

State of Tennessee
Approved: May 19, 2009 | Revised: June 25, 2009

Application for Initial Funding under the State Fiscal Stabilization Fund Program

CFDA Numbers: 84.394 (Education Stabilization Fund) and
84.397 (Government Services Fund)



U.S. Department of Education
Washington, D.C. 20202

OMB Number: 1810-0690
Expiration Date: 9/30/2009

Paperwork Burden Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1810-0690. The time required to complete this information collection is estimated to average 17 hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, D.C. 20202-4537. If you have comments or concerns regarding the status of your individual submission of this form, write directly to: State Fiscal Stabilization Fund Program, Office of Elementary and Secondary Education, U.S. Department of Education, 400 Maryland Ave., S.W., Room 3E108, Washington, D.C. 20202-3118

APPLICATION INSTRUCTIONS

GENERAL INSTRUCTIONS

To receive the initial 67 percent of the State's allocation under the State Fiscal Stabilization Fund (Stabilization) program, a Governor must submit to the Department an application that provides the following information:

- A completed application cover sheet. *(Part 1 of the Application)*
- Assurances that the State will commit to advancing education reform in four specific areas:
 - (1) Achieving equity in teacher distribution;
 - (2) Improving collection and use of data;
 - (3) Enhancing the quality of standards and assessments; and
 - (4) Supporting struggling schools. *(Part 2 of the Application)*
- Confirmation that the initial baseline data identified in Appendix B of the application is acceptable for purposes of demonstrating the State's current status in each of the four education reform areas for which the State provides assurances, or submission of alternative initial baseline data. *(Part 3 of the Application)*
- The following maintenance-of-effort (MOE) information:
 - (1) An assurance that the State will comply with the Stabilization program MOE requirements;
 - (2) If applicable, an assurance that the State meets or will meet the eligibility criterion for a waiver of those requirements; and
 - (3) MOE baseline data. *(Part 4 of the Application)*
- A description of how the State intends to use the funds allocated under:
 - (1) The Education Stabilization Fund – CFDA No. 84.394; and
 - (2) The Government Services Fund – CFDA No. 84.397: *(Part 5 of the Application)*
- Accountability, transparency, and reporting assurances. *(Part 6 of the Application)*
- Other assurances and certifications. *(Part 7 of the Application)*

APPENDICES TO THE APPLICATION

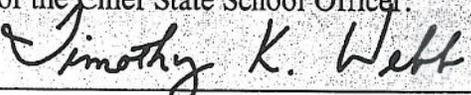
- Appendix A – State Allocation Data
- Appendix B – Instructions for Part 3: Initial Baseline Data for Education Reform Assurances
- Appendix C – Instructions for Part 4: Maintenance of Effort
- Appendix D – Instructions for Part 5: State Uses of Funds
- Appendix E – Application Checklist and Submission Information

STATE FISCAL STABILIZATION FUND APPLICATION

PART 1: APPLICATION COVER SHEET

(CFDA Nos. 84.394 and 84.397)

| | |
|--|---|
| Legal Name of Applicant (Office of the Governor): Philip N. Bredeesen | Applicant's Mailing Address: Tennessee State Capitol Nashville, TN 37243 |
| State Contact for the Education Stabilization Fund (CFDA No. 84.394) Name: Mike Morrow Position and Office: Deputy Commissioner, Department of Finance and Administration and Director, Office of Tennessee Recovery Act Management Contact's Mailing Address: 312 Rosa L. Parks Avenue, 13th Floor Nashville, TN 37243 Telephone: 615-253-7752 Fax: 615-253-8965 E-mail address: mike.morrow@tn.gov | State Contact for the Government Services Fund (CFDA No. 84.397) <i>(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)</i> Name: Position and Office: same Contact's Mailing Address: Telephone: Fax: E-mail address: |
| To the best of my knowledge and belief, all of the information and data in this application are true and correct. | |
| Governor or Authorized Representative of the Governor (Printed Name): Phil Bredeesen | Telephone: 615-741-2001 and 615-253-7702 |
| Signature of Governor or Authorized Representative of the Governor:  | Date: 25 June 09 |

| | |
|--|----------------------------|
| Recommended Statement of Support from the Chief State School Officer (Optional): | |
| The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program. | |
| Chief State School Officer (Printed Name): Timothy K. Webb  | Telephone: 615-741-8457 |
| Signature of the Chief State School Officer:  | Date: 6.25.09 |

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

SPECIAL NOTES:

- A State has some flexibility in determining the “levels of State support” for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. See Appendix C – Instructions for Part 4: Maintenance of Effort.

