,039	\$ 0	\$ 602	\$ 40	\$ 0	\$ 0	\$ 1,681
	% 61.8%	% 0.0%	% 35.8%	% 2.4%	% 0.0%	% 0.0%	
Indiana	\$ 536	\$ 0	\$ 210	\$ 1	\$ 4	\$ 79	\$ 831
	% 64.6%	% 0.0%	% 25.3%	% 0.2%	% 0.5%	% 9.5%	
Iowa	\$ 40	\$ 0	\$ 218	\$ 103	\$ 25	\$ 0	\$ 386
	% 10.4%	% 0.0%	% 56.3%	% 26.8%	% 6.6%	% 0.0%	
Kansas	\$ 0	\$ 0	\$ 225	\$ 31	\$ 53	\$ 59	\$ 367
	% 0.0%	% 0.0%	% 61.1%	% 8.5%	% 14.3%	% 16.0%	
Kentucky	\$ 0	\$ 0	\$ 223	\$ 70	\$ 182	\$ 57	\$ 533
	% 0.0%	% 0.0%	% 41.9%	% 13.1%	% 34.3%	% 10.7%	
Louisiana	\$ 0	\$ 0	\$ 100	\$ 190	\$ 0	\$ 290	\$ 580
	% 0.0%	% 0.0%	% 17.3%	% 32.7%	% 0.0%	% 50.0%	
Maine	\$ 27	\$ 13	\$ 43	\$ 8	\$ 59	\$ 8	\$ 158
	% 17.1%	% 8.3%	% 27.2%	% 5.2%	% 37.1%	% 5.2%	
Maryland	\$ 0	\$ 0	\$ 297	\$ 0	\$ 422	\$ 0	\$ 720
	% 0.0%	% 0.0%	% 41.3%	% 0.0%	% 58.7%	% 0.0%	
Massachusetts	\$ 322	\$ 0	\$ 134	\$ 249	\$ 60	\$ 48	\$ 813
	% 39.6%	% 0.0%	% 16.5%	% 30.6%	% 7.4%	% 5.9%	
Michigan	\$ 600	\$ 0	\$ 450	\$ 68	\$ 184	\$ 0	\$ 1,302
	% 46.1%	% 0.0%	% 34.5%	% 5.2%	% 14.2%	% 0.0%	
Minnesota	\$ 0	\$ 31	\$ 500	\$ 137	\$ 0	\$ 0	\$ 668
	% 0.0%	% 4.6%	% 74.9%	% 20.6%	% 0.0%	% 0.0%	
Mississippi	\$ 49	\$ 20	\$ 240	\$ 84	\$ 0	\$ 0	\$ 392
	% 12.5%	% 5.0%	% 61.2%	% 21.3%	% 0.0%	% 0.0%	
Missouri	\$ 0	\$ 0	\$ 428	\$ 102	\$ 182	\$ 41	\$ 753
	% 0.0%	% 0.0%	% 56.9%	% 13.5%	% 24.1%	% 5.5%	

Appendix: Division of ARRA Education Stabilization Funds by Education Sector and Year, cont...

