

To the listserv member addressed:

## **News from the Office of the Chief Grants Administrator**

### **Sequestration Goes into Effect**

On Friday, March 1, 2013, President Obama signed an order putting into effect the automatic across-the-board cuts to the federal budget known as the sequester.

The Texas Education Agency (TEA) has not yet received guidance from the US Department of Education (USDE) regarding the amount of cuts to federal education spending. Once the state receives more detailed information, TEA Grants Administration staff will model the reductions and make planning amounts available to LEAs. It is estimated that the entitlement/planning amount calculations will take three weeks to complete once data are received.

The following text is taken from testimony that Chief Grants Administrator Cory Green gave the House Subcommittee on Budget Transparency and Reform on February 25, 2013. That testimony is also available online, from a link in the Chief Grants Administrator section of the [Grants](#) page of the TEA website.

### **No Retroactive Cuts**

Most federal education programs are forward- or advance-funded, meaning the state receives the majority of the federal fiscal year funding on July 1, at the end of the federal fiscal year for use primarily in the following fiscal year. USDE has reported that forward-funded programs will not be retroactively cut back to the October 1 beginning of the federal fiscal year, but will take the full reduction from the July 1 allocation. What this means for LEAs is that their school year (SY) 2012-2013 entitlements will not be reduced mid-year, but rather the full reduction will be taken from their SY 2013-2014 entitlement amounts.

### **Projected Amount of Reductions**

Many education groups following the sequestration process are calculating the estimated potential impact of the reductions. USDE has used an estimated impact of 5% in a letter provided as testimony in a Congressional committee hearing. (National Title I Association is using USDE estimates.) Other groups have calculated reductions of 5.1% (Center on Budget and Policy Priorities, used by NEA, CCSSO, et.al.) to 5.3% (Government Accountability Office, used by AASA, et.al.) which due to the two month postponement is less than prior estimates of 8.2% reductions.

Since Congress has not yet completed work on appropriations for fiscal year 2013, we can only model data based on federal fiscal year 2012 data. Actual reductions will differ slightly once federal fiscal year 2013 appropriations are finalized. The Office of Management and Budget (OMB), which has responsibility at the federal level for determining the actual percentage of the reductions, will release the amount and percentage of reductions required by the Budget Control Act. This process is expected to take at least 30 days from March 2, 2013.

### **Potential Impact**

For discussion purposes, the state's largest federal programs demonstrate the potential impact on LEAs.

- ESEA, Title I allocation could be reduced by \$67-71 million depending on a 5.0% or 5.1% reduction, which could impact services to approximately 285-300 schools, 172,000 to 179,000 students, and 930 to 1300 staff.

Based on a 5.1% reduction,

- The Individuals with Disabilities Education Act (IDEA, Part B) allocation is expected to be reduced by approximately \$50 million, with reduced services to impact approximately 20,000 students and 900 staff,
- The ESEA, Title III, Part A—English Language Acquisition allocation is expected to be reduced by approximately \$5.2 million with reduced services to 38,000 LEP students and 100 staff
- The Perkins Career and Technical Education allocation is expected to be reduced by approximately \$4.5 million, with reduced services to 66,000 CTE students and 75 staff.

### **Planning for Next Year**

One of the largest concerns for LEAs (school districts and open-enrollment charter schools) is the need for more information to be able to plan for next year's staffing, services, and program budgets. In general, LEAs would be required to reduce their services to students served by each program. This may be accomplished by across the board reductions to staffing, professional development, direct services to students, and LEA administration. However, generally it appears most LEAs would likely take the reductions in professional development related costs and direct services to students not provided by grant funded staff as a preference to reducing grant funded staff and the related direct services provided by those staff.

Regardless of reduced state administrative funds, TEA is still required to meet federal requirements for compliance, reporting, and submission deadlines. The vast majority of federal grants are formula, or entitlement, awards to the LEAs and the amount of work required to administer and implement the federal programs would not change.

For discretionary type grants, TEA would likely provide less assistance to grantee LEAs, have slower grant response and processing/approval time, and could potentially eliminate some smaller grant programs or contracts in order to maintain funding for other higher priority projects.

### **MOE and Supplement, Not Supplant**

Also of concern to states and LEAs are the impact on the sequestration reductions on federal maintenance of effort (MOE) and supplement, not supplant requirements at both the state and/or local levels.

Currently, TEA has only modeled a 10% reduction (based on earlier projected reductions). However, for some programs with hold-harmless provisions, such as Title I, Part A, in the statutory formula this 10% model suggests the "worst case" scenario. In Title I, Part A statute, the hold-harmless provision applies to state appropriations as well as LEA entitlement calculations. The LEAs that by the data are at or below the hold-harmless amounts must be guaranteed the hold-harmless amount while the LEAs above their hold-harmless amount actually have the sequester reductions taken from their allocations. All LEA hold-harmless calculations in the country are aggregated up to the state level; meaning Texas' overall state allocation could be reduced more than the estimated 5.1-5.3% by the statutory formula.

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