EXHIBIT 6
DATE 3/12/09
HB 645

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*). Of the amount appropriated, the U. S. Department of Education will award governors approximately $48.6 billion by formula under the SFSF program in exchange for a commitment to advance essential education reforms to benefit students from early learning through post-secondary education, including: college- and career- ready standards and high-quality, valid and reliable assessments for all students; development and use of pre-K through post-secondary and career data systems; increasing teacher effectiveness and ensuring an equitable distribution of qualified teachers; and turning around the lowest-performing schools.

These funds will help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The program will 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. The program may also help support the modernization, renovation, and repair of school and college facilities. In addition, the law provides governors with significant resources to support education (including school modernization renovation, and repair), public safety, and other government services. The Department will award the remaining $5 billion competitively under the "Race to the Top" and "Investing in What Works and Innovation" programs.

SFSF is a key element of the *ARRA* and is guided by the principles of *ARRA*.

Overview of *ARRA*

Principles: The overall goals of the *ARRA* are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of the *ARRA* will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance *ARRA*'s short-term economic goals by investing quickly, and we must support *ARRA*'s long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through college. Four principles guide the distribution and use of *ARRA* funds:

a. **Spend funds quickly to save and create jobs.** *ARRA* funds will be distributed quickly to states, LEAs and other entities in order to avert layoffs and create jobs. States and LEAs in turn are urged to move rapidly to develop plans for using funds, consistent with the law's reporting and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.

- As part of its application for initial funding, the state must assure that it will take actions to: (a) increase teacher effectiveness and address inequities in the distribution of highly qualified teachers; (b) establish and use pre-K-through-college and career data systems to track progress and foster continuous improvement; (c) make progress toward rigorous college- and career-ready standards and high-quality assessments; and (d) support targeted, intensive support and effective interventions to turn around schools identified for corrective action and restructuring.

- Within two weeks of receipt of an approvable SFSF application, the Department will provide a state with 67 percent of its SFSF allocation.

- A state will receive the remaining portion of its SFSF allocation after the Department approves the state's plan detailing its strategies for addressing the education reform objectives described in the assurances. This plan must also describe how the state is implementing the record-keeping and reporting requirements under *ARRA* and how SFSF and other funding will be used in a fiscally prudent way that substantially improves teaching and learning.

- In the near future, the Department will issue guidance on the specific requirements that a state must meet to receive its phase two allocation. The Department anticipates that the phase-two funds will be awarded beginning July 1, 2009, on a rolling basis.

- If a state demonstrates that the amount of funds it will receive in phase one (67 percent of its total stabilization allocation) is insufficient to prevent the immediate layoff of personnel by LEAs, state educational agencies, or publicly funded institutions of higher education, the Department will award the state up to 90 percent of its SFSF allocation in phase one. In such cases, the remaining portion of the state's allocation will be provided after the Department approves the state's plan.

- Of the amount appropriated for the SFSF, the Department will use at least $4.35 billion to make competitive grants under the "Race to the Top" fund. These grants will help states to drive significant improvement in student achievement, including through making progress toward the four assurances noted above.

- The Department will use up to $650 million to make competitive awards under the "Invest in What Works and Innovation" fund. These awards will reward LEAs or nonprofit organizations that have made significant gains in closing achievement gaps to serve as models for best practices.

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.

Fiscal Issues

- The Department strongly encourages governors to award or otherwise commit program funds as soon as possible after receipt of their grant awards. However, funds are available for obligation at the state and local levels until Sept. 30, 2011.
- As part of the state's application, each governor must include an assurance that the state will maintain the same level of support for elementary, secondary, and postsecondary education in FY 2009 through FY 2011 as it did in FY 2006. However, the statute authorizes the Department to waive this maintenance-of-effort requirement under certain conditions.
- With prior approval from the secretary of education, a state or LEA may count program funds used for elementary or secondary education as non-federal funds to maintain fiscal effort under Department of Education programs that have maintenance-of-effort requirements.

Accountability Principles

- The president and secretary are committed to spending *ARRA* dollars with an unprecedented level of transparency and accountability. Therefore, states and LEAs that receive SFSF should expect to report on how those funds were spent and the results of those expenditures. The administration will post reports on *ARRA* expenditures on the www.Recovery.gov Web site.
- The SFSF authorization also contains specific reporting requirements to help ensure transparency and accountability for program funds. For example, states must report to the Department on, among other things: (1) the use of funds provided under the SFSF program; (2) the estimated number of jobs created or saved with program funds; (3) estimated tax increases that were averted as a result of program funds; and (4) the state's progress in the areas covered by the application assurances.
- States must maintain records that will permit the Department to monitor, evaluate, and audit the SFSF effectively.

Additional Information

- In the near future, the Department will make available the SFSF grant application and provide detailed program guidance.
- If you have any questions or concerns, please e-mail them to: State.Fiscal.Fund@ed.gov.

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These funds will help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The program will 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. The program may also help support the modernization, renovation, and repair of school and college facilities. In addition, the law provides governors with significant resources to support education (including school modernization renovation, and repair), public safety, and other government services. The Department will award the remaining $5 billion competitively under the "Race to the Top" and "Investing in What Works and Innovation" programs.

SFSF is a key element of the *ARRA* and is guided by the principles of *ARRA*.

