

**Race to the Top Phase 3
Guidance and Frequently Asked Questions**



**U.S. Department of Education
Washington, D.C. 20202**

October 27, 2011

Purpose of the Guidance

The purpose of this guidance is to provide information about Race to the Top Phase 3. The guidance provides the U.S. Department of Education's interpretation of various statutory and regulatory provisions and does not impose any requirements beyond those included in the American Recovery and Reinvestment Act of 2009; the Race to the Top notice of final priorities, requirements, definitions, and selection criteria; the Race to the Top Phase 3 notice of final requirements; and other applicable laws and regulations. In addition, it does not create or confer any rights for or on any person.

The Department will provide additional or updated program guidance as necessary on its Race to the Top Web site, www.ed.gov/programs/racetothetop. If you have further questions that are not answered here, please email phase3comments@ed.gov

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A. Introduction and Eligible Entities

A-1. What is the Race to the Top program?

Race to the Top is a competitive grant program intended to encourage and reward States that are implementing significant reforms in the four education areas described in the American Recovery and Reinvestment Act of 2009 (ARRA): enhancing standards and assessments, improving the collection and use of data, increasing teacher effectiveness and achieving equity in teacher distribution, and turning around struggling schools. The Department awarded approximately \$4 billion to 12 States under Phase 1 and Phase 2 of the Race to the Top competition, in accordance with sections 14005 and 14006 of the ARRA, as amended by section 310 of Division D, Title III of Public Law 111-117, the Consolidated Appropriations Act, 2010.

On April 15, 2011, President Obama signed into law Public Law 112-10 (the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Fiscal Year (FY) 2011 Appropriations Act)). Section 1832(a)(2) of the FY 2011 Appropriations Act made \$698.6 million available for the Race to the Top Fund, authorized the Secretary to make awards on “the basis of previously submitted applications,” and amended the ARRA to permit the Secretary to make grants for improving early childhood care and learning under the program. On May 25, 2011, the Department announced that of these funds, approximately \$200 million would be made available for Race to the Top Phase 3 to support some or all of the nine unfunded finalists from the 2010 Race to the Top Phase 2 competition. The Department seeks to use Race to the Top Phase 3 funds to reward these States for the ambitious reforms they have begun and to enable them to implement meaningful portions of their comprehensive Phase 2 plans.

The Department published the notice of final requirements for Race to the Top Phase 3 (NFR) in the *Federal Register* on November 16, 2011¹.

A-2. Who is eligible to apply for Race to the Top Phase 3 funds?

Under the final requirements for Race to the Top Phase 3, States that were finalists, but did not receive grant awards, in the 2010 Race to the Top Phase 2 competition are eligible to receive Race to the Top Phase 3 awards. Therefore, Arizona, California, Colorado, Illinois, Kentucky, Louisiana, New Jersey, Pennsylvania, and South Carolina are eligible to apply for Race to the Top Phase 3 awards.

B. Application Process

B-1. What is the Race to the Top Phase 3 application process?

¹ Notice inviting applications: <http://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-29582.pdf>
Notice of final requirements: <http://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-29581.pdf>

The Department will make awards through a two-part application. In Part I, eligible applicants must meet the application requirements and provide the assurances described in Section C below. Applicants that meet the requirements and provide the assurances will receive notification from the Department of the final amount of funds they are eligible to receive and must submit Part II of the application -- its State's plan and budget for the use of those funds. Grants will be awarded only after successful completion of both Part I and Part II of the application.

B-2. How will grant sizes be determined for Race to the Top Phase 3?

An eligible applicant may expect to receive a proportional share of the approximately \$200 million available for Race to the Top Phase 3 awards based primarily on its share of the population of children ages 5 through 17 across the nine eligible States. The estimated amounts for which each eligible State can apply are shown in the table below. The amounts in this table are based on the assumption that all eligible States will apply for a share of available funding; the amounts will increase if one or more eligible States do not apply or do not meet the application requirements or provide the required assurances. For instance, if two States with an estimated funding amount of \$12,250,000 do not apply, \$24,500,000 would be reallocated proportionately across the remaining applicants. The Secretary will inform applicants of new estimated award amounts after Part I of the application process has been completed. (This information will also be made publically available.)

