

FORESIGHT LAW + POLICY

American Rescue Plan Act of 2021 Summary of Education Funding & Related Provisions

On March 10, 2021, Congress approved a nearly \$1.9 trillion pandemic recovery bill dubbed the *American Rescue Plan Act of 2021* (ARP). We expect President Biden to sign the [legislation](#) later this week. The measure provides approximately \$122 billion for K-12 public schools, \$3 billion for IDEA, \$40 billion for postsecondary education institutions and students, \$40 billion for childcare, \$362 billion for state and local fiscal relief, and includes policy provisions impacting the education sector more broadly. The ARP also includes \$7.172 billion to help schools connect students and teachers to home broadband and devices and \$2.75 billion in dedicated funding for nonpublic schools in a similar [manner](#) to the emergency relief bill passed by Congress last December. This memorandum summarizes ARP's topline funding allocations and several key policy changes, including modifications to the Education Stabilization Fund

U.S. Department of Education Funding (USED)			
Bill Section	Program	Amount (in billions)	Notes
2001	Elementary and Secondary School Emergency Relief (ESSER) Fund	\$122.775	See ESF section below for additional details.
2003	Higher Education Emergency Relief (HEER) Fund	\$39.585	\$36bn for public and private non-profit IHEs; 3bn for HBCUs; \$400m for proprietary IHEs' grants to students; \$200m for IHEs with greatest unmet need. See ESF section for additional details.
2002	Emergency Assistance to Non-public Schools (EANS)	\$2.750	Funding for governors to distribute to private schools serving low-income students.
2005	Outlying Areas	\$0.850	Funding available through 9/30/23 to be allocated by USED, at its discretion, within 30 days of enactment.
2006	Gallaudet University	\$0.019	
2007	Student Aid Administration	\$0.091	Funding intended to support SAA direct outreach to students / borrowers regarding financial aid and other benefits for which they may be eligible.
2008	Howard University	\$0.035	
2009	National Technical Institute for the Deaf	\$0.019	
2010	Institute of Education Sciences	\$0.100	Funding available through 9/30/23 and is intended to support research related to assessing learning loss experienced by ESSA student subgroups (and to disseminate these findings to SEAs and LEAs).
2011	USED Program Administration	\$0.015	Funding for USED to implement ARP.
2012	USED Inspector General	\$0.005	Funding for USED IG to provide oversight.

2014	Individuals with Disabilities Act	\$3.030	\$2.58bn for IDEA Part B (state grants); \$200m for Sec. 619 (preschool grants); \$250m for Part C (infants/children services)
11006	American Indian, Native Hawaiian, and Alaska Native Education	\$0.190	
USED Programs Subtotal		\$169.464	

U.S. Department of Health and Human Services (HHS)

Bill Section	Program	Amount (in billions)	Notes
2201	Child Care and Development Block Grant Program	\$15.025	
2202	Child Care Stabilization Fund	\$23.975	
2203	Head Start	\$1.000	
HHS Programs Subtotal		\$40.000	

Connectivity & Miscellaneous

Bill Section	Program	Amount (in billions)	Notes
7402	E-Rate / Emergency Connectivity Fund	\$7.172	Directs the FCC to develop new rules within 60 days of ARP's enactment to allow eligible schools and libraries to use E-rate funds for the purchase of eligible technology expenses. \$1 million of this funding is reserved for FCC's IG to conduct oversight.
2023	Institute of Museum and Library Services	\$0.200	
7601	Corporation for Public Broadcasting	\$0.175	
11005	Bureau of Indian Education	\$0.850	
2206	National Service Trust	\$1.000	
Subtotal		\$9.387	

General State and Local Aid

Bill Section	Program	Amount (in billions)	Notes
9901	Coronavirus State and Local Fiscal Recovery Funds		Amends Title VI of Social Security Act, adding three new sections (602, 603, and 604)
" (Sec. 602)	State Fiscal Recovery Fund	\$219.850	\$50m reservation for program administration.
" (Sec. 603)	Local Fiscal Recovery Fund	\$130.200	Various set-asides made for cities, counties, and other local entities.
" (Sec. 604)	Coronavirus Capital Projects Fund	\$10.000	Funding dedicated specifically to carry out "...critical capital projects directly enabling work, education, and health monitoring..."

