

# ECS Idea Paper

## American Reinvestment & Recovery Act

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### **Maximizing Education Reform in the Stimulus Bill: Building State Innovation Funds**

#### The Challenge:

As states prepare for the disbursement of billions of dollars from the stimulus' stabilization fund, many state officials are grappling with how to best simultaneously shore up district budget deficits and maximize the opportunity to reform policies and practices that impede student achievement. The majority of the K-12 portion of the stabilization fund is needed simply to plug holes in local district deficits and to prevent lay-offs or hiring freezes that would further damage local economies. At the same time, many governors and state education commissioners want to see fundamental changes in results, particularly for low-income students.

#### The Solution — Creating State Innovation and Incentive Funds:

States have an unprecedented one-time opportunity to use stabilization funds to help drive education reform efforts. The federal government divided stimulus funding for education into two pots: funds that go directly to the states (the stabilization funds, Title I, IDEA, etc.) and funds for the Secretary of Education designed to drive reform (the Incentive Fund and Innovation Fund). States should consider doing the same thing by using stabilization money to both fund districts directly and create a central pool of funding to drive reform efforts. States could:

- Make adjustments to the primary funding formula for the creation of a "State Innovation Fund." Then place between 10% and 20% of the federal stabilization funding payments, depending on the state's economic situation, into the fund to award grants.
- Create a list of criteria for awarding grants in FY2010 (i.e. has a track record of raising student achievement levels for low-income students; has been successful nationally or regionally; has greatly improved student achievement). This list that could be followed by a list of eligible concepts. Examples might include:
  - Scaleable local programs — with a track record of raising achievement levels for low-income students — run by districts, schools or non-profits.
  - Successful programs that work in other parts of the country (KIPP, New Leaders for New Schools or Teach for America).
  - Greatly-improved districts. Grants could reward districts that make the most progress over 12 months in creating innovative solutions in key areas.
- Policymakers and other opinion leaders could work with the media, school district personnel, and parent/teacher groups to highlight this reform agenda and make the competitive process for awarding these funds clear to the public.

#### The Benefits:

Building a state innovation fund may have multiple benefits for states. A state innovation fund could:

- Build greater public understanding of the governor's desired education reforms and provide a platform to talk about the importance of innovation.
- Fund programs and policy initiatives that otherwise will not operate or scale locally and enable reform efforts to take root.
- Increase the state's chances of winning the federal Incentive Fund grants. These "Race to the Top" grants will be awarded in 2010 to states that make the most progress on reform initiatives. Building local capacity for reform will help states compete for billions of additional dollars in federal funding.

## Frequently Asked Questions

*How does this differ from the Federal Innovation and Incentive Funds?*

The federal funds will be awarded by Secretary Duncan to states (incentive funds) or to districts, schools and partnerships with non-profits (innovation funds). This idea involves replicating this strategy to drive reform at the state level, and giving the same ability to reward innovation to the governor and state commissioner.

*We are already planning on competing for the Federal Innovation and Incentive Funds. Will this hurt those efforts?*

No, states and local districts could still compete for the additional federal dollars. In fact, this will likely help states compete for the \$4.35 billion in the incentive fund as it gives the governor and commissioner the opportunity to define what reform means locally, and to fund the kinds of innovation that will demonstrate a commitment to reform.

*Will this harm the job creation efforts of the stimulus?*

No. First, this would be a relatively small portion of the stimulus funds, since the majority of the stabilization funding and all of other education dollars (Title I, IDEA, etc.) already will be distributed through regular channels. Second, the reforms funded should themselves create and/or save jobs.

*How do we ensure that this builds support for innovation and reform?*

First, the creation of the fund and explanation of the criteria would create a massive public platform. Just as Secretary Duncan has made multiple national media appearances to talk about the criteria of the Incentive and Innovation Funds, creating a state innovation fund would build an immediate platform to talk about the reforms that are needed in the system. Second, in awarding grants, the governor and commissioner will have an additional public platform to explain the kinds of innovations (and results) needed in the state.

*This idea paper was a joint project of Teach for America (TFA) and the Education Commission of the States(ECS). If you have any questions or comments about this paper you can contact Kevin Huffman at TFA ([kevinhuffman@teachformeric.org](mailto:kevinhuffman@teachformeric.org)) or Michael Griffith at ECS ([mgriffith@ecs.org](mailto:mgriffith@ecs.org)).*

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