1. Levels of State support for elementary and secondary education (the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):

| | | |
|----------|---------------------------------|------------------|
| FY 2006 | \$ 2,934,095,795 | |
| FY 2009* | \$ 3,581,382,700 | \$ 3,563,382,700 |
| FY 2010* | \$ 3,457,055,100 | \$ 3,450,567,100 |
| FY 2011* | Data is not currently available | |

(* Provide data to the extent that data are currently available.)

2. Levels of State support for public institutions of higher education (enter amounts for each year):

| | |
|----------|---------------------------------|
| FY 2006 | \$ 1,110,882,966 |
| FY 2009* | \$ 1,193,641,100 |
| FY 2010* | \$ 1,110,883,000 |
| FY 2011* | Data is not currently available |

(* Provide data to the extent that data are currently available.)

3. Additional Submission Requirements: In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; - and -
- (b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

SPECIAL NOTES:

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. See instructions in Appendix D.
- The term “postsecondary education” refers to public IHEs.

1. Levels of State Support for Elementary, Secondary, and Postsecondary Education

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

- | | |
|---|---|
| (a) Level of State support for elementary and secondary education in FY 2008 provided through the State’s primary elementary and secondary education funding formulae | \$ 3,478,347,000 \$ 3,581,382,700 FY 2009 Prior Enacted Amount |
| (b) Level of State support for public IHEs in FY 2008 | \$ 1,293,975,900 <i>on</i> \$ 1,275,975,900 |
| (c) Level of State support for elementary and secondary education in FY 2009 provided through the State’s primary elementary and secondary education funding formulae | \$ 3,581,382,700 <i>on</i> \$ 3,563,382,700 |
| (d) Level of State support for public IHEs in FY 2009 | \$ 1,193,641,100 |
| (e) Level of State support for elementary and secondary education in FY 2010 provided through the State’s primary elementary and secondary education funding formulae | \$ 3,457,055,100 <i>on</i> \$ 3,450,567,100 \$ 3,611,455,100 <i>on</i> \$ 3,622,967,100 |
| FY 2010 Recommended Enacted Budget FY 2010 Automatic Formula Increase | \$ 3,457,055,100 \$ 3,450,567,100 \$ 3,611,455,100 \$ 3,622,967,100 |
| (f) Level of State support for public IHEs in FY 2010 | \$ 1,110,883,000 |

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

SPECIAL NOTES:

- At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.
- The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.
- Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

- (a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 \$0 \$ 18,000,000
- (b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009 \$ 100,334,800 \$ 82,334,800

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Restoration Amounts (continued)

| | | |
|--|---------------------------|----------------|
| (c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010 | \$ 154,400,000 | \$ 172,400,000 |
| (d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010 | \$ 183,092,900 | \$ 165,092,900 |
| (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010 | | \$ 337,307,336 |

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

**PART 5, SECTION B: STATE USES OF THE
GOVERNMENT SERVICES FUND**

SPECIAL NOTES:

- Section B of Part 5 requests data on the Government Services Fund (CFDA No. 84.397).
- In this section, provide preliminary estimates of the percentage of the Government Services Fund that the State intends to spend under various broad categories (to the extent such estimates are available). The total percentages in the chart should equal 100 percent.
- To the extent such estimates are available, the estimated percentages must be based on the State's total Government Services Fund allocation and not on the State's initial Government Services Fund award.

Uses of the Government Services Fund

| Category | Estimated Percentage of Funds to Be Used |
|---|---|
| Public Safety | 33.32% |
| Elementary and secondary education (excluding modernization, renovation, or repair of public school facilities) | 59.79% |
| Public IHEs (excluding modernization, renovation, or repair of IHEs) | 0% |
| Modernization, renovation, or repair of public school facilities | 0% |
| Modernization, renovation, or repair of IHEs | 0% |
| Medicaid | 0% |
| Public assistance | 0% |
| Transportation | 0% |
| Other (please describe) Department of Health | 2.63% |
| Undetermined | 4.26% |
| TOTAL | 100% |

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Tennessee's Explanation for Application Amendments

All changes described below are reflective of legislatively enacted budget revisions.