State	Higher Ed		Higher Ed		K-12 2011	Higher Ed 2011	Total Allocation
	K-12 2009	2009	K-12 2010	2010			
Montana	\$ \$0	\$0	\$25	\$31	\$29	\$29	\$114
	% 0.0%	0.0%	22.3%	27.3%	25.3%	25.2%	
Nebraska	\$ \$0	\$0	\$94	\$0	\$140	\$0	\$234
	% 0.0%	0.0%	40.0%	0.0%	60.0%	0.0%	
Nevada	\$ \$140	\$0	\$0	\$185	\$0	\$0	\$324
	% 43.0%	0.0%	0.0%	57.0%	0.0%	0.0%	
New Hampshire	\$ \$0	\$0	\$160	\$4	\$0	\$0	\$164
	% 0.0%	0.0%	97.5%	2.5%	0.0%	0.0%	
New Jersey	\$ \$0	\$0	\$1,018	\$71	\$0	\$0	\$1,088
	% 0.0%	0.0%	93.5%	6.5%	0.0%	0.0%	
New Mexico	\$ \$0	\$0	\$210	\$16	\$24	\$11	\$260
	% 0.0%	0.0%	80.7%	6.0%	9.2%	4.2%	
New York	\$ \$0	\$0	\$1,616	\$38	\$725	\$89	\$2,469
	% 0.0%	0.0%	65.5%	1.6%	29.4%	3.6%	
North Carolina	\$ \$0	\$127	\$380	\$138	\$398	\$119	\$1,162
	% 0.0%	10.9%	32.7%	11.9%	34.3%	10.3%	
North Dakota	\$ \$0	\$0	\$85	\$0	\$0	\$0	\$86
	% 0.0%	0.0%	99.8%	0.0%	0.2%	0.0%	
Ohio	\$ \$0	\$0	\$418	\$280	\$506	\$284	\$1,464
	% 0.0%	0.0%	28.5%	19.1%	34.6%	19.4%	
Oklahoma	\$ \$0	\$0	\$205	\$69	\$140	\$60	\$473
	% 0.0%	0.0%	43.3%	14.5%	29.5%	12.6%	
Oregon	\$ \$115	\$56	\$160	\$48	\$64	\$24	\$466
	% 24.7%	11.9%	34.3%	10.2%	13.8%	5.1%	
Pennsylvania	\$ \$0	\$63	\$655	\$93	\$655	\$93	\$1,559
	% 0.0%	4.0%	42.0%	6.0%	42.0%	6.0%	
Rhode Island	\$ \$36	\$0	\$44	\$0	\$26	\$28	\$135
	% 27.0%	0.0%	32.7%	0.0%	19.5%	20.8%	
South Carolina	\$ \$339	\$198	\$26	\$10	\$0	\$0	\$573
	% 59.1%	34.6%	4.5%	1.8%	0.0%	0.0%	
South Dakota	\$ \$22	\$10	\$25	\$11	\$21	\$15	\$104
	% 21.2%	9.8%	23.7%	11.0%	20.1%	14.2%	
Tennessee	\$ \$18	\$4	\$172	\$150	\$337	\$94	\$775
	% 2.3%	0.5%	22.2%	19.3%	43.5%	12.1%	
Texas	\$ \$0	\$0	\$1,417	\$0	\$1,834	\$0	\$3,250
	% 0.0%	0.0%	43.6%	0.0%	56.4%	0.0%	
Utah	\$ \$186	\$29	\$113	\$46	\$0	\$19	\$392
	% 47.3%	7.3%	28.8%	11.6%	0.0%	5.0%	
Vermont	\$ \$0	\$0	\$39	\$0	\$39	\$0	\$77
	% 0.0%	0.0%	50.0%	0.0%	50.0%	0.0%	
Virginia	\$ \$104	\$105	\$560	\$215	N/A	N/A	\$984
	% 10.6%	10.6%	57.0%	21.8%	N/A	N/A	
Washington	\$ \$362	\$0	\$301	\$101	\$56	\$0	\$820
	% 44.1%	0.0%	36.8%	12.3%	6.8%	0.0%	
West Virginia	\$ \$0	\$0	\$81	\$22	\$88	\$28	\$218
	% 0.0%	0.0%	37.0%	10.1%	40.3%	12.7%	
Wisconsin	\$ \$552	\$0	\$165	\$0	N/A	N/A	\$717
	% 77.0%	0.0%	23.0%	0.0%	N/A	N/A	
Wyoming	\$ \$0	\$0	\$0	\$0	\$0	\$58	\$68
	% 0.0%	0.0%	0.0%	0.0%	0.0%	85.2%	
Total	\$ \$7,556	\$2,441	\$15,410	\$3,877	\$7,868	\$1,960	\$39,100
	% 19.3%	6.2%	39.4%	9.9%	20.1%	5.0%	

Notes

[1] House Committee on Education and Labor. (February 2009). House Approves Obama's Economic Recovery Plan. Available: <http://edlabor.house.gov/newsroom/2009/02/house-approves-obamas-economic.shtml>

[2] For more information on state-by-state allocations of the State Fiscal Stabilization Fund, see:

<http://www2.ed.gov/programs/statestabilization/sfsf-state-allocations.pdf>.

