

1 State of Arkansas
2 84th General Assembly
3 Second Extraordinary Session, 2003
4

Call Item 4

A Bill

HOUSE BILL 1049

5 By: Representatives Cleveland, Stovall, Dangeau, Elliott, Mahony, Verkamp, Bolin, Bond, Boyd,
6 Cowling, Hathorn, Jackson, C. Johnson, Jones, Pate, Roebuck, Thomason, Walters, White
7

For An Act To Be Entitled

10 AN ACT PROVIDING EDUCATION REFORM IN ARKANSAS; TO
11 PROVIDE FOR EDUCATION FUNDING; TO ESTABLISH
12 EDUCATIONAL ADEQUACY ACCOUNTING; TO ESTABLISH
13 MINIMUM TEACHER COMPENSATION; AND FOR OTHER
14 PURPOSES.

Subtitle

16 AN ACT PROVIDING EDUCATION REFORM; TO
17 PROVIDE FOR EDUCATION FUNDING; TO
18 ESTABLISH EDUCATIONAL ADEQUACY
19 ACCOUNTING; AND TO ESTABLISH MINIMUM
20 TEACHER COMPENSATION.
21

22
23
24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
25

26 SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add the
27 following new subchapter:

28 6-20-2001. Title.

29 This subchapter shall be known and may be cited as the "Education
30 Funding Reform Act of 2003".
31

32 6-20-2002. Legislative findings and intent.

33 (a) The General Assembly recognizes that intelligence and virtue are
34 the safeguards of liberty and the bulwark of a free and good government and
35 that the Arkansas Constitution, Article 14, § 1 requires the state to ever
36 maintain a general, suitable, and efficient system of free public schools and



1 to adopt all suitable means to secure to the people the advantages and
2 opportunities of education.

3 (b) The General Assembly finds that the education of the children of
4 this state is best secured by maintaining as much local control over the day-
5 to-day management of school operations as is consistent with state
6 constitutional requirements. It is the intent of this subchapter to maintain
7 and foster local control consistent with the state's constitutional mandate
8 to assure suitability and efficiency in the public school system.

9 (c) The General Assembly finds that a suitable and efficient system of
10 public education should:

11 (1) Assure the availability of substantially equal and
12 constitutionally appropriate revenue for the education of each similarly
13 situated child in the public schools, regardless of where that child resides
14 within the state;

15 (2) Assure that each school-age child resides in a school
16 district that offers a competitive minimum salary for classroom teachers;

17 (3) Assure that there is incentive and opportunity for patrons
18 of each school district to provide a greater degree of financial support for
19 students of the school district than may be provided in other school
20 districts;

21 (4) Assure that:

22 (A) All students graduating from high school are able to
23 demonstrate a defined minimum level of competence in:

24 (i) English, oral communications, reading, and
25 writing;

26 (ii) Mathematics skills; and

27 (iii) Science and social studies disciplines; and

28 (B) The minimum level of competence evolves over time to
29 higher levels;

30 (5) Assure that students with disabilities have the opportunity
31 to graduate from high school by demonstrating alternative competencies or
32 alternative levels of competency;

33 (6) Assure that students who are not on track for high school
34 graduation are identified at a sufficiently early date that they may be
35 provided an opportunity at a reasonable cost to achieve the minimum levels of
36 competence necessary to graduate from high school;

1 (7) Recognize that graduating from high school requires that the
2 student, as well as the parent, parents, or guardian of the student work hard
3 and assume appropriate responsibility for the student’s success or failure;

4 (8) Encourage parental participation in the public schools and
5 in public school activities;

6 (9) Recognize that public schools must provide a safe,
7 disciplined, and drug-free environment for students and teachers;

8 (10) Avoid disproportionate variances among school districts in
9 the financial burden imposed on taxpayers;

10 (11) Avoid unnecessary duplication of administrative and
11 operational expenses;

12 (12) Avoid disproportionate variances among school districts in
13 the use of classroom teachers and capital resources; and

14 (13) Recognize that early attention to and correction of student
15 deficiencies are substantially less expensive and more effective than
16 remedial efforts in the later school grades.

17 (d)(1) The General Assembly acknowledges that the Arkansas
18 Constitution requires the state to provide a general, suitable, and efficient
19 system of free public schools.

20 (2) The obligation has been held by the Arkansas courts to be a
21 paramount duty of the state.

22 (e) The General Assembly recognizes that the supervision of public
23 schools and the execution of the laws regulating the schools is vested in
24 such officers as the General Assembly provides.

25 (f) The state has a limited pool of resources to provide a general,
26 suitable, and efficient system of free public schools.

27 (g) The General Assembly recognizes the importance of local decision-
28 making in the education process, however, local decision-making can not be an
29 excuse for failure.

30
31 6-20-2003. Definitions.

32 As used in this subchapter:

33 (1) “Alternative learning environment” means an intervention
34 program in compliance with §§ 6-18-508 and 6-18-509 that seeks to eliminate
35 traditional barriers to learning for students;

36 (2) “Average daily membership” means the total number of days

1 attended plus the total number of days absent by students in grades
 2 kindergarten through twelve (K-12) during the first three (3) quarters of
 3 each school year, divided by the number of school days actually taught in the
 4 school district during that period of time rounded up to the nearest
 5 hundredth. In those instances in which the average daily membership for less
 6 than three (3) quarters is specified, the number of days used in the
 7 calculation shall be the days in the specified period of time. As applied to
 8 this subchapter, students who may be counted for average daily membership
 9 are:

10 (A) Students who reside within the boundaries of the
 11 school district and are enrolled within a public school operated by the
 12 school district or a private school for special education students, with the
 13 attendance resulting from a written tuition agreement approved by the
 14 Department of Education;

15 (B) Legally transferred students living outside the
 16 district but attending a public school in the school district; and

17 (C) Students who reside within the boundaries of the
 18 school district and are enrolled in the Arkansas National Guard Youth
 19 Challenge Program, so long as the students are participants in the program;

20 (3)(A) "Catastrophic special education" means the state program
 21 that funds the costs of educating students in special education whose costs
 22 exceed the amount of funding provided under the state foundation program.

23 (B) The State Board of Education shall have regulatory
 24 authority to further define those costs that the state will provide under
 25 this program;

26 (4) "Classroom teachers" means those certified personnel who
 27 spend seventy percent (70%) of their time interacting with students in a
 28 classroom setting teaching all grade level or subject matter appropriate
 29 classes with the exception of physical education, art, and music;

30 (5) "English language learning students" means those students
 31 who have been identified as not proficient in the English language based upon
 32 a state-approved English proficiency assessment instrument;

33 (6) "Extra duty pay for teachers" means those amounts paid to
 34 teachers for duties performed outside of the course and scope of their duties
 35 covered by their contracts;

36 (7) "Guidance counselor" means an individual certified by the

1 State Board of Education to provide counseling services to public school
 2 students;

3 (8) “Instructional facilitators” means the certified personnel
 4 who coordinate the instructional programs, provide ongoing coaching and
 5 mentoring of teachers to change and improve their instructional practices,
 6 and serve as technology coordinators for the school;

7 (9) “Instructional materials” means those materials necessary to
 8 teach a class, including, but not limited to, textbooks, trade books,
 9 workbooks, activity-oriented programs that may include manipulatives, hand-
 10 held calculators, or other hands-on materials, laboratory equipment, and
 11 equipment necessary for vocational-technical education;

12 (10) “Librarians or media specialists” means individuals
 13 certified by the State Board of Education as having the knowledge and skills
 14 for operating a library or media center in a public school;

15 (11) “Miscellaneous revenues” means the lesser of either the
 16 previous year or the average of the five (5) previous years of those funds
 17 received by a school district from federal forest reserves, federal grazing
 18 rights, federal mineral rights, federal impact aid, federal flood control,
 19 wildlife refuge funds, severance taxes, funds received by the school district
 20 in lieu of taxes, and local sales and use taxes dedicated to education under
 21 §§ 26-74-201 et seq., 26-74-301 et seq., 26-75-301 et seq., and 14-164-301 et
 22 seq.;

23 (12)(A) “Noninstructional and support components” means the
 24 total statewide expenditures in the prior school year to support activities
 25 not directly related to classroom learning divided by the previous year’s
 26 statewide average daily membership.

27 (B) “Noninstructional and support components” include, but
 28 are not limited to, expenditures for general administration, business
 29 support, operation and maintenance services, school plant services, student
 30 transportation services, extracurricular activities, and central support
 31 services.

