



April 1, 2009

Dear Governor:

Congress passed and the President signed the American Recovery and Reinvestment Act (ARRA) to create jobs in the short run and make needed investments for the long term. And no investment is more important than education. As the President said recently, “Economic progress and educational achievement have always gone hand in hand in America.” That is why this sweeping economic recovery package provides the largest one-time Federal investment in education in our nation’s history, more than \$100 billion to help save and create teaching jobs, preserve needed learning programs, and increase college access. At the same time, the ARRA lays a foundation to reform America’s schools, invest in proven solutions to help our students succeed, and cultivate a new culture of accountability for teaching and learning.

Under the law, the Department of Education (ED) is quickly providing your state with a large infusion of one-time funds to be spent over the next two years on everything from early childhood to college, including programs for children with disabilities, low-income students, and adults working to upgrade their skills for the 21<sup>st</sup> century. In exchange for this unprecedented funding boost, we are asking you to collect, publish, analyze, and act on some basic information about how our schools educate our children, evaluate our teachers, and measure our success – information that will reveal both strengths and underlying challenges. By identifying what works and does not work in the classroom, we will promote a shared responsibility for improving educational opportunities and outcomes that engages all of the key stakeholders – students, parents, teachers, principals, administrators, community leaders, business leaders, and elected officials at every level. This is the only path to progress in our schools.

The ARRA provides funds across many categories (Title I, IDEA, Pell Grants, etc.). This letter, however, focuses only on the State Fiscal Stabilization Fund (Stabilization Fund or SFSF), which provides approximately \$48.6 billion directly to governors to help you balance your state budget. While the Stabilization Fund will help relieve our immediate economic crisis, it is also intended to boost student achievement, so to access this money, we seek your commitment to the following four essential areas of reform:

- **Making improvements in teacher effectiveness and ensuring that all schools have highly qualified teachers;**

- **Making progress toward college and career-ready standards and rigorous assessments that will improve both teaching and learning;**
- **Improving achievement in low-performing schools, by providing intensive support and effective interventions in schools that need them the most;**
- **Gathering information to improve student learning, teacher performance, and college and career-readiness through enhanced data systems that track progress.**

Taken together, these four commitments will help ensure outstanding teachers in America’s schools, arm educators with the tools and data needed to determine what does and doesn’t work in our nation’s classrooms, align curricula and assessments with rigorous standards that prepare young people for college and careers, and transform our lowest-performing schools. Information on the Stabilization Fund application process is provided below. Detailed program guidance is posted on the ed.gov and recovery.gov Web sites.

We understand that states across America face serious financial challenges and we will work closely with you to meet them. But we also face enormous educational challenges that can only be met through our collective efforts to identify and address the educational needs of our students. We want to be as flexible as possible in our approach, while remaining united in our larger goal of producing the highest proportion of college graduates in the world. Our role is to be a partner and a resource to you as you work to balance your budget in these challenging times, while advancing these essential reforms in our nation’s schools so that every child in America can receive a complete and competitive education, from cradle through career.

Sincerely,

Arne Duncan

cc: Chief State School Officer

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**Program Components/Distribution Formula**

Under the Stabilization Fund program, the U.S. Department of Education (ED) will award grants to governors on the basis of each state’s relative shares of individuals aged five to 24 and of total population. This formula grant program has two distinct portions – the Education Stabilization Fund and the Government Services Fund. By statute, we will award 81.8 percent of each state’s total SFSF allocation under the Education Stabilization Fund (CFDA No. 84.394) and the remaining 18.2 percent under the Government Services Fund (CFDA No. 84.397).

The Education Stabilization Fund helps restore state support for public elementary, secondary, and postsecondary education, and, as applicable, early childhood education programs and services. The Government Services Fund supports other government services; states are free to direct this funding to public safety, health care, social services or, if they so choose, education. Both funds also may be used to support school modernization.

ED will award stabilization funds in two phases. In phase one, ED will provide 67 percent of a state's total Stabilization allocation (i.e., 67 percent of both its Education Stabilization Fund allocation and its Government Services Fund allocation) within two weeks of receipt of an approvable application. ED has developed a streamlined phase one application requiring very limited information. Appendix A of the application package contains a chart that provides the amount of each state's total Stabilization allocation, with a breakdown of the total amounts to be awarded under both the Education Stabilization Fund and the Government Services Fund.

Although the biggest budget struggles concern fiscal year 2010, some states may need additional resources immediately. If your state can show in its initial application that phase one Stabilization funds are insufficient to prevent substantial immediate layoffs or service reductions in school districts, public institutions of higher education, or state or local agencies, ED can award up to 90 percent of total Stabilization dollars in phase one. The remaining portion of the state's allocation will be provided after ED approves the phase two submission.

In the near future, ED will publish a notice detailing the proposed phase two application process for public comment in the *Federal Register*. The notice will describe specific data metrics that states would use to make transparent their status in the four education reform areas outlined above, including a description of the levels to which the data needs to be aggregated and/or reported (e.g., by school, by local educational agency, by state). The notice will also describe the plan that states would need to provide for gathering data including those elements not currently available and the criteria by which the plan would be evaluated. Publishing these data serves two essential purposes: showing how schools are performing and helping schools improve.

