



STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

March 3, 2010

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Secretary Duncan:

As with previous applications for support under the State Fiscal Stabilization Fund, Arkansas relied on different methods of measuring funding levels for Institutions of Higher Education (IHEs) and Local Education Agencies (LEAs). The Arkansas Department of Finance and Administration's Office of State Budget has reviewed the State's prior applications and determined that additional information is needed to explain actual funding levels for both LEAs and IHEs.

Under Arkansas's unique budgeting system, appropriation bills do not determine the level of state funding, but create the authority to spend state funds. Actual levels of state funding are instead determined by Arkansas's Revenue Stabilization Act, which prohibits deficit spending. The available level of state funding may also be adjusted during the fiscal year as a result of revenue forecasts. Therefore, appropriation levels do not accurately reflect the operational level of state funding for state programs. Relying on appropriation or prior-enacted amounts in calculating restoration amounts under SFSF would produce levels of state support that are artificially high. Reliance on appropriation amounts to perform the SFSF calculation of state support for IHEs led to a \$27-million shortfall for FY2009. If measured in terms of actual state support, the shortfall for FY2009 was smaller.

In order to more accurately account for the level of state funding available to LEAs and IHEs, as well as to apply the same standard of restoration calculation to both, the State has determined that it would be more appropriate to base these calculations on the most accurate information available at this time. This request for an amended application is being made in order to measure state support for IHEs and LEAs on actual funding levels for FY2008 and FY2009, not the appropriated amounts indicated in prior applications.

Arkansas requests an amendment to the State's application to more accurately reflect the State's level of state support for the LEAs and IHEs. This amendment deals solely with the restoration calculation required under SFSF.

Enclosed are several documents pertaining to our request. They are an updated application for the SFSF funding in Phase I, a comparison of state support restorations calculations in earlier applications, and background information on state support for IHEs and LEAs for the years in question.

Thank you for your consideration, and please feel free to contact my State Recovery Lead Chris Masingill at (501) 683-6424 or by e-mail at chris.masingill@governor.arkansas.gov, if additional information or follow up is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Beebe", with a long horizontal flourish extending to the right.

Mike Beebe

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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 | \$2,063,870,796 |
| FY 2009* | \$2,136,908,123 |
| FY 2010* | \$2,106,268,492 |
| FY 2011* | \$2,177,284,168 |

(* 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 | \$683,776,409 |
| FY 2009* | \$797,345,973 |
| FY 2010* | \$782,964,208 |
| FY 2011* | \$808,776,207 |

(* 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.

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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 | \$2,135,849,832 |
| (b) Level of State support for public IHEs in FY 2008 | \$799,817,111 |
| (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 | \$2,136,908,123 |
| (d) Level of State support for public IHEs in FY 2009 | \$797,345,973 |
| (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 | \$2,106,268,492 |
| (f) Level of State support for public IHEs in FY 2010 | \$782,964,208 |

Additional Information: Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?*

Yes No

* See Appendix D Worksheets for further guidance on how such increases affect a State’s “use of funds” calculations.

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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 |
| (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 | \$2,471,137 |

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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 \$30,639,631
- (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 \$16,852,902
- (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010 \$313,089,349

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 A: State Uses of Education Stabilization Fund

| | <i>Amount Reported on Amended Application as of 7/31/09</i> | <i>Amount to be reported on proposed amended application as of 2/26/10</i> | |
|---|--|--|--|
| <i>Level of State support for elementary and secondary education in FY2008 provided through the State's primary elementary and secondary education funding formulae</i> | \$2,165,600,327 | \$2,135,849,832 | |
| <i>Level of State Support for public IHEs in FY2008</i> | \$799,817,111 | \$799,817,110 | |
| <i>Level of State support for elementary and secondary education in FY2009 provided through the State's primary elementary and secondary education funding formulae</i> | \$2,167,084,430 | \$2,136,908,123 | |
| <i>Level of State Support for public IHEs in FY2009</i> | \$797,345,973 (actual funding), \$824,628,703 (funding allocated) | \$797,345,973 | |
| <i>Level of State support for elementary and secondary education in FY2010 provided through the State's primary elementary and secondary education funding formulae</i> | \$2,174,588,000 | \$2,106,268,492 | |
| <i>Level of State Support for public IHEs in FY2010</i> | \$821,569,063 | \$782,964,208 | |
| <i>Level of State support for elementary and secondary education in FY2011 provided through the State's primary elementary and secondary education funding formulae</i> | \$2,190,051,869 | \$2,177,284,628 | |
| <i>Level of State Support for public IHEs in FY2011</i> | \$832,142,992 | \$808,776,207 | |
| | | | |
| | | | |

