





## LEGISLATIVE BUDGET BOARD

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### MEMORANDUM

**TO:** Representative Jim Dunnam, Chair  
House Select Committee on Federal Economic  
Stabilization Funding

**FROM:** Maria Hernandez  and Lea Isgur 

**DATE:** March 2, 2009

**SUBJECT:** American Recovery and Reinvestment Act Provisions

This memorandum is in response to inquiries about the provisions in the American Recovery and Reinvestment Act at the hearing of the Special Committee on Federal Economic Stabilization Funding on February 19, 2009.

#### **Can State Fiscal Stabilization Funds be used for one-timing funding expenditures, such as bonuses for teachers?**

We don't believe the portion of the State Fiscal Stabilization Funds that is reserved for education purposes can be used for state-directed bonuses for teachers. The education funding (\$3.3 billion) must be distributed through the State's K-12 funding formulas:

- To restore, in each of the FYs 2009-2011, the level of State support provided through such formula to the greater of the FY 2008 or FY 2009 level, and
- Where applicable, to allow existing state formula increases for FYs 2010-11 to be implemented and allow funding for phasing in state equity and adequacy adjustments, if such increases were enacted pursuant to state law prior to October 1, 2008.

Then the funds must provide, in each of FYs 2009-11, the amount of funds to institutions of higher education that is needed to restore state support for such institutions (excluding tuition and fees) to the greater of the FY 2008 or FY 2009. Any remaining funds must be distributed to school districts based on their Title I, Part A share of funds. These funds can be used by school districts on allowable uses under several federal funding programs (Title I, IDEA Special Education, Adult Literacy and Education and Perkins).

The State Fiscal Stabilization Funds that are available for other government services (\$0.7 billion) can be used for education but should they be allocated to education, the funds must be used by school districts for any purpose under several federal funding programs (Title I, IDEA Special Education, Adult Literacy and Education and Perkins).

**Do we know if the Unemployment Insurance (UI) Modernization funding (estimated by Texas Workforce Commission (TWC) at \$555 million) will go into the Texas Enterprise Fund?**

We don't believe this funding will impact either the Texas Enterprise Fund (TEF) or the Skills Development Fund (SDF). Funding for these two funds comes from a 0.1% tax on payable wages, which is kept in an employment and training investment holding fund which is separate from the UI Trust Fund. Release from the holding fund for TEF and SDF is triggered when the level of funding in the UI Trust Fund goes over 100 percent of the UI Trust Fund floor. TWC has indicated that the addition of the \$555 million federal UI stimulus funding will not increase the UI Trust fund to the trigger level.

cc: Speaker Joe Straus

Members of the House Select Committee on Federal Economic Stabilization Funding

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