

## **Federal Stimulus Funds are Headed to California, but This May Not Provide Solutions to the Problems Facing Education**

COSTA MESA, CA, APRIL 24, 2009 -- California is the first state in the nation to receive approval on the application for State Fiscal Stabilization Funds provided by the American Recovery and Reinvestment Act (ARRA) of 2009 which was signed into law on February 17, 2009. On March 10, 2009, the Legislative Analyst's Office (LAO) released a report that estimates California will receive more than \$31 billion in federal dollars that can be used to address state budget shortfalls and to supplement existing state spending. A portion of this one-time funding will be allocated to Local Educational Agencies (LEAs) in California for three main areas over the course of two years.

- \$4.9 billion in State Fiscal Stabilization Funds which are aimed at preventing layoffs and program cuts in education and other areas;
- \$1.3 billion for the Individuals with Disabilities Education Act (IDEA) for services for students with disabilities; and
- \$1.13 billion in additional Title I money to help disadvantaged students meet state academic standards.

William M. Habermehl, Orange County Superintendent of Schools, stated, "While we are appreciative of the federal stimulus funding, we need to be aware that it will only provide minor relief in the short term. This is a band aid for the immediate crisis, and we remain concerned about the long-term future of our education system."

In regard to the IDEA funding, Habermehl stated, "The federal stimulus money will only cover a fraction of the cost of special education programs. The federal government is required to fund 40 percent of IDEA, yet it currently only funds 17 percent of costs in California. This represents a \$313 million shortfall each year in Orange County which must be supplemented from general education funding. While the stimulus package will increase special education funding to 24 percent for a two year period, IDEA will remain underfunded by over \$200 million a year in Orange County. Again, long term funding solutions must be addressed."

There are many concerns regarding California's current fiscal situation. The LAO has projected an \$8 billion revenue shortfall to the 09-10 budget which may mean more cuts to schools. Additionally, if the propositions on the ballot for the Statewide Special Election on May 19, 2009 do not pass, the revenue shortfall could grow to \$14 billion or more. This could equate to approximate cuts of \$500 million more than those that have already been identified for Orange County school districts.

Federal stimulus money will help local school districts cope with recent budget cuts, but it is not a permanent solution. Beyond the potential for additional cuts in the future, there are still unknowns about actual allocations, timing of distributions, and allowable uses of the federal funds. For this reason, many school districts may not be able to rescind layoff notices until after the results of the May 19 election are known and the governor's office provides the budget revision on June 9, 2009. The budget revision must then be reviewed and approved by the state legislature which could take months. Until this time, districts will not have the clarification they need to revise their own budgets and to rescind layoff notices.

The Orange County Department of Education will hold a press conference next week regarding the impact of the federal stimulus funding and the state budget which will include representation from district Superintendents and Chief Business Officials. Additional information will follow.

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