

State Fiscal Stabilization Fund

The economic recovery bill creates a “State Fiscal Stabilization Fund” to help state and local governments avert budget cuts amid the growing state fiscal crisis. The Stabilization Fund provides two block grants for states — a \$39.5-billion grant earmarked for education and an \$8.8-billion grant to help fund other key services. Together, these provisions provide about \$48.3 billion in fiscal relief for state and local governments. (The Stabilization Fund also includes about \$5 billion for incentive grants and other purposes, for a total of \$53.6 billion.)

The \$48 billion in block grants is allocated among states through a combination of two population measures. Sixty-one percent of the funds are allocated by each state’s population aged 5 to 24. The remaining 39 percent of funds are allocated based on total state population. Out of each state’s allocation based on these measures, 81.8 percent is reserved for the education block grant, and 18.2 percent is considered the “flexible” grant.

The \$39.5 billion in education grants would support K-12 and higher education during state fiscal years 2009, 2010, and 2011. A portion of the funds would be dedicated to helping *states* maintain K-12 and higher education funding; the remainder would flow directly to *local* school districts. The funds must first be used to restore state education funding up to the greater of the FY08 and FY09 level, or, if higher, up to existing state formula levels. They can also be used to allow the phase-in of previously enacted equity and adequacy adjustments. Any funds remaining after these uses must be sent to local school districts. If funds are not sufficient to provide state support for K-12 and higher education at these levels, the state must allocate the funds between K-12 and higher education in proportion to the relative shortfalls.

States can use the \$8.8 billion in flexible block grants to avert budget cuts in education or in other basic state services, such as public safety and law enforcement, services for the elderly and people with disabilities, or child care. These funds can also be used for school modernization, renovation, or repair.

The funds are available to states immediately, and must be spent within two years of receipt of the grant.

To receive the block grants, states would be required to fund both K-12 and higher education at no less than the fiscal year 2006 level in fiscal years 2009, 2010, and 2011, though the Secretary of Education would have some discretion to loosen this requirement. States must also satisfy other requirements, including requirements for data collection, educational assessment, and equitable distribution of teachers among schools.

(The bill also provides \$5 billion for “State Incentive Grants” and small amounts for territories and administration. The incentive grants are not included in the table below. States would have to apply for the incentive grants and show they have made progress on initiatives such as improving the distribution of teachers between high-poverty and low-poverty schools or establishing longitudinal data systems. For states receiving these grants, half of the funds must be passed through to local governments.)

The table below provides an estimate of the state-by-state allocations of the two block grants.

State by State Impact of the American Recovery and Reinvestment Act of 2009

State Fiscal Stabilization Fund

(Millions of dollars, total allocated over FY2009-FY2011)

	Education Block Grant	Flexible Block Grant
U.S. Total	\$39,524.1	\$8,793.9
Alabama	\$596.4	\$132.7
Alaska	\$93.0	\$20.7
Arizona	\$831.9	\$185.1
Arkansas	\$363.1	\$80.8
California	\$4,875.5	\$1,084.8
Colorado	\$621.9	\$138.4
Connecticut	\$443.3	\$98.6
Delaware	\$110.3	\$24.5
District of Columbia	\$73.1	\$16.3
Florida	\$2,208.8	\$491.5
Georgia	\$1,260.8	\$280.5
Hawaii	\$157.2	\$35.0
Idaho	\$201.7	\$44.9
Illinois	\$1,681.1	\$374.0
Indiana	\$823.7	\$183.3
Iowa	\$386.4	\$86.0
Kansas	\$367.4	\$81.7
Kentucky	\$532.8	\$118.5
Louisiana	\$579.6	\$129.0
Maine	\$158.3	\$35.2
Maryland	\$719.7	\$160.1
Massachusetts	\$813.3	\$181.0
Michigan	\$1,302.4	\$289.8
Minnesota	\$667.9	\$148.6
Mississippi	\$392.1	\$87.2
Missouri	\$753.2	\$167.6
Montana	\$121.6	\$27.1
Nebraska	\$234.0	\$52.1
Nevada	\$324.4	\$72.2
New Hampshire	\$164.2	\$36.5
New Jersey	\$1,088.3	\$242.1
New Mexico	\$260.4	\$57.9
New York	\$2,468.6	\$549.2
North Carolina	\$1,161.9	\$258.5
North Dakota	\$85.6	\$19.1
Ohio	\$1,463.7	\$325.7
Oklahoma	\$472.8	\$105.2
Oregon	\$466.5	\$103.8
Pennsylvania	\$1,558.8	\$346.8
Rhode Island	\$134.9	\$30.0
South Carolina	\$567.7	\$126.3
South Dakota	\$104.3	\$23.2
Tennessee	\$775.1	\$172.5
Texas	\$3,250.3	\$723.2
Utah	\$392.6	\$87.3
Vermont	\$77.2	\$17.2
Virginia	\$983.9	\$218.9
Washington	\$819.9	\$182.4
West Virginia	\$218.0	\$48.5
Wisconsin	\$717.3	\$159.6
Wyoming	\$67.6	\$15.0
Puerto Rico	\$529.7	\$117.9