

# Local Impacts of Sequestration



Presented to:

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Officials

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# The Budget Control Act of 2011 Sequestration Provisions

1. Became effective March 1, 2013
2. Affect all federally funded education programs, the largest being Title I, IDEA Part B, and Impact Aid.
3. Result in approximately \$52.9M in reductions to programs statewide.

# Programs Affected by Sequester

| <u>PROGRAM</u>                                      | <u>FY 2013 at<br/>FY 2012 Level</u> | <u>FY 2013<br/>Less 5.0% Reduction</u> | <u>5.0 Percent<br/>Reduction</u> |
|---|-------------------------------------|--|----------------------------------|
| Title I Grants to Local Educational Agencies        | 328,139,201                         | 310,048,121                            | 18,091,080                       |
| School Turnaround Grants                            | 11,311,943                          | 10,746,346                             | 565,597                          |
| Impact Aid Basic Support Payments                   | 174,756,333                         | 166,018,515                            | 8,737,818                        |
| Improving Teacher Quality State Grants              | 38,660,529                          | 35,824,012                             | 2,836,517                        |
| 21 <sup>st</sup> Century Community Learning Centers | 22,979,933                          | 21,830,937                             | 1,148,996                        |
| English Learner Education State Grants              | 18,302,619                          | 15,391,371                             | 2,911,248                        |
| IDEA Part B Grants to States*                       | 188,005,122                         | 177,964,569                            | 10,040,553                       |
| Vocational Rehabilitation State Grants**            | 65,635,510                          | 61,813,494                             | 3,822,016                        |
| Career and Technical Education State Grants***      | 24,682,154                          | 22,592,163                             | 2,089,991                        |
| Adult Basic and Literacy Education State Grants     | 10,531,831                          | 10,003,757                             | 528,074                          |
| Supplemental Educational Opportunity Grants         | 18,118,645                          | 16,645,048                             | 1,473,596                        |
| Work-Study Grants                                   | 10,545,011                          | 9,894,654                              | 650,356                          |
| <b>TOTAL</b>  | <b>911,668,831</b>                  | <b>858,772,987</b>                     | <b>52,895,842</b>                |

# So Many Questions!

- How much am I going to lose?
- When am I going to lose it?
- How am I supposed to plan for next year?
- Why aren't you telling me anything?!?

# So Few Answers

- For the heavily impacted programs (Title I, IDEA, Impact Aid), USDOE determines the allocations, not ADE.
- This federal fiscal year is the year in which census numbers are due to be updated. Revised allocations computed on **new** census numbers.
- Not sure if Congress will act before the majority of cuts come into effect.

# What We Know

- For forward-funded programs (Title I, IDEA, others on same cycle), reductions, if maintained, will not be realized until next school year (2013-2014).
- This is because we receive our dollars in two installments (25% in July, 75% in October).
- We are currently operating on money we received in October.

# What We Know

- USDOE has said that it intends to withhold the entire sequester amount from the July disbursement
  - E.g. previous Title I allocation is \$328M.
  - $\$328\text{M} * 0.25 = 82\$M$  July allocation
  - Subtracting entire sequester ( $\$18\text{M}$ ) =  $\$64\text{M}$
  - As opposed to  $\$77.5$  if it were spread out between the two ( $\$310 * .25 = 77.5$ )
- MOE and hold harmless provisions continue to apply

# Title I

- Title I is calculated based on census data and census poverty numbers (not Free/Reduced Lunch)
- FFY2014 allocations will be based on revised census numbers
- Title I hold harmless will be in effect.

# Title I Hold Harmless

- LEAs that received Title I monies in the previous year must receive:
  - 95% of the previous FY amount if the Title I population between 5 and 17 is 30% or more.
  - 90% of the previous FY amount if the population is 15%-30%.
  - 85% of the previous FY amount if the population is 15% or less.
- **Except** that if the amount is not sufficient to meet those requirements, all funding is reduced ratably.
- Consider the potential impact of census revisions on your allocation.

# Implications for ADE

- ADE currently utilizes a Title I school improvement set-aside.
- This set-aside is only allowed if there are excess monies over what was distributed to LEAs in the previous year.
- If the sequester is not reversed, the department will discontinue the set-aside and pass the money through, but this will eliminate many school improvement activities.

# IDEA Part B Hold Harmless

- The general floor for IDEA Part B funding is FY1999, but in general each state is entitled to at least the amount it received the previous year.
- In the event that sufficient funds are not appropriated, it triggers a reduction formula.
- The formula calls for the redistribution of the amount above the 1999 amount in the same proportion as the previous year's funding.
  - E.g. if our share of last year's funding above 1999 was 10% of the total, we should get 10% above the 1999 amount this year, whatever that turns out to be.

# Impact Aid

- Impact aid is current-year funded, meaning heavily impacted districts realize cuts immediately, and must reduce budgets accordingly for as long as the sequester is in place.
- Arizona is 40% owned by the federal government, and has geographically the largest Native American reservations in the country.
- This is a huge concern.

# Continuing Resolution

- The current federally continuing resolution is set to expire on March 27<sup>th</sup>. If another CR is not in place, the federal government will shut down.
- Naturally, this is a negotiating point around sequestration.
- In short, things could change rapidly...or not at all.

# What Do I Do?

- Research your Title I and IDEA allocations if you haven't already, and make an educated guess about what you're dealing with.
  - <http://www.census.gov/did/www/saipe/>
- If you have federal money you can carry over, do it.
- If your district receives impact aid, and you are considering financing something with it, **WAIT**.
- Increases in state funds (if any) will not be sufficient to offset these losses, but if you can maximize your allowable carryforward, do it.

# Thank You



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