Education Stabilization Funds

ARP uses the Education Stabilization Fund ([ESF](#)), established by the CARES Act in March 2020, with some modifications, as the primary mechanism to distribute most of the \$169.5bn in funding for programs administered by the U.S. Department of Education. Specifically, ARP provides:

- \$122.775 billion for K-12 education (ESSER 3.0)
- \$39.585 billion for institutions of higher education (HEER 3.0)
- \$2.75 billion for nonpublic K-12 schools (EANS 2.0)

I. Elementary and Secondary School Emergency Relief Fund

ARP provides an additional \$122.775 billion, via the existing ESSER fund, through September 30, 2023.

- **Funding Distribution:** Funding for K-12 education in ARP is allocated to each State Education Agency (SEA). These allocations are determined using the same federal-to-state formula prescribed by Title I of the Every Student Succeeds Act (ESSA). States must subgrant at least 90 percent of their funding allocation to school districts (including charter schools operating as school districts) based on the state-to-local funding formula prescribed by Title I of ESSA.
- **State Funding:** States are *required* to set-aside funds from their grants for the following purposes: at least five percent to address learning loss; at least one percent for evidence-based summer enrichment programs; and at least one percent for evidence-based, comprehensive afterschool programs. States *may* also reserve up to 0.5% for administrative costs with the remainder of these funds intended to be used for statewide activities identified by the SEA.
- **Maintenance of Effort / Equity:** This legislation includes a maintenance of effort provision requiring states to provide at least as much funding from their budgets for K-12 *and* postsecondary education in Fiscal Years (FYs) 2022 and 2023 proportionate to the state's previous investment averaged over FYs 2017, 18, and 19. In addition, ARP includes a "Maintenance of Equity" provision that prevents states and local school districts from disproportionately reducing funding from high poverty districts and schools.
- **Local Uses of Funds:** LEAs receiving ESSER funding from ARP are *required* to use at least 20 percent of their total allocation to address student learning loss through evidence-based interventions and ensure that these activities are responsive to students' academic, social, and emotional needs. ARP maintains nearly all the same local uses of funds as contained in the December Response and Relief Act and the earlier CARES Act for the remainder of these funds. The new bill includes one new local use of funds intended to encourage local implementation of health guidance and related protocols issued by the Centers for Disease Control and Prevention (CDC) for the reopening of K-12 school facilities. Due to Senate procedural rules, the bill slightly narrows one existing use of funds related to homeless students and eliminates another intended to provide funding flexibility for principals and school leaders.

II. Higher Education Emergency Relief Fund

ARP provides an additional \$39.585 billion, via the existing HEER fund, through September 30, 2023.

- **Funding Distribution:** Funding is provided to IHEs directly via a prescribed formula allocating funding based mostly on the number and percentage of Pell-eligible enrolled students. \$36.022bn (91% of overall total) in funding is provided to IHEs as defined in [Sec. 101](#) or [Sec. 102\(c\)](#) of the Higher Education Act (public and private non-profit IHEs). \$3bn is dedicated specifically for historically Black colleges, tribal colleges and other minority serving institutions. An additional \$400 million is targeted at proprietary colleges, although all of these funds must be used to provide direct student aid. \$200 million is made available for institutions with the greatest unmet needs related to the pandemic or those not adequately served by the HEER fund formula.
- **Uses of Funds:** All IHEs receiving funding from ARP must use at least 50 percent of their allocation on financial aid grants provided directly to students. Institutions can use the remainder of funds for a variety of purposes, at the institution level, previously authorized by the CARES Act and the Response and Relief Act enacted in December 2020.
- **90/10 Rule Change:** Under the current Higher Education Act (HEA), proprietary IHEs are prohibited from receiving more than 90 percent of their revenue from funds provided directly from Title IV of HEA (this is known commonly as the “90/10” rule). ARP amends HEA [Sec. 487\(a\)\(24\)](#) to substantially broaden the scope of this requirement by basing this determination on all forms of federal education aid, rather than aid only provided directly from HEA. This change has the practical effect of closing the “GI Bill loophole.”

I. Emergency Assistance to Non-Public Schools Program

ARP provides \$2.75 billion, via the existing [EANS program](#), through September 30, 2023.

- **Funding Distribution:** Governors must apply to USED for funding which is based on a combination of a State’s relative share of children, aged 5-17, and poverty levels.
- **Uses of Funds:** All allowable uses of funds authorized under the December Response and Relief Act are carried over here.