32 (C) “Noninstructional and support components” do not
 33 include federal funds, debt service payments, and capital expenditures;

34 (13) “Previous year” means the school year immediately preceding
 35 the school year in which funds are allocated;

36 (14) “Principal” means a certified individual employed by a

1 school district who has administrative responsibility and instructional
 2 leadership for the planning, management, operation, and evaluation of a
 3 public school;

4 (15) "Professional development" means a coordinated set of
 5 planned learning activities for teachers and administrators that are
 6 standards-based and contiguous. It shall result in individual, school-wide,
 7 and system-wide improvement designed to ensure that all students demonstrate
 8 proficiency in the state academic standards;

9 (16) "Pupil support staff" means those individuals employed to
 10 provide health, safety, and social services to the students in a school;

11 (17) "School district" means a geographic area with an elected
 12 board of directors which qualifies as a taxing unit for purposes of ad
 13 valorem property taxes under Title 26 of the Arkansas Code and which conducts
 14 the daily affairs of public schools under the supervisory authority vested in
 15 them by the General Assembly;

16 (18) "School type" means the classification given to each type
 17 of school, whether it be elementary, middle, or high school;

18 (19) "Specialist teachers" means those certified personnel who
 19 spend seventy percent (70%) of their time interacting with students in a
 20 classroom setting teaching the subjects of physical education, art, and
 21 music;

22 (20) "Struggling students" means those students from low socio-
 23 economic background as indicated by eligibility for the free or reduced-price
 24 lunch program under the National School Lunch Act or any other act of
 25 Congress;

26 (21) "Substitute teachers" means those individuals employed in
 27 order to temporarily replace classroom or specialist teachers when the
 28 classroom or specialist teachers are absent;

29 (22) "Supervisory aides" means those individuals employed in
 30 order to supervise students when those students are not in class. This may
 31 be either before or after school, during recesses, or lunch breaks;

32 (23) "Teachers for English language learning students" means
 33 those certified personnel who are primarily responsible for teaching English
 34 to English language learning students;

35 (24) "Teachers for special education students" means those
 36 certified personnel who are primarily responsible for teaching students

1 specified as special education under the Individuals with Disabilities Act,
 2 20 U.S.C. § 1400 et seq., or who are speech pathologists as defined by the
 3 state board;

4 (25) "Teachers for struggling students" means those certified
 5 personnel who are primarily responsible for helping struggling students; and

6 (26) "Technology" means any equipment for instructional purposes
 7 that is electronic in nature, including, but not limited to, computer
 8 hardware, computer software, internet connectivity, and distance learning.

9
 10 6-20-2004. Foundational funding amount.

11 (a) Each school district shall be guaranteed a foundational funding
 12 amount based upon the allocation of resources generated under this section as
 13 follows:

14 (1) Personnel Resources:

15 (A) Principal. For every school, a school district shall
 16 be apportioned funding for one (1) principal at the resource price of
 17 seventy-one thousand eight hundred thirty-seven dollars (\$71,837);

18 (B) Instructional Facilitators. For every school, a
 19 school district shall be apportioned funding for a number of instructional
 20 facilitators equal to the average daily membership of that school divided by
 21 five hundred (500) times two and one-half (2.5), so long as each school has a
 22 minimum of one (1) instructional facilitator. Each instructional
 23 facilitator, or pro-ration thereof rounded down to the nearest rounded down
 24 to the nearest to one-tenth (0.1) of a full-time equivalency, shall carry a
 25 resource price of forty-six thousand two hundred fifty dollars (\$46,250);

26 (C) Classroom Teachers.

27 (i) For every school, a school district shall be
 28 apportioned funding for the following number of classroom teachers, based on
 29 the average daily membership of that school:

30 (a) For every twenty (20) students in average
 31 daily membership in kindergarten, one (1) teacher rounded down to one-tenth
 32 (0.1) of a full-time equivalency;

33 (b) For every twenty-three (23) students in
 34 average daily membership in grades one through three (1-3), one (1) teacher
 35 rounded down to one-tenth (0.1) of a full-time equivalency; and

36 (c) For every twenty-five (25) students in

1 average daily membership in grades four through twelve (4-12), one (1)
 2 teacher rounded down to one-tenth (0.1) of a full-time equivalency.

3 (ii) Each classroom teacher or pro-ration thereof
 4 rounded down to the nearest to one-tenth (0.1) of a full-time equivalency,
 5 shall carry a resource price of forty-six thousand two hundred fifty dollars
 6 (\$46,250) for each classroom teacher, or pro-ration thereof rounded down to
 7 the nearest to one-tenth (0.1) of a full-time equivalency;

8 (D) Specialist Teachers. For every classroom teacher, a
 9 school will be allocated funding for two-tenths (0.2) of a full-time
 10 equivalency for specialist teachers, which shall carry a resource price of
 11 forty-six thousand two hundred fifty dollars (\$46,250) for each specialist
 12 teacher, or pro-ration thereof rounded down to the nearest to one-tenth (0.1)
 13 of a full-time equivalency;

14 (E) Teachers for Special Education. For every school, a
 15 school district shall be apportioned funding for a number of teachers for
 16 special education equal to the average daily membership of that school
 17 divided by five hundred (500) times two and nine-tenths (2.9) rounded down to
 18 one-tenth (0.1) of a full-time equivalency, so long as each school has a
 19 minimum of one-half (0.5) teachers for special education, which shall carry a
 20 resource price of forty-six thousand two hundred fifty dollars (\$46,250) for
 21 each teacher for special education, or pro-ration thereof rounded down to the
 22 nearest to one-tenth (0.1) of a full-time equivalency;

23 (F) Guidance Counselors.

24 (i) For every school, a school district shall be
 25 apportioned funding for guidance counselors as follows:

26 (a) If the school type is middle school, one
 27 (1) guidance counselor for every five hundred (500) students in average daily
 28 membership rounded down to one-tenth (0.1) of a full-time equivalency;

29 (b) If the school type is high school, two (2)
 30 guidance counselors for every five hundred (500) students in average daily
 31 membership rounded down to one-tenth (0.1) of a full-time equivalency; and

32 (c) Each eligible school will be guaranteed
 33 funding for at least one (1) guidance counselor, notwithstanding the
 34 calculations under this subdivision (a)(1)(F).

35 (ii) Each guidance counselor shall carry a resource
 36 price of forty-six thousand two hundred fifty dollars (\$46,250), or pro-

1 ration thereof rounded down to the nearest to one-tenth (0.1) of a full-time
2 equivalency;

3 (G) Librarians or Media Specialists.

4 (i) For every school, a school district shall be
5 apportioned funding for librarians or media specialists as follows:

6 (a) If the school type is middle school, for
7 one (1) librarian or media specialist for every five hundred (500) students
8 in average daily membership rounded down to one-tenth (0.1) of a full-time
9 equivalency;

10 (b) If the school type is high school, for one
11 and one-half (1.5) librarians or media specialists for every five hundred
12 (500) students in average daily membership rounded down to one-tenth (0.1) of
13 a full-time equivalency; and

14 (c) Each middle or high school will be
15 guaranteed funding for at least one-half (0.5) librarian or media specialist,
16 notwithstanding the calculations under this subdivision (a)(1)(G).

17 (ii) Each librarian or media specialist shall carry
18 a resource price of forty-six thousand two hundred fifty dollars (\$46,250),
19 or pro-ratio thereof rounded down to the nearest to one-tenth (0.1) of a
20 full-time equivalency; and

21 (H) Substitutes. For every classroom or specialist
22 teacher allocated under this section, each school district shall be
23 apportioned funding for ten (10) days for substitutes, which shall carry a
24 resource price of one hundred twenty-one dollars (\$121) per day; and

25 (2) Per-pupil Resources:

26 (A) Instructional Materials.

27 (i) For every school, a school district shall be
28 apportioned funding for instructional materials in the amount of two hundred
29 fifty dollars (\$250) for each student of average daily membership in that
30 school.

31 (ii) The amount provided for instructional materials
32 under this subdivision (2)(A) includes expenditures for classroom supplies
33 under § 6-21-303;

34 (B) Extra Duty Funds. For every school, a school district
35 shall be apportioned funding for extra duty as follows:

36 (i) If the school type is middle school, then sixty

1 dollars (\$60.00) for each student of average daily membership in that school;
2 and

3 (ii) If the school type is high school, then one
4 hundred twenty dollars (\$120) for each student in average daily membership in
5 that school; and

6 (C) Supervisory Aides. For every school, a school
7 district shall be apportioned funding for supervisory aides in the amount of
8 thirty-five dollars (\$35.00) for each student of average daily membership in
9 that school; and

10 (3) Noninstructional and Support Components. For every school,
11 a school district shall be apportioned one thousand one hundred fifty-two
12 dollars (\$1,152) for each student of average daily membership in that school.

13 (b)(1) Funds received pursuant to this section may be expended for any
14 category in this section or § 6-20-2005.