State	Amount
Colorado	\$12,250,000
Louisiana	\$12,250,000
South Carolina	\$12,250,000
Kentucky	\$12,250,000
Arizona	\$17,500,000
Illinois	\$28,000,000
Pennsylvania	\$28,000,000
New Jersey	\$28,000,000
California	\$49,000,000

B-3. What must be included in a State's plan and budget (i.e., Part II of the application)?

The State's plan and budget must describe the activities selected from the Phase 2 application that will be funded under the Phase 3 grant. A State must also indicate how it will allocate a meaningful share of its Phase 3 award to advance science, technology, engineering and mathematics (STEM) education in the State. The plan must explain: (1) why the applicant selected these activities; (2) why the applicant believes these activities will have the greatest impact on advancing its overall statewide reform plans; and (3) how these activities will advance STEM education in the State. States need not resubmit evidence from their Phase 2 application (unless the State chooses to do so in order to support its Race to the Top Phase 3 plan).

In addition to the plan narrative, States also must include baseline data and targets for the applicable performance measures. The limited scope of Race to the Top Phase 3 means that activities selected for funding might not be covered by performance measures in the Race to the Top Phase 2 application, thus potentially preventing the meaningful evaluation of grantee performance. Consequently, as set forth in the notice of final requirements (and as stated in the Application Requirements section C below), applicants must develop and propose for the Department’s approval performance measures, by sub-criteria, for activities selected for funding for which such measures were not included in the State’s Race to the Top Phase 2 application.

B-4. What if the Department determines that the State has selected activities for funding that are not consistent with what the State proposed in its Race to the Top Phase 2 application?

The Department interprets the Secretary’s authority to make Race to the Top Phase 3 awards “on the basis of previously submitted applications” as limiting the activities that may be funded under Race to the Top Phase 3 to those that were included in a State’s Phase 2 application. While the Department recognizes that the limited funding available under Race to the Top Phase 3 will likely require adjustments to the scope, budget, timeline, and performance targets for activities selected for funding under Phase 3, eligible States must select activities from its Phase 2 application for funding under Race to the Top Phase 3. If the Department determines that a State’s Phase 3 application includes activities for funding that are not included in its Phase 2 application, those activities will not be funded, and it will work with the State to revise its application. (See also C-8.) The Department will make the final determination about whether a State’s application meets the requirements of Race to the Top Phase 3 and will be funded.

B-5. How should an applicant select activities that will advance STEM education in the State?

As described under B-3, a State must explain in its detailed plan and budget for Phase 3 funding how the activities selected will result in the allocation of a meaningful share of its Phase 3 award to advance STEM education in the State. Eligible applicants may meet this requirement by including in their plans and budgets (1) activities proposed by the State in its Phase 2 application to meet the competitive preference priority for STEM education, if applicable; or (2) activities within one or more of the four core education reform areas that were included in its Phase 2 application and that are most likely to improve STEM education.

B-6. What do we mean by allocating a meaningful share of a State’s Phase 3 funds to advance STEM education in the State?

In general, the allocation of a “meaningful share” of a State’s Phase 3 award for STEM education means sufficient funding for selected activities that are likely to result in measurable improvement in one or more STEM outcomes related to each activity. For

example, a \$2 million investment in expanding the number of teachers qualified to teach Advanced Placement (AP) Calculus would be considered meaningful if the State could demonstrate that this level of funding would lead to a significant percent increase in the number of students in high-poverty schools taking AP Calculus over a 3-year period.

B-7. How may a State include indirect costs in its Race to the Top Phase 3 budget?

Indirect costs represent the expenses of doing business that are not readily identified with a particular grant project function or activity but are necessary for the general operation of the organization and the conduct of activities it performs. Indirect costs are generally administrative costs such as the salaries and expenses for staff engaged in organization-wide (general) activities. Typical indirect costs include the costs of procurement, payroll, personnel functions, maintenance and operations of space, data processing, accounting, auditing, budgeting, or communications. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned as a direct cost.