For information on each state's State Fiscal Stabilization Fund application, see:

<http://www2.ed.gov/programs/statestabilization/resources.html>.

[3] U.S. Department of Education. (February 2009). U.S. Education Secretary Visits Charter School in New York City, Discusses State-by-State Estimates. Available:

<http://www.ed.gov/news/press-releases/us-education-secretary-visits-charter-school-new-york-city-discusses-statebystat>

[4] USA Today. (June 2009). Duncan: States Could Lose Out on Stimulus Funds. Available:

http://www.usatoday.com/news/education/2009-06-19-duncan-stimulus_N.htm

[5] See Section 14005 of the American Recovery and Reinvestment Act of 2009, available: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:hienr.txt.pdf

[6] If a state is unable to maintain state education spending at 2006 levels, the state must apply to the Department of Education for a waiver and maintain education funding in 2009, 2010, and 2011 at the same proportion of total state spending as it was in 2006.

[7] Ibid.

[8] We were unable to collect data from Virginia and Wisconsin. As a result, we have used the K-12 and higher education restoration amounts from those states' most recent SFSF applications (October 2009 for Virginia and September 2009 for Wisconsin), available at <http://www2.ed.gov/programs/statestabilization/resources.html>.

[9] While many assume that these "restoration amounts" reported by the states reflect actual state allocations of Education Stabilization Funds on K-12 and higher education in each fiscal year, this is not necessarily the case. Although states reported the necessary amount of Education Stabilization funds required to restore 2008 or 2009 levels of spending for K-12 or higher education in their SFSF applications, the actual allocation and expenditure of these funds varies. This suggests that in some cases total K-12 or higher education spending in a given fiscal year (accounting for both state and Education Stabilization funds) did not actually reach the higher of 2008 or 2009 levels. As a result, SFSF applications are an unreliable source of information on actual allocations of the funds.

[10] U.S. Department of Education. (2009). "Guidance on the State Fiscal Stabilization Fund Program." Available:

<http://www2.ed.gov/programs/statestabilization/guidance.pdf>

[11] Rosen, J, (2009). "Sanford gives in on stimulus, will seek funds for S.C." McClatchy.

Available: <http://www.mcclatchydc.com/2009/04/02/65407/sanford-gives-in-on-stimulus-will.html#ixzz1LIziN78v>

[12] For state by state budget shortfall information, see: <http://www.cbpp.org/cms/?fa=view&id=711>

[13] Ibid.

[14] Cockerham, S. (2009). "Legislators want to accept stimulus funds." *Anchorage Daily News*.

Available: <http://www.adn.com/2009/03/24/735110/legislators-want-to-accept-stimulus.html>



© 2010 New America Foundation

This report carries a Creative Commons license, which permits re-use of New America content when proper attribution is provided. This means you are free to copy, display and distribute New America’s work, or include our content in derivative works, under the following conditions:

Attribution. You must clearly attribute the work to the New America Foundation, and provide a link back to www.Newamerica.net.

Noncommercial. You may not use this work for commercial purposes without explicit prior permission from New America.

Share Alike. If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.

For the full legal code of this Creative Commons license, please visit www.creativecommons.org. If you have any questions about citing or reusing New America content, please contact us.

MAIN OFFICE
1899 L Street, NW
Suite 400
Washington, DC 20036
Phone 202 986 2700
Fax 202 986 3696

CALIFORNIA OFFICE
921 11th Street
Suite 901
Sacramento, CA 95814
Phone 916 448 5189



NEW
AMERICA
FOUNDATION

WWW.NEWAMERICA.NET