15 (2) To the extent that a school district receives funds from
16 sources other than funding under this section and the funds are used for
17 expenditures under a funding category in this section, the school district
18 may use an equal amount of funds received pursuant to this section for
19 expenditures for any category included in this section or § 6-20-2005.

20 (3) Funds received under this section may be retained for future
21 school years.

22
23 6-20-2005. Needs-based funding amount.

24 (a) Each school district shall be guaranteed a needs-based funding
25 amount based upon the allocation of resources generated under this section as
26 follows:

27 (1) Needs-Based Personnel Resources:

28 (A) Teachers for Struggling Students. For every school, a
29 school district shall be apportioned funding for one (1) teacher for
30 struggling students for every one hundred (100) struggling students rounded
31 down to one-tenth (0.1) of a full-time equivalency, with the exception that
32 each school will be guaranteed at least one (1) teacher for struggling
33 students, which shall carry a resource price of forty-six thousand two
34 hundred fifty dollars (\$46,250) for each teacher for struggling students, or
35 pro-ration thereof rounded down to the nearest to one-tenth (0.1) of a full-
36 time equivalency;

1 (B) Teachers for English Language Learning Students. For
2 every school, a school district shall be apportioned funding for four-tenths
3 (0.4) teacher for English language learning students for every one hundred
4 (100) English language learning students rounded down to one-tenth (0.1) of a
5 full-time equivalency, which shall carry a resource price of forty-six
6 thousand two hundred fifty dollars (\$46,250) for each teacher for English
7 language learning students, or pro-ration thereof rounded down to the nearest
8 to one-tenth (0.1) of a full-time equivalency;

9 (C) Teachers for Alternative Learning Environments. For
10 every school, a school district shall be apportioned funding for one (1)
11 teacher for alternative learning environments for every twenty (20) students
12 in alternative learning environments rounded down to one-tenth (0.1) of a
13 full-time equivalency, which shall carry a resource price of forty-six
14 thousand two hundred fifty dollars (\$46,250) for each teacher for alternative
15 learning environments, or pro-ration thereof rounded down to the nearest to
16 one-tenth (0.1) of a full-time equivalency; and

17 (D) Pupil Support Staff for Special Needs Students.

18 (i) For every school, a school district shall be
19 apportioned funding for one (1) struggling student support staff person for
20 every one hundred (100) struggling students rounded down to one-tenth (0.1)
21 of a full-time equivalency; and

22 (ii) Struggling student support staff person shall
23 carry a resource price of forty-six thousand two hundred fifty dollars
24 (\$46,250), or pro-ration thereof rounded down to the nearest to one-tenth
25 (0.1) of a full-time equivalency; and

26 (2) Needs-Based Per-pupil Resources:

27 (A) Professional Development. For every school, a school
28 district shall be apportioned funding for professional development in the
29 amount of fifty dollars (\$50.00) for each student of average daily membership
30 in that school; and

31 (B) Technology.

32 (i) For every school, a school district shall be
33 apportioned funding for technology in the amount of two hundred fifty dollars
34 (\$250) for each student of average daily membership in that school.

35 (ii) To the extent that a school district receives
36 funds from sources other than funding under this subdivision (a)(2)(B) of

1 this section and the funds are used for expenditures for technology, the
2 school district may use an equal amount of funds received pursuant to this
3 section for expenditures for technology-related expenditures for personnel,
4 instructional material, internet course delivery, and distance learning
5 courses.

6 (b)(1) Except for funds for technology as provided under subdivision
7 (a)(2)(B) of this section:

8 (A) Funds received pursuant to this section may be used
9 for any category included in this section; and

10 (B) To the extent that a school district receives funds
11 from sources other than funding under this section and the funds are used for
12 expenditures under a funding category in this section, the school district
13 may use an equal amount of funds received pursuant to this section for
14 expenditures for any category included in this section.

15 (2) Funds received under this section may be retained for future
16 school years.

17
18 6-20-2006. Catastrophic special education and funding for isolated
19 school districts.

20 Funding for catastrophic special education and for isolated school
21 districts shall be allocated and funded to school districts pursuant to law
22 and rules governing the funding and from available funds in a line item
23 appropriation within the Public School Fund.

24
25 6-20-2007. Distribution adjustment for uniform rate of tax.
26 State funds to school districts under §§ 6-20-2004 and 6-20-2005 will
27 be an amount equal to the difference between:

28 (1) The total funding under §§ 6-20-2004 and 6-20-2005 for the
29 school district; and

30 (2) The sum of ninety-eight percent (98%) of uniform rate of
31 tax, established by Amendment 74, times the property assessment of the school
32 district plus seventy-five percent (75%) of the miscellaneous revenues of the
33 school district.

34
35 6-20-2008. Adjustment of funding for schools with increases in
36 students.

1 (a) If a school district's enrollment increases based on subsection
2 (b) of this section, state funding provided under this subchapter shall be
3 recalculated and additional funds distributed to the school district.

4 (b) A school district's enrollment increases if the school district's
5 second quarter average of the average daily membership of the current school
6 year exceeds the school district's average daily membership for the previous
7 school year.

8 (c) No school district shall lose state funding because of any
9 adjustments under this section.

10
11 6-20-2009. Calculation of payments and schedule of payments.

12 (a) The Department of Education shall calculate the amount of funds
13 authorized by this subchapter on at least three (3) occasions during the year
14 as follows:

15 (1) The first of these shall be done at the beginning of the
16 year.

17 (2) A second calculation shall occur at some point during the
18 year, making corrections for clerical errors and student growth.

19 (3) The third of these calculations shall be done at the end of
20 the year and shall settle all funding amounts due to school districts under
21 this subchapter.

22 (b) On or before July 1 of every year, the department shall set a
23 schedule of payments of funds authorized under this subchapter to school
24 districts.

25 (c) If statistical data required in this subchapter are not available
26 at the time they are required for calculations or if the school program is
27 disrupted for any cause not controlled by the local board of education, the
28 State Board of Education shall cause procedures to be developed which will
29 ensure that the provisions of this subchapter are properly enforced.

30
31 6-20-2010. Efficiency requirement.

32 (a)(1) Each school district and each school within the school district
33 must operate efficiently.

34 (2) Efficiency is achieved when each school within the school
35 district uses foundational funding in § 6-20-2004 to meet the cost of
36 complying with:

1 (A) The standards of accreditation as provided by rule or
2 as may be provided by law; and

3 (B) The minimum teacher salaries requirements of § 6-17-
4 2401, et seq.

5 (3) A determination of efficiency under this section shall not
6 include the cost of providing for special needs funded in § 6-20-2005.

7 (b) Any school that does not meet the requirements of subsection (a)
8 of this section shall be subject to sanctions under The Quality Education Act
9 of 2003, § 6-15-201, et. seq.

10
11 6-20-2011. Miscellaneous provisions.

12 (a) All general provisions, terms, phrases, and expressions used in
13 this subchapter or any related provisions of the Arkansas Code shall be
14 liberally construed to effectuate their purpose.

15 (b) The State Board of Education shall have the authority, acting
16 pursuant to its rule-making powers, to adopt regulations for the
17 implementation of the provisions of this subchapter in compliance with the
18 legislative findings and intent found in § 6-20-2002.

19 (c) If the Department of Education determines that an overpayment has
20 been made to a school district in any funding category authorized by this
21 subchapter, the department is authorized to withhold the overpayment from
22 future funding of the school district and is authorized to transfer the
23 amount withheld for the overpayment to the line item appropriation from which
24 the overpayment was initially made.

25 (d) Each school district shall prepare an annual certified audit of
26 the financial conditions and transactions of the school district as of June
27 30 of each year in accordance with generally accepted accounting practices
28 and containing any other data as determined by the State Board of Education.

29 (e) In order for a school district to be entitled to state aid under
30 this subchapter, each school district shall satisfy the following
31 requirements:

32 (1) Expenditures for any fiscal year shall not exceed the legal
33 revenues for that year;

34 (2) The school district shall maintain such records and make
35 such reports relative to attendance, receipts, and disbursements and other
36 reports as required by the department for the administration of this

1 subchapter;

2 (3) The school district shall maintain proper financial records
 3 in accordance with the state's school accounting manual and regulations
 4 promulgated by the State Board of Education;

5 (4) The school district shall file annually with the State Board
 6 of Education a salary schedule for its certified employees which recognizes a
 7 minimum level of training and experience. This schedule shall reflect the
 8 actual pay practices of the school district, including all fringe benefits.
 9 Salary increments for experience or education, or both, shall be identified
 10 on the schedule; and

11 (5)(A) All pupil attendance records shall be kept in their
 12 original form and shall be public records.

13 (B) Pupil attendance records shall be kept according to
 14 law and regulations, on paper or electronic forms either furnished or
 15 approved by the department.