A State may include indirect costs in its Race to the Top Phase 3 budget. If a State chooses to include such costs, it must use a current approved indirect cost rate found in its Indirect Cost Rate Agreement. The indirect cost rate must be applied in accordance with the terms and procedures in the Indirect Cost Rate Agreement. The Department recommends that an applicant review its Indirect Cost Rate Agreement and work closely with State staff familiar with the agreement as it drafts its Race to the Top Phase 3 budget.

Subject to approval from the Department, a State may use one of two types of indirect costs: restricted or unrestricted. If a State chooses to include indirect costs in its Race to the Top Phase 3 budget proposal, and it has an approved unrestricted cost rate, it may use that rate.

A State may apply its indirect cost rate against subawards only to a very limited extent. In particular, a State may apply its indirect cost rate only against the first \$25,000 of each subaward (i.e., each sub-grant or contract) on a yearly basis (subject to that being consistent with its Indirect Cost Rate Agreement), and not against the full amount of each subaward. Therefore, for example, a State may apply its indirect cost rate only against the first \$25,000 of each contract included in line 6 (Contractual).

Note: The statement on pages 56 and 58 of the Phase 2 application stating that indirect costs are not allocated to lines 11-12 may be disregarded.

For more information about indirect cost rates, please refer to the Department's Cost Allocation Guide for State and Local Governments. This guide may be found at: <http://www2.ed.gov/about/offices/list/ocfo/fipao/guideigcwebsite.pdf>.

B-8. Must States that are applying for a Phase 3 award obtain new letters of support from stakeholders?

No. A State applying for a Phase 3 award need not obtain new letters of support from stakeholders.

B-9. What is the schedule for the Phase 3 application process?

The Phase 3 application will be available to States in mid-November. Part I of the application will be due in late November. Part II of the application will be due in December. The Department will announce grant awards in late December. See the notice inviting applications for more detailed submission dates (published in the *Federal Register* on November 16, 2011).

B-10. Who will review the Race to the Top Phase 3 applications?

Department staff will review the Race to the Top Phase 3 applications and conduct budget reviews. Since Race to the Top Phase 3 is not a competition and States will be submitting applications that are consistent with the content of their Phase 2 applications (which have already been peer-reviewed), a peer review by outside experts is not necessary.

B-11. Will the Department announce the States that submit Race to the Top Phase 3 applications?

Yes, shortly after the deadline for applications (November, 22 2011), the Department will announce the names of the States that submitted applications.

B-12. When will the Department post the Phase 3 applications on its Web site?

The Department will post the Phase 3 applications on its Web site as soon as it has removed any personally identifiable information and confidential business information included in both Parts I and II of the applications. Both Parts of the Phase 3 applications will be posted at the same time.

C. Application Requirements and Assurances

C-1. What are the Race to the Top Phase 3 application requirements?

The Race to the Top Phase 3 application has two Parts. Part I of the application requires an eligible State to include the signatures of the Governor, the State's chief school officer, and the president of the State board of education, or their authorized representative. In Part I, an applicant must provide a set of assurances reaffirming the State's commitment to maintain, at a minimum, the conditions for reform that it established in its Phase 2 application in each of the four core education reform areas. These assurances reflect the importance of the State's dedication to successfully

implementing the comprehensive statewide reforms envisioned under the Race to the Top program. (See also C-2.)

In Part II of the application, and as required under the Race to the Top program, States must submit an application that includes baseline data and targets for performance measures for each sub-criterion addressed in the plan and budget. In accordance with the notice of final requirements, States must also include in their applications sub-criteria that did not have performance measures in the Race to the Top Phase 2 application. (The Part II application must also meet the budget requirements as described in B-3.)

Except where otherwise indicated in the notice of final requirements for Phase 3, the applicable final requirements and definitions of key terms from the Race to the Top Phase 1 and Phase 2 notice of final priorities, requirements, definitions, and selection criteria, published in the *Federal Register* on November 18, 2009 (74 FR 59688) apply to the Race to the Top Phase 3 application process.

C-2. What assurances must the Governor provide in the application?