Recognizing that the notice will provide further detail and an opportunity to comment, we are providing an overview below of the specific metrics that have been developed and are in process of being published for comment in the *Federal Register*:

- **Teacher effectiveness and ensuring that all schools have highly qualified teachers** – A state would report on the extent to which all students have access to qualified and effective teachers and whether or not teachers are evaluated based on how well their students perform. More specifically, a state would report:
  - *the number and percent of teachers in the highest-poverty and lowest-poverty schools in the state who are highly qualified;*
  - *the number and percent of teachers and principals rated at each performance level in each local educational agency's (LEA's) teacher evaluation system; and*
  - *the number and percent of LEA teacher and principal evaluation systems that require evidence of student achievement outcomes.*
  
- **Higher standards and rigorous assessments that will improve both teaching and learning** – A state would report the extent to which public information is available regarding student performance compared to other states, the extent to which all students are fully included in state assessment and accountability systems and are provided high-quality assessments, and how many high school seniors continue on to pursue a college education or technical training. To this end, states would report:

- *the most recent state reading and mathematics NAEP scores on 2009-10 State Report Cards;*
  - *whether the state is taking steps to enhance the quality of state academic assessments, including whether the state is engaged in activities consistent with section 6112(a) of the ESEA to*
    - *(1) work in collaboration or consortia with other states or organizations to improve the quality, validity, and reliability of state academic assessments;*
    - *(2) measure student academic achievement using multiple measures of academic achievement from multiple sources;*
    - *(3) chart student progress over time; and*
    - *(4) evaluate student academic achievement using comprehensive instruments, such as performance and technology-based assessments;*
  - *whether the state has developed and implemented valid and reliable assessments for students with disabilities and the percent of students with disabilities tested on state mathematics and English Language Arts (ELA) assessments;*
  - *whether the state has developed and implemented valid and reliable assessment for English language learners and the percent of English language learners tested on state mathematics and ELA assessments; and*
  - *the number and percentage of students by school who graduate high school and go on to complete at least one year's worth of college credit (as applicable to a degree) within two years.*
- **Intensive support, effective interventions, and improved achievement in schools that need it the most** – A state would identify schools most in need of academic intervention, and report on the progress of those schools in implementing reforms to improve student academic achievement. More specifically, a state would report:
    - *the number of schools in restructuring status that have demonstrated substantial gains in student achievement, closed, or consolidated within last three years;*
    - *of the schools in restructuring status, the number of schools in the bottom five percent that have demonstrated substantial gains in student achievement, closed or consolidated within the last three years;*
    - *the number and percent of schools in restructuring status that have made progress on state assessments in mathematics and ELA in last year; and*
    - *whether the state allows charter schools and whether there is a cap restricting the number of such schools, the number of charter schools currently operating in the state, and the number of charter schools closed within the last three years for academic purposes.*
  - **Better information to educators and the public, to address the individual needs of students and improve teacher performance** – A state would report on the extent to which it has implemented a system to provide greater clarity to parents about the quality of their child's education. This system will enable educators to use real time information about the individual needs of students, move away from a one-size-fits-all approach to education, and improve their performance. In particular, a state would report:

- *progress towards implementing a statewide data system which includes each of the 12 elements described in the America COMPETES Act, to track progress of individual students, from preschool through postsecondary education, and match students to individual teachers; and*
- *whether all teachers in mathematics and ELA in tested grades receive timely data on the performance of their students and estimates of individual teacher impact on student achievement, in a manner that informs instruction and includes appropriate benchmarks.*

As noted above, while it is our expectation that states can and should make progress on each of the proposed metrics above, states are not required to demonstrate progress in order to get phase two Stabilization funds. We are only asking states to ensure that states have in place systems to report on final metrics that are developed through rulemaking so that parents, teachers, and policymakers have clear and consistent information about where our schools and students stand.

For each metric, a state would need to demonstrate that it collects the required data, and that it will make the data easily accessible to the public. While establishing the systems and processes to report these metrics will have costs, states have received and will continue to receive substantial funds with which to help defray these costs (e.g., Statewide Data Systems, Grants for State Assessments, administration portion of all formula grants). If a state cannot report the final developed metrics, it would submit a plan detailing how it would report this information by September 30, 2011. The plan would include:

- (1) a description of any issues currently preventing the state from collecting and/or reporting the data;
- (2) a description and timeline of its plan for developing a system to collect and report the data;
- (3) a timeline for implementing the plan;
- (4) the sources of funds the state would use to carry out its plan; and
- (5) its process for disseminating the data.

President Obama has made clear that every dollar spent under the ARRA will be subject to the most stringent standards of accountability and transparency. A government-wide Recovery Accountability and Transparency Board will coordinate and conduct oversight of program funds to prevent fraud, waste, and abuse. The Board will maintain a public Web site – [www.recovery.gov](http://www.recovery.gov) – that will monitor the progress of the economic recovery and the use of funds under the Act. ED will post all state applications for Stabilization funding on this Web site.

States and other entities must maintain records that track separately the funds received under each grant award and report quarterly on both financial information and on program outcomes and results. In addition, for each year of the Stabilization program, states must report to ED on, among other things: (1) the use of funds provided under the 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) standing with respect to fulfilling the application assurances described above.

In the coming months, we will be providing additional guidance and technical assistance to support you in these efforts.