16 (C) Original pupil attendance records shall be kept on
 17 file in the office of the superintendent of schools after the school term is
 18 ended for a period of three (3) years and these records shall be available
 19 for monitoring purposes during any day of the school term by the teachers or
 20 other persons designated to keep attendance.

21 (f) School districts may not include the cost of substitute teachers,
 22 extended contracts for extracurricular activities, or supplementary pay for
 23 extracurricular activities in meeting the expenditures requirement for
 24 student classroom teacher salaries.

25 (g) To the extent that a school district has met the expenditure
 26 requirements, that school district shall not be prohibited from expending
 27 greater resources than those expenditure requirements in order to enhance the
 28 educational opportunities of students in that school district.

29 (h) Any licensed classroom teacher or administrator that provides
 30 false expenditure information may have his or her license placed on
 31 probation, suspended, or revoked pursuant to rules promulgated by the State
 32 Board of Education.

33

34 SECTION 2. Arkansas Code Title 6, Chapter 20, is amended to add the
 35 following subchapter:

36 6-20-2201. Title.

1 This subchapter shall be known and may be cited as the “Arkansas
 2 Educational Adequacy Accounting Act of 2003”.

3
 4 6-20-2202. School district budget and expenditure report.

5 (a)(1) The board of directors of each school district shall annually
 6 prepare a budget of expenditures and receipts that shall be filed with the
 7 Department of Education by August 15 of each year pursuant to the provisions
 8 of this subchapter.

9 (2) Each school district shall submit a report detailing how the
 10 school district has complied with the expenditure requirements of § 6-20-2103
 11 by August 15 of each year.

12 (3) Each budget shall be approved by the school district board
 13 of directors at a legally held meeting and shall be signed by the president
 14 of the board and the ex officio financial secretary of the school district.
 15 The budget shall contain the information and be prepared in an electronic
 16 format prescribed by rules of the State Board of Education governing
 17 financial accounting for Arkansas school districts.

18 (4) A school district that utilizes an electronic format shall
 19 file the budget with the department no later than August 15 of each year.

20 (b)(1)(A) Warrants or checks of the school district issued after the
 21 date required by subsection (a) of this section shall be invalid unless a
 22 budget has been filed as required by this subchapter and in compliance with
 23 appropriate rules.

24 (B) The ex officio financial secretary of the school
 25 district and his surety shall be liable for any warrants or checks
 26 countersigned after the date required by subsection (a) of this section if a
 27 budget has not been filed.

28 (2) Distribution of all grants and aids from the state for which
 29 the school district may be eligible shall be suspended until the requirements
 30 of this subchapter are met.

31 (c)(1) School district budgets filed pursuant to this section shall be
 32 reviewed by the auditors of the financial accountability office of the
 33 department to determine if the requirements of state law and the rules of the
 34 state board regarding the use of school funds and expenditure requirements
 35 set-forth in § 6-20-2103 are being met.

36 (2) Upon approval by the auditors, copies of the approved budget

1 shall be filed with the school district, the county treasurer if serving as
 2 school treasurer, and the department.

3 (d)(1) The ex officio financial secretary of each school district
 4 shall keep a record of the expenditures and receipts of the school district
 5 in the manner and on the forms as may be specified by rules of the state
 6 board and the School Audit Section of the Division of Legislative Audit.

7 (2) If the auditors of the financial accountability office of
 8 the department or the School Audit Section of the Division of Legislative
 9 Audit determine that the financial records of any school district are not
 10 properly maintained or that the financial affairs of the school district are
 11 not administered in accordance with state law or state board rules, grants
 12 and aids from the state to which the school district may be entitled shall be
 13 withheld until it is determined that the fiscal records of the school
 14 district are in order or that the financial affairs are being properly
 15 administered as established by statute or by rule promulgated by the board,
 16 provided that the department has met all deadlines for providing information
 17 to school districts.

18 (e)(1) The department may withhold state aid from any school district
 19 that fails to file its budget or any other required report with the
 20 department by the deadline established by statute or by rule promulgated by
 21 the state board, provided that the department has met all deadlines for
 22 providing pertinent information to school districts.

23 (2) The department shall submit a list of all required financial
 24 accountability reports along with due dates to each school district by July 1
 25 of each year.

26 (f) The state board shall promulgate the necessary rules to fully
 27 implement the provisions of this section.

28 (g) The Treasurer of State shall withhold the monthly distribution of
 29 county aid provided under § 19-5-602(b) from any county that fails to provide
 30 in a timely manner information to the department concerning the annual
 31 abstract of assessment for each school district located wholly or in part in
 32 the county.

33
 34 6-20-2203. Uniform budget and accounting system required.

35 (a) The State Board of Education shall adopt by rule a uniform budget
 36 and accounting system for school districts, education service cooperatives,

1 and open-enrollment charter schools.

2 (b) The uniform budget and accounting system shall include uniform
 3 definitions for a chart of accounts that shall allow for valid comparisons of
 4 expenditures among schools and among school districts. The uniform
 5 definitions for the chart of accounts shall be developed by the Department of
 6 Education in compliance with federal financial reporting requirements.

7 (c) The uniform budget and accounting system shall allow for the
 8 gathering of data on separate functions and programs, including, but not
 9 limited to:

- 10 (1) Individual public schools;
- 11 (2) Grade level;
- 12 (3) Extracurricular activities expenditures;
- 13 (4) Administrative expenses; and
- 14 (5) Capital expenditures.

15 (d) The department shall place summary reports from data gathered from
 16 the uniform budget and accounting system in a location that is accessible by
 17 the public through the Internet, a personal computer, or other similar
 18 technology.

19
 20 6-20-2204. Reporting of expenditures.

21 (a) The State Board of Education shall adopt by rule a description of
 22 expenditures that each school or school district shall report on its annual
 23 school performance report authorized by the School Performance Report Act, §
 24 6-15-1401 et seq.

25 (b) The reported expenditures shall include, but not be limited to,
 26 the following categories:

- 27 (1) Total expenditures;
- 28 (2) Instructional expenditures;
- 29 (3) Administrative expenditures;
- 30 (4) Extracurricular expenditures;
- 31 (5) Capital expenditures; and
- 32 (6) Debt service expenditures.

33
 34 6-20-2205. Monitoring of expenditures.

35 (a) The Department of Education shall create and maintain a database
 36 of school and school district expenditures that allows for the gathering of

1 data on separate functions and programs as described in the Education Funding
2 Reform Act of 2003, § 6-20-2001 et seq.

3 (b) The department shall have the authority to analyze and inspect the
4 financial records of any school or school district in order to verify that a
5 school or school district is correctly and accurately reporting expenditures.

6 (c) The department shall annually submit a summary report to the State
7 Board of Education, the Governor, and the Senate and House Joint Interim
8 Committee concerning public school and public school district expenditures.

9
10 6-20-2206. Controlling levels and types of expenditures.

11 (a)(1) The State Board of Education shall by rule allow the Department
12 of Education to set and annually review expenditure levels for the categories
13 of expenditures after reviewing at least three (3) years of data.

14 (2) The data may be gathered under provisions of this subchapter
15 or may be similar data for school years prior to the adoption of this
16 subchapter.

17 (b)(1) The state board may by rule and regulation establish
18 restrictions on the types of expenditures for which public schools or public
19 school districts may use educational funds after reviewing at least three (3)
20 years of data.

21 (2) The data may be gathered under provisions of this subchapter
22 or may be similar data for school years prior to the adoption of this
23 subchapter.

24 (c) After the state board has enacted rules under this section, the
25 state board shall annually review the limits that have been established.

26
27 6-22-2207. Required training.

28 (a)(1) Any person whose job responsibility includes preparing the
29 budget or recording expenditures of a school or school district shall within
30 the first six (6) months of acquiring the responsibility, obtain a minimum of
31 six (6) hours of training and instruction in, including, but not limited to:

32 (A) School laws of Arkansas;

33 (B) Laws and rules governing the expenditure of public
34 education funds, fiscal accountability, and school finance; and

35 (C) Ethics.

36 (2) Each year thereafter, any person whose job responsibility

1 includes preparing the budget or recording expenditures of a school or school
 2 district shall obtain by December 31 of each calendar year, additional hours
 3 of training and instruction in, including but not limited to, the topics
 4 described in subdivision (a)(1) of this section. Hours of training and
 5 instruction obtained in excess of the minimum requirements may cumulate and
 6 be carried over from year to year.

7 (3)(A) The instruction may be received from an institution of
 8 higher education in this state, from instruction sponsored by the Department
 9 of Education, or by an in-service training program conducted by the Arkansas
 10 Association of School Business Officials or another provider.

11 (B) Any instruction provider other than the department
 12 shall request pre-approval as to form and content by the department.

13 (4) Any person completing thirty (30) hours of instruction shall
 14 receive a certification of initial mastery from the department.