Overview of *ARRA*

Principles: The overall goals of the *ARRA* are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of the *ARRA* will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance *ARRA*'s short-term economic goals by investing quickly, and we must support *ARRA*'s long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through college. Four principles guide the distribution and use of *ARRA* funds:

a. **Spend funds quickly to save and create jobs.** *ARRA* funds will be distributed quickly to states, LEAs and other entities in order to avert layoffs and create jobs. States and LEAs in turn are urged to move rapidly to develop plans for using funds, consistent with the law's reporting and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.

b. **Improve student achievement through school improvement and reform.** *ARRA* funds should be used to improve student achievement and help close the achievement gap. In addition, the SFSF requires progress on four reforms previously authorized under the bipartisan Elementary and Secondary Education Act and the America Competes Act of 2007:

1. Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;

2. Establishing pre-K-to college and career data systems that track progress and foster continuous improvement;

3. Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;

4. Providing intensive support and effective interventions for the lowest-performing schools.

c. **Ensure transparency, reporting and accountability.** To prevent fraud and abuse, support the most effective uses of *ARRA* funds, and accurately measure and track results, recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, *ARRA* funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.

d. **Invest one-time *ARRA* funds thoughtfully to minimize the "funding cliff."** *ARRA* represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

Awarding SFSF Grants

- In order to help alleviate the substantial budget shortfalls that states are facing, the Department has developed a streamlined, user-friendly process for expeditiously providing to states SFSF allocations:
  - Sixty-one percent of a state's allocations will be on the basis of their relative population of individuals aged 5 to 24, and 39 percent will be based on relative shares of total population.

  - The Department will award SFSF funds to governors in two phases. To receive its initial SFSF allocation, a state must submit to the Department an application that provides (1) assurances that the state is committed to advancing education reform in four specific areas (described below); (2) baseline data that

- As part of its application for initial funding, the state must assure that it will take actions to: (a) increase teacher effectiveness and address inequities in the distribution of highly qualified teachers; (b) establish and use pre-K-through-college and career data systems to track progress and foster continuous improvement; (c) make progress toward rigorous college- and career-ready standards and high-quality assessments; and (d) support targeted, intensive support and effective interventions to turn around schools identified for corrective action and restructuring.

- Within two weeks of receipt of an approvable SFSF application, the Department will provide a state with 67 percent of its SFSF allocation.

- A state will receive the remaining portion of its SFSF allocation after the Department approves the state's plan detailing its strategies for addressing the education reform objectives described in the assurances. This plan must also describe how the state is implementing the record-keeping and reporting requirements under *ARRA* and how SFSF and other funding will be used in a fiscally prudent way that substantially improves teaching and learning.

- In the near future, the Department will issue guidance on the specific requirements that a state must meet to receive its phase two allocation. The Department anticipates that the phase-two funds will be awarded beginning July 1, 2009, on a rolling basis.

- If a state demonstrates that the amount of funds it will receive in phase one (67 percent of its total stabilization allocation) is insufficient to prevent the immediate layoff of personnel by LEAs, state educational agencies, or publicly funded institutions of higher education, the Department will award the state up to 90 percent of its SFSF allocation in phase one. In such cases, the remaining portion of the state's allocation will be provided after the Department approves the state's plan.

- Of the amount appropriated for the SFSF, the Department will use at least $4.35 billion to make competitive grants under the "Race to the Top" fund. These grants will help states to drive significant improvement in student achievement, including through making progress toward the four assurances noted above.

- The Department will use up to $650 million to make competitive awards under the "Invest in What Works and Innovation" fund. These awards will reward LEAs or nonprofit organizations that have made significant gains in closing achievement gaps to serve as models for best practices.

Funds to Restore Support for Education

- 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.
- If any SFSF funds remain after the state has restored state support for elementary and secondary education and higher education, the state must award the funds to LEAs on the basis of the relative Title I shares but not subject to Title I program requirements.

Funds to Support Public Safety and Other Government Services

- States must use 18.2 percent of the SFSF funds for education (school modernization, renovation, and repair), public safety, and other government services. This may include assistance for early learning, elementary and secondary education, and IHEs. In addition, states may use these funds for modernization, renovation, or repair of public school and public or private college facilities.

LEA and IHE Uses of Funds

- LEAs and 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. LEAs and IHEs are also encouraged to consider uses of funds that create lasting results without creating unsustainable recurring costs.
- Subject to limited restrictions in *ARRA* as defined in further guidance LEAs may use their share of 81.8% of the SFSF education funds for any activity authorized under the *Elementary and Secondary Education Act of 1965* (*ESEA*) (which includes the modernization, renovation, or repair of public school facilities), the *Individuals with Disabilities Education Act* (*IDEA*), the *Adult Education and Family Literacy Act* (*Adult Education Act*), or the *Carl D. Perkins Career and Technical Education Act of 2006* (*Perkins Act*).
- Any funds that an LEA receives from the 81.8 percent of the SFSF program (whether distributed through the state's primary funding formulae or on the basis of the relative Title I, Part A) may be used for any activity listed in the above paragraph.
- LEAs may use SFSF to pay salaries to avoid having to lay off teachers and other school employees.
- To the extent LEAs use funds for modernization, renovation or repair, they should consider the use of facilities for early childhood education and for the community and should create "green" buildings.
- 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.

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