Level of State support for public IHEs in FY 2008:

In submitting the Budget to the General Assembly in March 2009 and applying to the U.S. Government for the American Recovery and Reinvestment Act funds, the Executive Branch included an \$18 M equipment appropriation in its calculation of the FY 2007-2008 level of support for institutions of higher education. The General Assembly requested a review of the inclusion of this amount in higher education expenditures.

The extraordinary one-time improvement of \$18 million was funded for the purpose of replacing and modernizing various training equipment for the twenty-seven Technology Centers located statewide. This one-time amount was funded as a supplement to the equipment renewal and replacement funds provided each year in the existing funding formula. As a result this expenditure should be excluded in the determination of the higher education stabilization funding level.

On May 24, 2009, Tennessee received approval through an e-mail message (text of message included below) from James Butler, US Department of Education, to exclude the funding.

This exclusion reduced by \$18 million the amount of Education Stabilization Funds to be used to restore the level of State support for public IHEs in both FY 2009 and 2010.

Levels of State support for elementary and secondary education:

Due to deteriorating state revenue estimates, an additional reduction of \$18 million to the Basic Education Program (BEP) Formula is to be taken in both FY 2009 and FY 2010, requiring an additional \$18 million of Education Stabilization Funds to be used in those years.

The BEP formula for FY 2010 continues to be calculated with up-to-date data. The BEP formula enacted amount (including formula increases and equity and adequacy adjustments enacted prior to October 1, 2008) for FY 2010 increased by \$11,512,000. This amount will be funded from state appropriations.

Electronic Correspondence between Tennessee and U.S. Department of Education:

>>> "Butler, James" <James.Butler@ed.gov> 5/24/2009 8:02 AM >>>

We approve Tennessee's excluding the one-time appropriation for equipment when determining the funding levels for public institutions of higher education. We will work with you as you revise your application for the State Fiscal Stabilization Fund program.

From: Mike Morrow [mailto:Mike.Morrow@tn.gov]

Sent: Friday, May 22, 2009 1:21 PM

To: Butler, James

Cc: david.thurman@capitol.tn.gov; Bill Bradley

Subject: Draft Request

Jim,

Below is our draft request for exclusion of the \$18M one time equipment expenditure from our higher ed expenditures. We will wait for your response on this draft proposal. If this action is approved, we would not submit the revised application until the General Assembly passed the FY 2009-2010 budget (most likely in early to mid June 2009).

Thanks for your assistance.

Mike Morrow

In submitting the Budget to the General Assembly in March 2009 and applying to the U.S. Government for the American Recovery and Reinvestment Act funds, the Executive Branch included an \$18 M equipment appropriation in its calculation of the FY 2007-2008 level of support for institutions of higher education. The General Assembly has requested a review of the inclusion of this amount in higher education expenditures.

The extraordinary one-time improvement of \$18 million was funded for the purpose of replacing and modernizing various training equipment for the twenty-seven Technology Centers located statewide. This one-time amount was funded as a supplement to the equipment renewal and replacement funds provided each year in the existing funding formula. As a result, we feel this expenditure should be excluded in the determination of the higher education stabilization funding level.

If our request to exclude this amount is approved, we would lower by \$18 M per year the appropriation of ARRA funds to institutions of higher education in fiscal years 2009, 2010, and 2011. And since revenues have deteriorated further since the FY 2010 budget was submitted to the legislature in March 2009, Tennessee would reprogram the \$18 M per year to support the K-12 Basic Education Program funding formula. In amendments to the Budget in June, the State is likely to lower current state revenue estimates for the education and general funds by at least \$111.7 M in the current year and \$161 M for FY 2010, based on the upper end of revenue estimate ranges recommended by the State Funding Board.

Uses of the General Services Fund:

This amended application reflects the mix of uses of the General Services Fund as reflected in the 2009 Appropriations Bill, as passed by the Tennessee Legislature on June 19, 2009.

Reporting System, Schedule of Current Year Allotments and Expenditures,
Accounting Date 06/30/08.