15 (5)(A) If a person fails to obtain the required training by the
 16 end of the calendar year and fails to cure the deficiency by March 1 of the
 17 following calendar year without filing a request for extension of time, as
 18 determined from the records of the department, the department shall
 19 immediately notify the superintendent of the employing school district by
 20 certified mail, return receipt requested, with a copy to the board president.

21 (B) The superintendent shall notify the person by
 22 certified mail, return receipt requested, and the person shall be unable to
 23 continue in his or her position from the date of receipt of notification by
 24 the superintendent.

25 (6) If the person fails to obtain all required training by the
 26 end of the calendar year, this failure shall constitute one (1) citation
 27 against the school district as measured by the Standards for Accreditation of
 28 Arkansas Public Schools issued by the department.

29 (7) If the person is unable to obtain the required training
 30 because of military service or illness as verified by a written sworn
 31 statement of the person's attending physician, the department shall grant an
 32 extension permitting the person additional time to obtain the required
 33 training. The issuance of an extension shall not constitute a citation
 34 against the school district as measured by the Standards for Accreditation of
 35 Arkansas Public Schools issued by the department and shall not operate to
 36 remove the person from his or her job.

1 (b)(1) A school district board of directors is authorized to pay per
 2 diem and reimburse the expenses of a person required to obtain training under
 3 this section.

4 (2) The expenses must be incurred in attending in-service
 5 workshops, conferences, and other courses of training and instruction
 6 necessary for completing the hours of instruction required under this
 7 section, or other instruction as authorized and approved by the school
 8 district board of directors.

9 (3) Payments may be made from funds belonging to the school
 10 district.

11 (c) The State Board of Education shall modify the Standards for
 12 Accreditation of Arkansas Public Schools issued by the department as may be
 13 required by this section.

14 (d) It is the responsibility of the department to receive and maintain
 15 records of instructional hours obtained by any individual covered under this
 16 section.

17 (e) The state board is authorized to promulgate rules and regulations
 18 consistent with the provisions of this section.

19
 20 6-20-2208. Penalties.

21 Any school district that does not follow the provisions of this section
 22 shall be placed in fiscal distress under the Arkansas Fiscal Assessment and
 23 Accountability Program, § 6-20-1901 et seq.

24
 25 6-20-2209. Rule-making authority.

26 (a)(1) Before the 2004-2005 school year, the State Board of Education
 27 shall promulgate rules governing and providing compliance with an established
 28 uniform chart of accounts for budgeting of school and school district
 29 revenues and expenditures and financial reporting in order for school
 30 districts to comply with § 6-22-2202.

31 (2) These rules shall be applied to all school districts on a
 32 pilot basis for the 2004-2005 school year.

33 (b) For the 2005-2006 school year and subsequent school years, the
 34 Department of Education shall amend as necessary the rules provided for in
 35 subsection (a) of this section in order for school districts to comply with
 36 this subchapter.

1 (c) Any school district that fails to comply with state law or rules
2 governing and providing a uniform chart of accounts for budgeting of revenues
3 and expenditures and financial reporting shall be deemed to be in fiscal
4 distress and subject to the enforcement provisions of the Arkansas Fiscal
5 Assessment and Accountability Program, § 6-20-1901 et seq.

6 (d) Any school district that fails to comply with the expenditure
7 requirements of § 6-20-2103 shall be deemed to be in fiscal distress and
8 subject to the enforcement provisions of the Arkansas Fiscal Assessment and
9 Accountability Program, § 6-20-1901 et seq. § 6-20-1901 et seq.

10
11 SECTION 3. Arkansas Code Title 6, Chapter 17, is amended to add the
12 following subchapter:

13 6-17-2401. Title.

14 This subchapter shall be known and may be cited as the “Minimum Teacher
15 Compensation Law of 2003”.

16
17 6-17-2402. Legislative intent.

18 The intent of this subchapter is for the State of Arkansas to create a
19 teacher compensation system that:

20 (1) Drives improvements in student academic achievement;

21 (2) Attracts and retains the best teachers possible;

22 (3) Provides teachers with meaningful and rewarding
23 opportunities for advancement in the profession based on the acquisition of
24 skills that enhance instructional excellence and student learning, taking on
25 leadership roles, and making exceptional professional contributions;

26 (4) Motivates and provides financial incentives for teacher
27 efforts and performance that leads directly to improved student achievement;

28 (5) Encourages and rewards teachers individually for increasing
29 their knowledge, skills, and competencies, and rewards teachers collectively
30 for improving student performance;

31 (6) Promotes a sense of ownership for student results and a
32 commitment to perform in a manner that promotes student achievement;

33 (7) Promotes professional collegial cooperation;

34 (8) Causes teachers to have a keen understanding of what is
35 expected of them and the priorities of the state; and

36 (9) Will be affordable, somewhat predictable, and in keeping

1 with the state's educational and fiscal objectives.

2
3 6-17-2403. Definitions.

4 As used in this subchapter:

5 (1) "Basic contract" means a teacher employment contract for a
6 number of days that does not exceed the number of days in the school year
7 required by the State Board of Education for accreditation for the school
8 year in which the contract is effective;

9 (2) "Knowledge and skills-based pay system" is the compensation
10 system defined in §§ 6-17-2305;

11 (3) "School-based performance awards" means the compensation
12 system defined in § 6-17-2308; and

13 (4) "Teacher" means any full-time employee of a public school
14 district who is compelled by law to secure a license from the State Board of
15 Education as a condition precedent to employment in a position in or related
16 to grades pre-kindergarten through twelve (preK-12) of the public schools of
17 this state.

18
19 6-17-2404. Minimum teacher compensation.

20 (a) The board of directors in each school district in the state shall
21 pay classroom teachers upon a minimum salary schedule that provides:

22 (1) Annual increments for education and experience;

23 (2) A base salary; and

24 (3) A minimum salary for a teacher with a master's degree and at
25 least fifteen (15) years of experience.

26 (b) In school year 2004-2005, each school district in the state shall
27 have in place a salary schedule that includes the following:

28 (1) A base salary of at least twenty-six thousand dollars
29 (\$26,000) for teachers with a bachelor's degree and no experience;

30 (2) A base salary of at least thirty-two thousand two hundred
31 eighty dollars (\$32,280) for teachers with a master's degree and no
32 experience; and

33 (3) Unless the school district's present salary schedule exceeds
34 the minimum requirements of this subsection (b), provision for at least
35 sixteen (16) annual increments for experience of:

36 (A) Four hundred fifty dollars (\$450) for a bachelor's

1 degree; and

2 (B) Five hundred dollars (\$500) for a master's degree.

3 (c) In school year 2005-2006, each school district in the state whose
4 teachers have not been assessed under § 6-17-2405 shall have in place a
5 salary schedule that includes the following:

6 (1) A base salary of at least twenty-seven thousand dollars
7 (\$27,000) for teachers with a bachelor's degree and no experience;

8 (2) A base salary of at least thirty-three thousand two hundred
9 eighty dollars (\$33,280) for teachers with a master's degree and no
10 experience; and

11 (3) Unless the school district's present salary schedule exceeds
12 the minimum requirements of this subsection (c), provision for at least
13 sixteen (16) annual increments for experience of:

14 (A) Four hundred fifty dollars (\$450) for a bachelor's
15 degree; and

16 (B) Five hundred dollars (\$500) for a master's degree.

17 (d) In school year 2006-2007, each school district in the state whose
18 teachers have not been assessed under § 6-17-2405 shall have in place a
19 salary schedule that includes the following:

20 (1) A base salary of at least twenty-eight thousand dollars
21 (\$28,000) for teachers with a bachelor's degree and no experience;

22 (2) A base salary of at least thirty-four thousand two hundred
23 eighty dollars (\$34,280) for teachers with a master's degree and no
24 experience; and

25 (3) Unless the school district's present salary schedule exceeds
26 the minimum requirements of this subsection (d), provision for at least
27 sixteen (16) annual increments for experience of:

28 (A) Four hundred fifty dollars (\$450) for a bachelor's
29 degree; and

30 (B) Five hundred dollars (\$500) for a master's degree.

31 (e) For purposes of the salary schedules described in this section,
32 the teacher's experience shall be his or her total years in any school
33 district in the state and shall not be based only upon the years in the
34 school district in which he or she is currently employed.

35
36

1 6-17-2405. Knowledge and skills-based pay after 2004-2005.

2 (a) In school year 2005-2006 the board of directors in each school
 3 district in the state shall pay their teachers upon a salary schedule that:

4 (1) Has annual increments for education and experience;

5 (2) Provides for a base salary; and

6 (3) Provides for a minimum salary for a teacher with a master's
 7 degree and at least fifteen (15) years of experience.