Applications will be considered only if the Governor provides the following assurances:

- a) The State is in compliance with the Education Jobs Fund maintenance-of-effort (MOE) requirement in section 101(10)(A) of Public Law 111-226.
- b) The State is in compliance with the State Fiscal Stabilization Fund Phase 2 requirements with respect to Indicator (b)(1) regarding the State's statewide longitudinal data system.
- c) At the time the State submits its application, there are no legal, statutory, or regulatory barriers at the State level to linking data on student achievement or student academic growth to teachers and principals for the purpose of teacher and principal evaluation.
- d) The State will maintain its commitment to improving the quality of its assessments, evidenced by the State's participation in a consortium of States that--
 - o Is working toward jointly developing and implementing common, high-quality assessments aligned with a common set of K-12 standards that prepare students for college and careers; and
 - o Includes a significant number of States.
- e) The State will maintain, at a minimum, the conditions for reform described in its Phase 2 application, including--
 - o The State's adoption and implementation of a common set of K-12 standards that prepare students for college and careers, as specified in section (B)(1)(ii) of the State's Race to the Top Phase 2 application;
 - o The State's statutory and regulatory framework related to improving teacher and school leader effectiveness, as described in section D of the State's Race to the Top Phase 2 application;

- The State’s statutory and regulatory framework for implementing effective school turnaround measures, as described in section E of the State’s Race to the Top Phase 2 application; and
 - The State’s statutory and regulatory framework supporting the creation and expansion of high-performing charter schools and other innovative schools, as described in section (F)(2) of its Race to the Top Phase 2 application.
- f) The State will maintain its commitment to comprehensive reforms and innovation designed to increase student achievement and to continued progress in the four reform areas originally specified in the American Recovery and Reinvestment Act of 2009 (ARRA), including the adoption and implementation of college and career-ready standards and high-quality assessments, improving the collection and use of data, increasing teacher effectiveness and equity in the distribution of effective teachers, and turning around the State’s lowest-achieving schools.
- g) The State will select activities for funding that are consistent with the commitment to comprehensive reform and innovation that the State demonstrated in its Race to the Top Phase 2 application, including activities that are most likely to improve STEM education.
- h) The State will comply with all of the accountability, transparency, and reporting requirements that apply to the Race to the Top program, with the exception of reporting requirements applicable solely to funds provided under the ARRA, which do not apply to funds provided for Phase 3 of the Race to the Top Fund by the FY 2011 Appropriations Act.
- i) The State will comply with the requirements of any evaluation of the program, or of specific activities pursued as part of the program, conducted and supported by the Department.

C-3. In assurance (a), what does it mean for a State to be in compliance with the Education Jobs Fund maintenance-of-effort (MOE) requirement?

A State receiving a grant under the Education Jobs Fund must maintain State support for both elementary and secondary education and for public institutions of higher education (IHEs) in FY 2011 through one of four methods. Guidance on the Education Jobs Fund MOE requirement, and descriptions of each method is available at: <http://www2.ed.gov/programs/educationjobsfund/governors-ed-jobs-guidance-revised-4-13-11.doc>.

C-4. In assurance (b), what does it mean for a State to be in compliance with the State Fiscal Stabilization Fund (Stabilization Program) Phase 2 requirements with respect to Indicator (b)(1) regarding the State’s statewide longitudinal data system?

Compliance with Stabilization Program Indicator (b)(1) means that the State has a statewide longitudinal data system that includes all 12 elements for such systems specified in the America COMPETES Act or has submitted a plan to the Department to

do so by the required deadline. (See notice of final requirements, definitions, and approval criteria for the State Fiscal Stabilization Fund Program published in the *Federal Register* on November 12, 2009 (74 FR 58436) and the interim final requirement for the State Fiscal Stabilization Fund Program published in the *Federal Register* on September 23, 2011 (76 FR 59036)).

C-5. Can a State meet assurance (d) if it is participating in a different assessment consortium than the one indicated in its Phase 2 application or if it has a different level of participation?

Yes. A State that has changed its membership from one consortium to another or that has changed its level of participation (e.g., governing State or advisory State) would still meet assurance (d) so long as it is participating in a consortium of States that (1) is working toward jointly developing and implementing common, high-quality assessments aligned with a common set of K-12 standards and (2) includes a significant number of States.