| Restoration Amounts reported | | | |
|---|---|--|--|
| | Amount Reported on Amended Application as of 7/31/09 | Amount to be reported on proposed amended application as of 2/26/10 | |
| <i>Amount of State's total Education Stabilization Fund to be used to restore the level of State support for elementary and secondary education in FY2009</i> | \$0 | \$0 | |
| <i>Amount of State's total Education Stabilization Fund to be used to restore the level of State support for public IHEs in FY2009</i> | \$27,282,730 | \$2,471,137 | |
| <i>Amount of State's total Education Stabilization Fund to be used to restore the level of State support for elementary and secondary education in FY2010</i> | \$0 | \$30,639,631 | |
| <i>Amount of State's total Education Stabilization Fund to be used to restore the level of State support for public IHEs in FY2010</i> | \$0 | \$16,852,902 | |
| <i>Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY2009 and FY2010</i> | \$335,770,289 | \$313,089,349 | |
| <i>Amount of State's total Education Stabilization Fund to be used to restore the level of State support for elementary and secondary education in FY2011</i> | \$0 | \$0 | |
| <i>Amount of State's total Education Stabilization Fund to be used to restore the level of State support for public IHEs in FY2011</i> | \$0 | \$0 | |
| <i>Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY2009, FY2010 and FY2011</i> | \$335,770,289 | \$313,089,349 | |

PROPOSED REVISED METHOD OF RESTORATION CALCULATION

INSTITUTIONS OF HIGHER EDUCATION

Title XIV - ARRA Act of 2009

Fiscal Year 2009

| <u>Source</u> | <u>SFSF Base*</u> (FY08 Actual Distribution) | <u>FY09 Actual Distribution</u> | <u>FY09 Difference</u> |
|-----------------------------------|---|---------------------------------|------------------------|
| Revenue Stabilization Act | \$ 709,869,701 | \$ 710,963,752 | \$ (1,094,051) |
| Educational Excellence Trust Fund | \$ 67,581,579 | \$ 65,276,677 | \$ 2,304,902 |
| Work Force 2000 Development Fund | \$ 22,365,830 | \$ 21,105,544 | \$ 1,260,286 |
| Totals: | \$ 799,817,110 | \$ 797,345,973 | \$ 2,471,137 |

*Reflects total funding distributed in FY2008 from all revenue sources. The SFSF Base is based on funding distributed for FY2008 since total funding distributed in FY2008 from all sources exceeds that for FY2009.

Fiscal Year 2010

| | <u>FY10 Allocation Funding</u> | <u>FY10 Forecast Funding</u> | <u>FY10 Difference*</u> |
|-----------------------------------|--------------------------------|------------------------------|-------------------------|
| Revenue Stabilization Act | \$ 736,056,041 | \$ 697,299,264 | \$ 12,570,437 |
| Educational Excellence Trust Fund | \$ 64,332,298 | \$ 64,332,298 | \$ 3,249,281 |
| Work Force 2000 Development Fund | \$ 21,332,646 | \$ 21,332,646 | \$ 1,033,184 |
| Totals: | \$ 821,720,985 | \$ 782,964,208 | \$ 16,852,902 |

*FY10 Difference represents variance between FY10 Forecast Funding and FY08 SFSF Base.

Note: According to Title XIV, all funding for FY10 has to be restored to the greater of the FY08 or FY09 level. For FY10, the "Difference" column represents what it would take to restore FY10 funding to the FY08 SFSF Base level.

Fiscal Year 2011

| | <u>FY11 Allocation Funding</u> | <u>FY11 Gov. Balanced Budget</u> | <u>FY11 Difference*</u> |
|-----------------------------------|--------------------------------|----------------------------------|-------------------------|
| Revenue Stabilization Act | \$ 725,496,283 | \$ 725,496,283 | \$ (15,626,582) |
| Educational Excellence Trust Fund | \$ 60,419,320 | \$ 60,419,320 | \$ 7,162,259 |
| Work Force 2000 Development Fund | \$ 22,860,604 | \$ 22,860,604 | \$ (494,774) |
| Totals: | \$ 808,776,207 | \$ 808,776,207 | \$ (8,959,097) |

*FY11 Difference represents variance between FY11 Forecast Funding and FY08 SFSF Base.

Note: According to Title XIV, all funding for FY11 has to be restored to the greater of the FY08 or FY09 level. For FY11, the "Difference" column represents what it would take to restore FY11 funding to the FY08 SFSF Base level.

FY11 Gov. Balanced Budget reflects the Category "A" and Category "B" Levels of RSA.

Total Difference for FY09, FY10 and FY11 is:

\$ 10,364,942

FY09 Amount Previously Awarded:

\$ 27,282,730

Difference:

\$ (16,917,788)

Note: The SFSF Base Level is defined as total funds distributed. Since funds distributed in FY08 were greater than in FY09, the FY08 distribution level is used as the SFSF Base.