8 (b)(1) In school year 2005-2006, and each year thereafter, each school
 9 district in the state whose teachers have been assessed under this section
 10 shall have in place a salary schedule with at least the following levels of
 11 compensation for the basic contract:

| <u>Skill Level</u> | <u>Step Within Level</u> | <u>Salary</u> | <u>Percent Step</u> |
|------------------------|--------------------------|-----------------|---------------------|
| <u>Entry</u> | <u>1</u> | <u>\$29,000</u> | <u>0%</u> |
| | <u>2</u> | <u>29,580</u> | <u>2%</u> |
| | <u>3</u> | <u>30,172</u> | <u>2%</u> |
| <u>Emerging Career</u> | <u>1</u> | <u>33,038</u> | <u>9.5%</u> |
| | <u>2</u> | <u>33,669</u> | <u>2%</u> |
| | <u>3</u> | <u>34,373</u> | <u>2%</u> |
| <u>Career</u> | <u>1</u> | <u>37,638</u> | <u>9.5%</u> |
| | <u>2</u> | <u>38,391</u> | <u>2%</u> |
| | <u>3</u> | <u>39,159</u> | <u>2%</u> |
| | <u>4</u> | <u>39,942</u> | <u>2%</u> |
| <u>Master</u> | <u>1</u> | <u>43,736</u> | <u>9.5%</u> |
| | <u>2</u> | <u>44,661</u> | <u>2%</u> |
| | <u>3</u> | <u>45,503</u> | <u>2%</u> |
| | <u>4</u> | <u>46,413</u> | <u>2%</u> |
| <u>Arkansas Fellow</u> | <u>1</u> | <u>50,823</u> | <u>9.5%</u> |

29 (2) For purposes of the knowledge and skills-based pay system,
 30 when a teacher moves from one (1) school district to another, the teacher
 31 shall be placed in an equivalent position in terms of skill level and steps
 32 within the level on the salary schedule of the school district to which the
 33 teacher moves.

34 (c)(1) No person without a standard teaching license issued by the
 35 State Board of Education may advance from entry skill level to emerging
 36 career skill level.

1 (2) For an person to advance from emerging career skill level to
 2 each successive skill level, that person must demonstrate sufficient
 3 increases in knowledge and skills, and the ability to use those knowledge and
 4 skills to advance student achievement, in accordance with rules promulgated
 5 by the state board.

6 (3) If a person no longer demonstrates sufficient knowledge and
 7 skills commensurate with his or her designated skill level, as well as the
 8 ability to use those skills to advance student achievement, then that person
 9 will be given one (1) year to increase his or her knowledge and skills to
 10 meet the designated skill level. If the person fails to sufficiently
 11 increase his or her knowledge and skills, then the person's designated skill
 12 level shall be lowered to the appropriate skill level.

13 (4) A person must remain in the emerging career skill level for
 14 at least one (1) year before requesting promotion to the career skill level.
 15 A person must spend at least three (3) years in the career skill level before
 16 attempting to be promoted to the master skill level.

17 (5) The Arkansas fellow skill level is reserved for teachers who
 18 achieve and apply extraordinary expertise in the classroom.

19 (d)(1) Any person who has reached the highest step-within-level
 20 without advancing to the next skill level shall continue to receive increases
 21 in teacher pay equal to two percent (2%) per year.

22 (2) If the person then advances to the next skill level, the
 23 person's compensation shall increase by nine and one-half percent (9.5%) and
 24 shall continue to increase by two percent (2%) each year thereafter.

25
 26 6-17-2406. Compensation system transition.

27 (a)(1) Before July 1, 2004, the State Board of Education shall
 28 promulgate rules to implement all aspects of the knowledge and skills based
 29 pay described in § 6-17-2405.

30 (2) The State Board of Education shall work in cooperation with
 31 the House Interim Committee on Education and the Senate Interim Committee on
 32 Education and any subcommittees created by those committees while creating
 33 the rules.

34 (b) During the 2004-2005 school year, the Department of Education
 35 shall pilot and evaluate the knowledge and skills-based pay system described
 36 in § 6-17-2404 in a limited number of school districts.

1 (c) During the 2004-2005 school year, the department shall
2 preliminarily determine where each teacher will be located on the knowledge
3 and skills-based pay system described in § 6-17-2405.

4 (d) Beginning July 1, 2005, the knowledge and skills-based pay system
5 described in § 6-17-2405 shall be in full force and effect.

6
7 6-17-2407. Additional pay for certain teacher qualities.

8 (a)(1) For the school year 2004-2005 and every school year thereafter,
9 school districts shall pay a teacher an additional four and six tenths
10 percent (4.6%) of the teacher's salary if the teacher teaches in an academic
11 field in which there is a shortage of teachers.

12 (2) The State Board of Education shall determine each year the
13 academic areas in which there is a shortage of teachers.

14 (b)(1) For the school year 2004-2005, and every school year
15 thereafter, school districts shall pay a teacher an additional five percent
16 (5%) of the teacher's salary if the teacher teaches in a geographic area in
17 which there is difficulty in recruiting and retaining teachers.

18 (2) The State Board of Education shall determine each year the
19 geographic areas in which there is a difficulty in recruiting and retaining
20 teachers.

21 (c)(1) For the school year 2005-2006 and every school year thereafter,
22 school districts shall pay a teacher an additional five percent (5%) of the
23 teacher's salary if the teacher possesses academic credentials that are above
24 what is required for a standard teaching license.

25 (2) The State Board of Education shall promulgate rules that
26 provide which academic credentials will qualify for additional payments under
27 subsection (c)(1) of this section.

28
29 6-17-2408. School-based performance awards.

30 (a)(1) For the school year 2004-2005 and each year thereafter, the
31 Department of Education shall pay four (4) levels of school-based performance
32 awards to schools that exhibit excellence in meeting state performance goals.

33 (2) The State Board of Education shall promulgate rules that
34 provide the qualifications for receiving awards under this section.

35 (b)(1) The amount of the school-based performance award shall be based
36 upon the extent to which the school accomplished established student

1 achievement goals pursuant to the rules promulgated by the state board.

2 (2) A school that does not accomplish the goals will receive no
3 award.

4 (3) A school that has basic accomplishment of the goals will
5 receive an award equal to one thousand dollars (\$1,000) for each certified
6 teacher and administrator in the school, plus five hundred dollars (\$500) for
7 each support staff member in the school.

8 (4) A school that accomplishes targeted improvement goals will
9 receive an award equal to two thousand dollars (\$2,000) for each certified
10 teacher and administrator in the school, plus one thousand dollars (\$1,000)
11 for each support staff member in the school.

12 (5) A school that exceeds the targeted improvement goals will
13 receive an award equal to three thousand dollars (\$3,000) for each certified
14 teacher and administrator in the school, plus one thousand five hundred
15 dollars (\$1,500) for each support staff member in the school.

16
17 6-17-2409. Monitoring and assessment of the compensation system.

18 (a) The State Board of Education shall promulgate rules establishing a
19 system for the monitoring and assessment of the implementation and
20 continuation of the knowledge and skills-based pay system and the school-
21 based performance awards.

22 (b) The Director of the Department of Education shall establish a unit
23 within the Department of Education that is charged with the monitoring,
24 training, and assessment duties required by this subchapter.

25
26 6-17-2410. Future adjustments of the compensation system.

27 Each biennium, the House Interim Committee on Education and the Senate
28 Interim Committee on Education shall analyze the compensation levels provided
29 in this subchapter, review relevant data, and make recommendations to the
30 General Assembly for any adjustments to the compensation levels as needed to
31 further the objectives provided in § 6-17-2402.

32
33 SECTION 4. Arkansas Code § 6-23-501 is amended to read as follows:

34 6-23-501. Funding for open-enrollment charter schools.

35 (a)(1) An open-enrollment charter school shall receive funds equal to
36 ~~the minimum state and local revenue per average daily membership as defined~~

1 ~~in § 6-20-303~~ the amount that the open-enrollment charter school generates
 2 under the provisions of the Education Funding Reform Act of 2003, § 6-20-
 3 2001, et seq., as if it were a public school in a school district.

4 (2) Funding for an open-enrollment charter school shall be based upon
 5 the current year three-quarter average daily membership of the open-
 6 enrollment charter school as follows:

7 (A) The initial funding estimate for each school year shall be based
 8 on enrollment as of April 15 preceding the school year in which the students
 9 are to attend;

10 (B) In December, funding will be adjusted based on the first quarter
 11 average daily membership; and

12 (C) A final adjustment will be made after the current year three-
 13 quarter average daily membership is established.

14 (3) Funding for an open-enrollment charter school shall be paid in
 15 twelve (12) equal installments each fiscal year.

16 (b) Except for state transportation aid funds, an open-enrollment
 17 charter school may receive other state and federal aids, grants, and revenue
 18 as may be provided by law.