C-6. Is assurance (d) intended to commit a State to adopting and implementing a particular set of assessments before it has the opportunity to review the completed assessments?

No. The language of assurance (d) does not commit a State to adopting a particular set of assessments in advance of the completion of those assessments, but to improving the quality of the State's assessments, as demonstrated by the State's participation in one or more consortia of States working to develop and implement common, high-quality assessments aligned with a common set of K-12 standards.

C-7. In assurance (e), what does it mean for a State to “maintain, at a minimum, the conditions for reform” described in its Race to the Top Phase 2 applications?

In the Race to the Top Phase 2 application, States addressed criteria about conditions for reform (e.g., criterion (C)(1)), as well as plans (e.g., criterion (D)(2)). Conditions for reform are reflected by statutory or regulatory requirements in the State. In Race to the Top Phase 3, a State must assure that the conditions for reform in the four assurance areas have not been weakened since it submitted its Phase 2 application. For instance, if a State described a law supporting the development or implementation of a teacher evaluation system in its Phase 2 application, the State would meet assurance (e) only if that law has not been repealed or weakened. Applicants have an opportunity in Part I of the Phase 3 application to explain any changes or technical corrections to its laws.

C-8. What is the purpose of assurance (f)?

Assurance (f) reflects the Secretary's belief that only States that continue to make a good faith effort to undertake the comprehensive reforms and innovations described in their Race to the Top Phase 2 applications should receive Phase 3 funds. The goal of Phase 3 is not to fund piecemeal reforms loosely based on Phase 2 applications but to provide a meaningful incentive and significant resources that eligible States can use to leverage

further progress in all four reform areas specified by the ARRA. Assurance (f) is meant to measure and reinforce a State's commitment to its Race to the Top Phase 2 plan as the framework for State and local education reform efforts going forward, even in the absence of funding levels that would support full implementation of that plan.

C-9. In assurance (g), what does it mean that the activities must be consistent with commitments made in a State's Phase 2 application?

While the Department recognizes that the limited funding available under Race to the Top Phase 3 will likely require adjustments to the scope, budget, timeline, and performance targets for activities selected for funding under Phase 3, the State must choose activities from those proposed in a State's Phase 2 application. These commitments must also support the State's commitment to comprehensive reform and innovation that the State proposed in its Phase 2 application.

C-10. What accountability, transparency, and reporting requirements must a State commit to in assurance (h)?

An applicant must assure that it will comply with all of the accountability, transparency, and reporting requirements that apply to the Race to the Top program. Note, however, that reporting requirements applicable solely to funds provided under the ARRA, such as the requirements under section 1512(c) of the ARRA, do not apply to funds provided for Phase 3 of the Race to the Top Fund by the FY 2011 Appropriations Act.

D. LEA Participation in a State's Plan

D-1. May a State establish criteria for LEA participation in its Race to the Top Phase 3 plan?

No. States do not have the discretion to select participating LEAs (as defined in the Race to the Top Notice of Final Priorities) or limit LEA participation by using certain demographic or geographic characteristics or setting up a competition to determine which LEAs may participate. Nor may States use their authority to establish requirements to set up a situation that, in effect, amounts to such a restriction or competition. All LEAs in a State, including public charter schools identified as LEAs under State law, must have the opportunity to participate in the State's Race to the Top Phase 3 plan if they commit to implementing all or significant portions of the State's plan and meet the other requirements that the State established for participating LEAs.

D-2. May LEAs that previously signed on as participating LEAs under a State's Race to the Top Phase 2 application withdraw their participation in a State's Phase 3 application?

Yes, an LEA that previously committed to participate under a State's Race to the Top Phase 2 application may elect not to participate in Race to the Top Phase 3. Given the likely changes in scope and reduced funding under Race to the Top Phase 3, we understand that some LEAs may decide not to participate. Note, however, that such

decisions are up to LEAs and, as stated in D-1, a State may not select participating LEAs or limit LEA participation in order to provide more funds to a smaller number of LEAs.

D-3. Must participating LEAs include all of their schools in their Race to the Top Phase 3 activities?