Other data sources are the same as those provided under Maintenance-of-Effort
Baseline Data.

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

The State of Tennessee intends to distribute the funds in the following manner:

FY 2009: Restore each institution to its FY 2009 Work Program amount (before allotment reserves were set aside.) From the remaining funds, each institution will receive an equal proportion of the funds relative to fiscal year 2008 recurring appropriations.

~~FY 2010: Restore each institution to its FY 2010 level before base reductions were implemented. From the remaining funds, each institution will receive an equal proportion of the funds relative to fiscal year 2008 recurring appropriations.~~

FY 2010: Restore to each institution an amount in proportion to budget reductions that were implemented.

FY 2011: will be distributed in the same manner as FY 2010.

Additional Attachments:

Two additional charts have been provided that represent summaries of the calculations.

Additional Information:

~~For more information on Tennessee's fiscal year 2010 proposed budget, please see <http://www.state.tn.us/finance/bud/bud0910/0910Document.pdf>.~~

State Primary Education Funding Formula
Funding Requirement Calculations

6/25/2009
3:45 PM

BEP State Appropriations
ARRA Stabilization Fund

| | FY 2009 | | | FY 2010 | | FY 2010 SFSF less FY10 Base | |
|--------------------------------|--------------------|--|----------------------------|---|------------------------------------|--------------------------------|----------------------|
| | FY 2009 Actuals | FY 2009 Formula Prior-Enacted Amount | FY 2008-2009 Allotment | FY 2009 SFSF FY09 Prior-Enacted less FY09 Allotment | FY 2010 Formula Full Funding | | FY 2009-2010 Base |
| 331.25 Basic Education Program | 2,934,095,795 | 3,478,347,000 | 3,563,382,700 ¹ | 18,000,000 | 3,622,967,100 ² | 3,450,567,100 | 172,400,000 |

¹ The FY 2009 Allotment has been adjusted to reflect an additional \$18,000,000 reduction due to declining state revenue estimates.

² Formula Full Funding amount includes approved formula increases and adjustments that were enacted prior to October 1, 2008.

Public Institutions of Higher Education
Funding Requirement Calculations

Higher Education State Appropriations
ARRA Stabilization Fund

| | FY 2009 | | FY 2010 | | | |
|--|-------------------------|-------------------------|----------------------|--|---------------|------------------|
| | FY 2005-2006 Actuals | FY 2007-2008 Actuals | FY 2009-2010 Base | MOE Requirement / Stabilization Calculations | | FY 2010 SFSF |
| | | | | Stabilization Funds Calculation | FY 2010 MOE | |
| Grand Total | \$ 1,110,882,966 | \$ 1,293,975,900 | \$ 1,047,592,700 | \$ 82,334,800 | \$ 63,290,300 | \$ 1,110,883,000 |
| Sub-Total UT System | 435,369,200 | 503,844,700 | 417,595,500 | 33,197,800 | 17,773,700 | 435,369,200 |
| 1 Sub-Total Board of Regents System | 646,295,400 | 769,066,100 | 605,057,000 | 48,641,300 | 41,238,400 | 646,295,400 |
| 2 Sub-Total State Administered Programs | 29,218,366 | 21,065,100 | 18,986,900 | 945,700 | 10,231,500 | 29,218,400 |
| 3 Sub-Total Miscellaneous Appropriations | - | - | 5,953,300 | (450,000) | (5,953,300) | (8,153,300) |

1 An amount of \$18,000,000 was excluded from FY 2007-08 Actuals for Tennessee Technology Centers. These funds were from a one-time appropriation for equipment replacement.

2 An amount of \$1,960,900 was excluded from FY 2007-08 Actuals for Geier Desegregation Settlement. These funds were from a reserve account that was established 7/1/01. No fiscal year 2008 tax efforts were in support of these expenditures.

3 An amount is appropriated in 351.00 Miscellaneous Appropriations to reimburse public higher education institutions and programs for payment of the professional privilege tax on behalf of employees who are subject to the tax. Funds are transferred to the individual institutions at the end of the fiscal year. In FY 2009-10 an amount of \$5,503,300 is appropriated in Miscellaneous Appropriations for an increase in 2010 Group Health Insurance. This amount will be distributed among the individual institutions in the FY 2010 Work Program.