19 (c) Open-enrollment charter schools may receive gifts and grants from
 20 private sources in whatever manner is available to public school districts.

21
 22 SECTION 5. Arkansas Code, Title 6, Chapter 20, Subchapter 3,
 23 concerning the Equitable School Finance System Act of 1995, is repealed.

24 ~~6-20-301. Title.~~

25 ~~This subchapter shall be known as the "Equitable School Finance System~~
 26 ~~Act of 1995".~~

27
 28 ~~6-20-302. Legislative findings.~~

29 ~~(a) The General Assembly recognizes that intelligence and virtue are~~
 30 ~~the safeguards of liberty and the bulwark of a free and good government and~~
 31 ~~that the Arkansas Constitution, Article 14, § 1 requires the state to ever~~
 32 ~~maintain a general, suitable, and efficient system of free public schools and~~
 33 ~~to adopt all suitable means to secure to the people the advantages and~~
 34 ~~opportunities of education.~~

35 ~~(b) The General Assembly finds that the education of the children of~~
 36 ~~this state is best secured by maintaining as much local control over the day-~~

1 ~~to day management of school operations as is consistent with state~~
 2 ~~constitutional requirements, and it is the intent of this subchapter to~~
 3 ~~maintain and foster such local control consistent with the state's~~
 4 ~~constitutional mandate to assure suitability and efficiency in the public~~
 5 ~~school system.~~

6 ~~(c) The General Assembly finds that a suitable and efficient system of~~
 7 ~~public education should:~~

8 ~~(1) Assure the availability of substantially equal and~~
 9 ~~constitutionally appropriate revenue for the education of each similarly~~
 10 ~~situated child in the public schools, regardless of where that child resides~~
 11 ~~within the state;~~

12 ~~(2) Assure that each school age child resides in a school~~
 13 ~~district that offers a competitive minimum salary for classroom teachers;~~

14 ~~(3) Assure that there is incentive and opportunity for patrons~~
 15 ~~of each school district to provide a greater degree of financial support for~~
 16 ~~students of the district than may be provided in other districts;~~

17 ~~(4) Assure that:~~

18 ~~(A) All students graduating from high school are able to~~
 19 ~~demonstrate a defined minimum level of competence in:~~

20 ~~(i) English communications, oral, reading, and~~
 21 ~~writing;~~

22 ~~(ii) Mathematics skills; and~~

23 ~~(iii) Science and social studies disciplines; and~~

24 ~~(B) Such minimum level of competence evolves over time to~~
 25 ~~higher levels;~~

26 ~~(5) Assure that students with disabilities have the opportunity~~
 27 ~~to graduate from high school by demonstrating alternative competencies or~~
 28 ~~alternative levels of competency;~~

29 ~~(6) Assure that students who are not on track for high school~~
 30 ~~graduation are identified at a sufficiently early date that they may be~~
 31 ~~provided an opportunity at a reasonable cost to achieve the minimum levels of~~
 32 ~~competence necessary to graduate from high school;~~

33 ~~(7) Recognize that graduating from high school requires that the~~
 34 ~~student, as well as the parent, parents, or guardian of the student, work~~
 35 ~~hard and assume appropriate responsibility for the student's success or~~
 36 ~~failure;~~

1 ~~(8) Encourage parental involvement in the public schools and~~
2 ~~public school activities;~~

3 ~~(9) Recognize that public schools must provide a safe,~~
4 ~~disciplined, and drug-free environment for students and teachers;~~

5 ~~(10) Avoid disproportionate variances among school districts in~~
6 ~~the financial support burden imposed on taxpayers;~~

7 ~~(11) Avoid unnecessary duplication of administrative and~~
8 ~~operational expenses;~~

9 ~~(12) Avoid disproportionate variances among school districts in~~
10 ~~the use of classroom teachers and capital resources; and~~

11 ~~(13) Recognize that early attention to and correction of student~~
12 ~~deficiencies are substantially less expensive and more effective than~~
13 ~~remedial efforts in the later school grades.~~

14 ~~(d)(1) The General Assembly acknowledges that the Arkansas~~
15 ~~Constitution requires the state to provide a general, suitable, and efficient~~
16 ~~system of free public schools.~~

17 ~~(2) Such obligation has been held by the Arkansas courts to be a~~
18 ~~paramount duty of the state.~~

19 ~~(e) The General Assembly recognizes that the supervision of public~~
20 ~~schools and the execution of the laws regulating the schools shall be vested~~
21 ~~in such officers as the General Assembly provides.~~

22 ~~(f) The state has a limited pool of resources to provide a general,~~
23 ~~suitable, and efficient system of free public schools.~~

24 ~~(g) The state recognizes the importance of local decision-making in~~
25 ~~the education process.~~

26
27 ~~6-20-303. Definitions.~~

28 ~~As used in this subchapter, unless the context otherwise requires:~~

29 ~~(1) "Additional base funding" means the state funding to local~~
30 ~~school districts to ensure that a local school district's total state and~~
31 ~~local revenue per average daily membership is no less than the minimum state~~
32 ~~and local revenue per average daily membership;~~

33 ~~(2) "Additional mills for maintenance and operation" means~~
34 ~~millage levied by the electors of a local school district for maintenance and~~
35 ~~operation in excess of those allocated to the uniform rate of tax;~~

36 ~~(3) "Alternative learning environment" means an intervention~~

1 program in compliance with §§ 6-18-508 and 6-18-509 that seeks to eliminate
2 traditional barriers to learning for students and includes a component for
3 the education of gifted and talented students;

4 (4) "Average daily membership" means the total number of days
5 attended plus the total number of days absent by students in grades
6 kindergarten through twelve (K-12) during the first three (3) quarters of
7 each school year divided by the number of school days actually taught in the
8 district during that period of time rounded up to the nearest hundredth. In
9 those instances in which the average daily membership for less than three (3)
10 quarters is specified, the number of days used in the calculation shall be
11 the days in the specified period of time. As applied to this subchapter,
12 students who may be counted for average daily membership are:

13 (A) Students who reside within the boundaries of the
14 school district and who are enrolled in a public school operated by the
15 district or a private school for special education students, with their
16 attendance resulting from a written tuition agreement approved by the
17 Department of Education;

18 (B) Legally transferred students living outside the
19 district but attending a public school in the district; and

20 (C) Students who reside within the boundaries of the
21 school district and who are enrolled in the Arkansas National Guard Youth
22 Challenge Program, so long as the students are participants in the program;

23 (5) "Base local revenue per student" means:

24 (A) If Category 1 is fully funded, the local revenue per
25 student in the local school district with the highest amount of local revenue
26 per student; or

27 (B) If Category 1 is not fully funded, the revenue per
28 student to which the state equalizes, which is calculated by:

29 (i) Taking the sum of:

30 (a) The total available state aid for state
31 equalization funding per student;

32 (b) Ninety eight percent (98%) of the uniform
33 rate of tax times the total state assessed valuation; and

34 (c) Seventy five percent (75%) of the average
35 miscellaneous funds collected in the previous five (5) years or previous
36 year, whichever is less; and

1 ~~(ii) Dividing the sum by the total state average~~
 2 ~~daily membership for the previous year;~~

3 ~~(6) "Classroom teacher" means:~~

4 ~~(A) An individual who is required to hold a teaching~~
 5 ~~license from the department and who is engaged directly in instruction with~~
 6 ~~students in a classroom setting for more than seventy percent (70%) of the~~
 7 ~~individual's contracted time;~~

8 ~~(B) A guidance counselor; or~~

9 ~~(C) A librarian;~~

10 ~~(7) "Debt service funding supplement" means the state financial~~
 11 ~~aid provided to qualifying local school districts for the purpose of reducing~~
 12 ~~existing debt service burdens and increasing the amount of local revenue~~
 13 ~~available for maintenance and operations expenditures and calculated as~~
 14 ~~follows: For each mill of eligible debt service millage required, the local~~
 15 ~~school shall be provided a dollar amount of no less than fifteen dollars~~
 16 ~~(\$15.00) per average daily membership times the state wealth index;~~

17 ~~(8) "Debt service millage" means the total number of mills voted~~
 18 ~~by the electors of a school district to be pledged as security for the~~
 19 ~~retirement of bonded indebtedness;~~

20 ~~(9) "Debt service millage required" means the calculated millage~~
 21 ~~rate equal to the amount of millage pledged to mandatory callable bonds plus~~
 22 ~~the result of the scheduled calendar year bonded debt payment divided by the~~
 23 ~~total assessed value of real, personal, and utility property in the local~~
 24 ~~school district;~~

25 ~~(10) "Eligible debt service millage required" means, in the~~
 26 ~~computation of the debt service funding supplement, the debt service millage~~
 27 ~~required for bonds issued before May 30 of each year;~~