No. However, an LEA should make sure that it involves enough schools to implement its portion of the State's plan meaningfully. If a State wishes, it could include in its agreement with an LEA a clause requiring minimum levels of school participation.

D-4. May a State specify elements of its plans that participating LEAs must implement?

Yes. Consistent with section 14006(c) of the ARRA, States may define the specific elements of its plans intended for implementation by participating LEAs. This could include specifying the required portions of the State's plan that participating LEAs must implement.

D-5. May an LEA that does not receive funding under Title I, Part A of the Elementary and Secondary Education Act (ESEA) be a participating LEA?

Yes, but such LEAs may not receive funds under the State's section 14006(c) subgrants. The State may provide funds to non-Title I participating LEAs from the State's share of Race to the Top Phase 3 funds. (See also E-1.) States should include this on line 12 of the State budget table (Supplemental Funding for Participating LEAs).

D-6. Must a State that is applying in Phase 3 obtain new Memoranda of Understanding (MOUs) from their participating LEAs?

A State applying for Race to the Top Phase 3 funds need not revise Phase 2 MOUs or include the MOUs in its application. Rather, States will work with LEAs during the application process and the beginning of the grant period to update and finalize local scopes of work. (See also D-9). At that time, the State must ensure that it has an MOU or other binding agreement for any new participating LEA (i.e., one that was not a participating LEA in Phase 2) demonstrating the LEA's commitment to the State's plan.

D-7. If an LEA signed the MOU in the State's Phase 2 application, may it withdraw after the State receives a Race to the Top Phase 3 grant?

Consistent with the termination terms in the MOU signed between the State and the LEA, an LEA may withdraw from the State's Race to the Top Phase 3 plan. States must inform the Department of any substantive changes in their approved Phase 3 grant application, including the withdrawal of any participating LEAs. (Also see D-2.)

D-8. May an LEA sign on to participate after the State submits its application for Race to the Top Phase 3?

A State is not obligated to allow an LEA to sign up after the State submits its application or receives funding, but may sign up additional participating LEAs up to 100 days after receiving a Race to the Top Phase 3 award, without Department approval.

A State seeking to add a participating LEA after the 100-day window must obtain approval from the Department. Such requests will be handled in writing on a case-by-case basis. Note that if a State adds a participating LEA that receives funding under Title I, Part A, of the ESEA it will need to recalculate its section 14006(c) subgrant allocations to all participating LEAs.

Alternatively, a State may add a late-joining LEA as an involved LEA instead of as a participating LEA. If a State wishes to do this, it may include in its budget funding for the activities of involved LEAs. Adding LEAs in this manner would not require approval from the Department, because States are not required to submit information on their involved LEAs as part of their application, nor would the State need to recalculate its section 14006(c) subgrant allocations to participating LEAs. Note, however, that an involved LEA may not receive a section 14006(c) subgrant and that the involved LEA's progress in implementing the State's Race to the Top Phase 3 plan does not count towards the State's performance targets that are defined in terms of participating LEAs.

D-9. The Model MOU in the original Race to the Top application refers to Exhibit II, which is a final LEA scope of work. When must these final LEA scopes of work be completed?

If a State is awarded a Race to the Top Phase 3 grant, the participating LEAs will then have up to 100 days after the grant is awarded to the State to complete final scopes of work (i.e., Exhibit II), which must contain detailed work plans that are consistent with the preliminary scope of work submitted in Phase 2 and with the State's Phase 3 approved grant application, and which should include participating LEAs' specific goals, activities, timelines, budgets, key personnel, and annual targets for key performance measures. There is no suggested format for Exhibit II.

Determining Allocations and Uses of Funds

E-1. How are Race to the Top funds allocated by States?

A State receiving a Race to the Top Phase 3 award is permitted to retain up to 50 percent of its award at the State level and has considerable flexibility in spending these funds to support implementation of its Race to the Top reform plan. The State's share of grant may be used, for example, for State-level activities, for disbursements to LEAs, and for other purposes as the State may propose in its plan.

A State receiving a Phase 3 award must subgrant at least 50 percent of its award to participating LEAs based on each LEA's relative share of funding under Title I, Part A of the ESEA, sometimes referred to as the "section 14006(c) subgrants."

