

Planning and Budgeting Brief



Date Prepared: February 20, 2009

Subject: **Federal Stimulus State Fiscal Stabilization Fund: Potential impact of funding requirements on the UW**

As UW Federal Relations documents and other news sources indicate, Title XIV (State Fiscal Stabilization Fund) is a major component of the federal stimulus bill just signed by the President. This fund distributes \$53.6 billion directly to Governors to prevent state tax increases and cutbacks in critical services such as education. Each Governor must use 81.8 percent (\$818.5m for WA) of a State's allocation to support public elementary, secondary, and higher education. The remaining 18.2 percent (\$182.1m for WA) is set aside for public safety and other services, but can also be used towards education-related services such as modernization, renovation, and repair activities, including at non-public institutions. Legislators should be aware of several important requirements and limitations on how states can use this money. Descriptions of these requirements, as well as initial eligibility calculations based thereon, can be found below.

Maintenance of Effort

For fiscal years 2009, 2010 and 2011, states must provide support for higher education institutions (*not including capital projects and research and development support*) at levels no lower than in fiscal year 2006. The Secretary of Education can waive this requirement, but it is not yet clear under what conditions a state could obtain a waiver. The National Association of State Universities and Land-Grant Colleges (NASULGC) assumes that maintenance of effort applies to the total level of state support for higher education, rather than the level of support to each institution. NASULGC also assumes that states are required to maintain the level of absolute dollars, not accounting for inflation since 2006.

Establishment of Ceiling

For fiscal years 2009, 2010, and 2011, a state can utilize Title XIV funds to restore state support for higher education institutions (*excluding tuition and fees*) to no higher than fiscal year 2008 or 2009 levels, whichever is higher. Despite mid-year budget cuts, fiscal year 2009 would be the effective budget ceiling for Washington State: federal funds can only be used to bring state support for higher education back to fiscal year 2009 level and no higher. Again, NASULGC assumes figures are in absolute dollars and that a state cannot raise spending to account for inflation.

Uses of Funds by Institutions

The funds shall be used for education and general expenditures, or for modernization, renovation, or repair of facilities that are primarily used for instruction, research, or student housing, thus preventing steep increases in tuition or fees.

Prohibited Uses of Funds by Institutions

The funds cannot be used to increase an institution's endowment, or for the benefit of stadiums or other facilities primarily used for athletics or exhibitions or other events for which admission is charged to the public. Additionally, the funds cannot be used for facilities in which a substantial portion of the functions have a religious mission.

Reporting Requirements

Each year, the State shall submit a report to the Secretary of Education that outlines tuition and fee increases for resident students and describes actions taken to limit those increases, as well as the extent to which public institutions have maintained enrollment of resident students, including those eligible for need-based financial aid assistance. The report will also detail the costs and the awarded funds of each modernization, renovation, and repair projects.

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