E-2. Which award year should a State use in allocating relative shares of Race to the Top Phase 3 funds to LEAs?

Because all Race to the Top Phase 3 grants will be made in FY 2012, States should allocate Race to the Top Phase 3 funds on the basis of FY 2011 shares of Title I, Part A funds. ARRA requires that each State receiving a Race to the Top grant award 50 percent of the funds to LEAs based on each LEA's relative share of funding under Title I, Part A of the ESEA for the most recent year.

E-3. How should a State receiving a Race to the Top Phase 3 award determine each participating LEA's section 14006(c) subgrant?

A State must calculate a section 14006(c) subgrant for each participating LEA by:

- a. Determining the LEA's proportionate share of total FY 2011 allocations under Title I, Part A of the ESEA for all LEAs that have signed MOUs and are participating in the State's Race to the Top Phase 3 plan; and then
- b. Multiplying the LEA's Title I, Part A proportionate share by the amount of funds that the State will use to make subgrants to participating LEAs, which must be at least 50 percent of the State's Phase 3 award.

E-4. May a State support non-participating LEAs with Race to the Top Phase 3 funds?

LEAs that are not participating in their State's Race to the Top plans are not eligible to receive a share of the funds that States must subgrant to LEAs under section 14006(c) of the ARRA. However, States may provide funding to involved LEAs (as defined in the Race to the Top Notice of Final Priorities) from the State's share of Race to the Top Phase 3 funds or from other sources. The State should denote funding for involved LEAs on line 11 of the State budget table (Funding for Involved LEAs).

E-5. What are the allowable uses of Race to the Top Phase 3 funds and what uses of funds are prohibited?

In general, States may use their Phase 3 awards for a wide range of activities consistent with their approved Race to the Top plans. However, States also must comply with the Department's administrative regulations as well as OMB's cost principle circulars, such as A-87. In addition, the ARRA places several restrictions on uses of funds as follows:

- Section 14003 of the ARRA prohibits an LEA from using Race to the Top funds for:
 - Payment of maintenance costs;
 - Stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
 - Purchase or upgrade of vehicles;

- Improvement of stand-alone facilities not used directly for the education of children, including central office administration or operations or logistical support facilities; or
- School modernization, renovation, or repair that is not specifically authorized by State law.²
- Section 14011 of the ARRA prohibits Race to the Top funds from being used to provide financial assistance to students to attend private elementary or secondary schools, unless the funds are used to provide special education and related services to children with disabilities as authorized by the IDEA.
- Section 1604 of the ARRA prohibits Race to the Top funds from being used for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.

Finally, funds may not be used for costs related to statewide summative assessments.

E-6. Can private schools receive Race to the Top funds?

In general, no. The ARRA specifically provides that States are the eligible applicants for Race to the Top funds, and that only LEAs are eligible to receive subgrants from the States. Race to the Top funds may not be provided to private schools through a grant or subgrant, and there is no requirement that private school students, teachers, or other educational personnel participate in Race to the Top on an equitable basis (as required in some ESEA programs). Furthermore, Race to the Top funds may not be used to provide financial assistance to students to attend private schools. However, States have the flexibility to use the State's share of the grant to include private school students, teachers, and other educational personnel in activities that a State and its LEAs deem appropriate, and may contract with private schools for appropriate secular activities, consistent with the State's plan.

E-7. Can States limit how an LEA uses its Race to the Top Phase 3 funds or require that its participating LEAs use their funds in specific ways?

Yes. LEAs must use Race to the Top Phase 3 funding in a manner that is consistent with the State's plan and the MOU or other binding agreement between the LEA and the State. States may establish rules on uses of funds provided they are consistent with the ARRA. States also may require that participating LEAs use their funds to pay for certain activities that are required elements of a State's plan.

Note that although LEAs receive subgrants from the State based on their relative shares of funding received through Title I, Part A of the ESEA, LEAs use of Race to the Top Phase 3 funds are not subject to the restrictions on uses of funds that apply to Title I, Part A formula funds.

² An LEA may use Race to the Top funds for construction of new school facilities as well as for modernization, renovation, or repair of existing facilities to the extent that these projects are consistent with the State's Race to the Top plan. However, the Department discourages States and LEAs from using Race to the Top funds for new construction because this use may limit the ability of the State and its LEAs to implement the State's core Race to the Top plans.

E-8. May a State use the State share of its Race to the Top Phase 3 award to provide additional funding to LEAs?

Yes. If a State wishes to provide additional funding to certain participating LEAs, it may do so, but only by using the State's share of funds that is not distributed based on participating LEAs' shares of Title I, Part A funds. In other words, a State may not alter the formula in the section 14006(c) subgrant to benefit one or more participating LEAs. Examples of purposes for which a State might want to supplement a participating LEA's budget with more than its section 14006(c) share include the following:

1. One or more participating LEAs may be implementing a special or pilot activity that requires additional funding.
2. An LEA's share of section 14006(c) allocations may not be adequate for the LEA to fully implement the State's plan (e.g., a small, rural LEA may receive too small a share of section 14006(c) Race to the Top Phase 3 funds to carry out its share of the State plan).

If a State chooses to provide supplemental funding to certain participating LEAs, it should describe the purpose of this additional funding in a project-level budget narrative, and include the information on line 12 of the project-level budget table (Supplemental Funding for Participating LEAs).

E-9. May participating LEAs pool their Race to the Top Phase 3 funds in order to carry out activities required by the State's Race to the Top Phase 3 plan?

Yes. Participating LEAs may pool resources with other participating LEAs to more effectively carry out the State's plan.

F. Grant Awards

F-1. What is the timeline for obligating and spending Race to the Top Phase 3 funds?

The Department must obligate all funds to States no later than December 31, 2011. An award, however, may be subject to ongoing budget review, and thus may be a conditional award. A State will only be able to obligate and spend funds once the Department's budget review is completed. States will have a 4-year project period, which will begin from the date of the grant award, in which to implement their plans and spend their grant money.

F-2. Does the receipt of Race to the Top funds require recipients to comply with Federal civil rights laws?

Yes. The receipt of any Federal funds obligates recipients to comply with Federal civil rights laws that prohibit discrimination based on race, color, national origin, sex, disability, and age. For additional information on civil rights obligations, see <http://www.ed.gov/policy/gen/leg/recovery/notices/civil-rights.html>.

F-3. Will the Department cover the costs incurred by grantees in traveling to Race to the Top technical assistance workshops?

States may pay for travel expenses to technical assistance workshops out of their Race to the Top Phase 3 grants. While the Department has not yet finalized its technical assistance plan for Race to the Top Phase 3, we anticipate providing technical assistance to grantees through several meetings each year. As the Department finalizes its technical assistance plan for Phase 3 grantees, it will work with grantees to make needed adjustments to their budgets.

F-4. What rules must States follow regarding contracting for services?

States that plan to use Race to the Top funds to procure services to support their Race to the Top plans must comply with Section XV of the Race to the Top Application, titled “Contracting for Services” (see Application, page 97). This section specifies that:

Generally, all procurement transactions by State or local educational agencies made with Race to the Top grant funds must be conducted in a manner providing full and open competition, consistent with the standards in Section 80.36 of the Education Department General Administrative Regulations (EDGAR). This section requires that grantees use their own procurement procedures (which reflect State and local laws and regulations) to select contractors, provided that those procedures meet certain standards described in EDGAR.

Because grantees must use appropriate procurement procedures to select contractors, applicants should not include information in their grant applications about specific contractors that may be used to provide services or goods for the proposed project if a grant is awarded.

It is each State’s responsibility to ensure that the requirements contained in Section XV are met. EDGAR is available at www.ed.gov/policy/fund/reg/edgarReg/edgar.html.

G. Resources and Information

G-1. Where can a State or LEA obtain updated information or answers to questions about Race to the Top Phase 3?

Current guidance and other information about the Race to the Top program may be found on the Department’s Web site at www.ed.gov/programs/racetothetop.

You also may submit specific questions about Race to the Top Phase 3 to the following email address: phase3comments@ed.gov. Department staff will respond promptly to your questions. We will update this FAQ document, as needed, with additional relevant questions and answers.