28 ~~(11) "Excess debt service millage" means the difference between~~
 29 ~~the debt service millage levied and the debt service millage required. This~~
 30 ~~amount shall be presumed to be available for maintenance and operation but~~
 31 ~~may be used for other school purposes provided that the district is in~~
 32 ~~compliance with the uniform rate of tax;~~

33 ~~(12) "General facility funding" means the state financial aid~~
 34 ~~provided to each local school district from funds made available for that~~
 35 ~~purpose and based on a facilities needs assessment justification approved by~~
 36 ~~the department and calculated as follows: Multiply the local school~~

1 district's average daily membership for the previous year by the state wealth
 2 index, times a rate established by the State Board of Education;

3 (13) ~~"Incentive funding" means the state financial aid provided~~
 4 ~~to local school districts below the ninety fifth percentile for the purpose~~
 5 ~~of eliminating the incentive a local school district may have to reduce its~~
 6 ~~additional mills available for maintenance and operations and which is~~
 7 ~~calculated by taking one half (1/2) of the difference between the amount of~~
 8 ~~additional base funding a local school district would have received if it~~
 9 ~~only levied the uniform rate of tax and the additional base funding the~~
 10 ~~district receives in the current school year. For purposes of the calculation~~
 11 ~~of the amount of additional base funding a district would have received if it~~
 12 ~~had only levied the uniform rate of tax, twenty five percent (25%) of the~~
 13 ~~miscellaneous funds received by any local school district shall be excluded~~
 14 ~~from the calculation;~~

15 (14) ~~"Isolated funding" means the state financial aid provided~~
 16 ~~to local school districts with an average daily membership of fewer than~~
 17 ~~three hundred fifty (350) from funds made available for that purpose and~~
 18 ~~which is calculated as follows:~~

19 (A) ~~(350 Previous year's average daily membership) divided~~
 20 ~~by eight hundred fifty (850) times previous year's average daily membership~~
 21 ~~times the base local revenue per student;~~

22 (B) ~~Local school districts with an average daily~~
 23 ~~membership density of less than one and two tenths (1.2) shall receive~~
 24 ~~additional funds equal to fifty percent (50%) of aid received under~~
 25 ~~subdivision (14)(A) of this section;~~

26 (C) ~~For the purpose of calculating isolated funding, any~~
 27 ~~local school district that has an average daily membership density greater~~
 28 ~~than 5.0 shall be excluded. Provided, however, if a local school district has~~
 29 ~~a local revenue per student less than sixty percent (60%) of the effective~~
 30 ~~average, it shall receive isolated funding;~~

31 (D) ~~No school district shall receive less isolated funding~~
 32 ~~in future years than the district received during the 1996-1997 school year~~
 33 ~~because of subdivision (14)(C) of this section; and~~

34 (E) ~~If the statewide amount for isolated funding~~
 35 ~~calculated pursuant to this section is less than the amount appropriated for~~
 36 ~~isolated funding, the state board may include a funding factor to the~~

1 calculation in subdivision (14)(A) of this section in order to expend up to
 2 the appropriated amount;

3 (15) ~~"Local revenue per student" means in each year ninety-eight~~
 4 ~~percent (98%) of the amount of revenue available, whether or not collected,~~
 5 ~~in a local school district solely from the levy of the uniform rate of tax~~
 6 ~~plus seventy five percent (75%) of the average miscellaneous funds collected~~
 7 ~~in the previous five (5) years or the previous year, whichever is less,~~
 8 ~~divided by the average daily membership of the local school district for the~~
 9 ~~previous year;~~

10 (16) ~~"Local school district" means a geographic area with an~~
 11 ~~elected board of directors that qualifies as a taxing unit for purposes of ad~~
 12 ~~valorem property taxes under § 26-1-101 et seq. and which board conducts the~~
 13 ~~daily affairs of public schools pursuant to the supervisory authority vested~~
 14 ~~in it by the General Assembly;~~

15 (17) ~~"Local school district at the ninety fifth percentile"~~
 16 ~~means, when ranking districts in descending order by the total state and~~
 17 ~~local revenue per average daily membership, a district that falls at the~~
 18 ~~ninety fifth percentile of the total number of pupils in attendance in the~~
 19 ~~schools of this state, as described by 34 C.F.R. § 222.63 (1994);~~

20 (18) ~~"Mandatory callable bonds" means a bond issue in which all~~
 21 ~~net proceeds from debt service millage used to secure the issuance of that~~
 22 ~~bond must be applied to payment of the issue and cannot be used for any other~~
 23 ~~purpose;~~

24 (19) ~~"Millage rate" means the millage rate listed in the most~~
 25 ~~recent tax ordinance approved by the county quorum court under the authority~~
 26 ~~of § 14-14-904;~~

27 (20) ~~"Minimum state and local revenue per average daily~~
 28 ~~membership" means an amount no less than eighty percent (80%) of the total~~
 29 ~~state and local revenue per average daily membership of the local school~~
 30 ~~district at the ninety fifth percentile;~~

31 (21) ~~"Miscellaneous funds" means those funds received by a local~~
 32 ~~school district from federal forest reserves, federal grazing rights, federal~~
 33 ~~mineral rights, federal impact aid, federal flood control, wildlife refuge~~
 34 ~~funds, severance taxes, funds received by the district in lieu of taxes, and~~
 35 ~~local sales and use taxes dedicated to education pursuant to §§ 26-74-201 et~~
 36 ~~seq., 26-74-301 et seq., 26-75-301 et seq., and 14-164-301 et seq.;~~

1 ~~(22) "Previous year" means the school year immediately preceding~~
 2 ~~the school year in which funds are allocated;~~

3 ~~(23) "State equalization funding per student" means the amount~~
 4 ~~of state financial aid per average daily membership for the previous year~~
 5 ~~provided to each local school district calculated by subtracting the local~~
 6 ~~revenue per student from the base local revenue per student;~~

7 ~~(24) "State wealth index" means the result of one (1) minus the~~
 8 ~~ratio of local revenue per student divided by state equalization funding per~~
 9 ~~student;~~

10 ~~(25) "Student classroom teacher funding" means the state~~
 11 ~~financial aid provided to each local school district calculated as an amount~~
 12 ~~equal to the amount allocated for student classroom teacher funding divided~~
 13 ~~by the total state average daily membership for the previous year times the~~
 14 ~~receiving school district's average daily membership for the previous year;~~

15 ~~(26) "Student growth funding" means the amount of state~~
 16 ~~financial aid provided to each local school district from the funds made~~
 17 ~~available for that purpose calculated as the base local revenue per student~~
 18 ~~multiplied by the increase, if any, in the local school district's two-~~
 19 ~~quarter average of the average daily membership of the current year over the~~
 20 ~~local school district's average daily membership for the previous year;~~

21 ~~(27) "Student needs funding" means the amount of state financial~~
 22 ~~aid provided to each local school district from available special education~~
 23 ~~funding, vocational education funding, at risk funding, isolated funding,~~
 24 ~~transportation aid, and any other categories of student needs funding which~~
 25 ~~may be subsequently identified pursuant to rules and regulations promulgated~~
 26 ~~by the state board;~~

27 ~~(28) "Student unit funding" means the state financial aid~~
 28 ~~provided to each local school district, which is calculated as follows: By~~
 29 ~~dividing the total funds available for textbook aid, alternative education,~~
 30 ~~including gifted and talented education programs, restructuring, and staff~~
 31 ~~development by the total state average daily membership for the previous year~~
 32 ~~and multiplying by the local school district's average daily membership for~~
 33 ~~the previous year;~~

34 ~~(29) "Total state and local revenue per average daily~~
 35 ~~membership" means in each local school district, the amount calculated by:~~

36 ~~(A) Taking the sum of:~~

1 ~~(i) The local school district's uniform rate of tax~~
2 ~~times ninety eight percent (98%) of the district's assessed valuation;~~

3 ~~(ii) The local school district's additional mills~~
4 ~~for maintenance and operation times ninety eight percent (98%) of the~~
5 ~~district's assessed valuation;~~

6 ~~(iii) The local school district's miscellaneous~~
7 ~~funds; and~~

8 ~~(iv) State equalization funding, student classroom~~
9 ~~teacher funding, student unit funding, vocational funding, general facilities~~
10 ~~funding, and student growth funding available to the local school district;~~
11 ~~and~~

12 ~~(B) By dividing by the average daily membership of the~~
13 ~~local school district; and~~

14 ~~(30) "Uniform rate of tax" means a uniform rate of ad valorem~~
15 ~~property tax of twenty five (25) mills to be levied on the assessed value of~~
16 ~~all taxable real, personal, and utility property in the state to be used~~
17 ~~solely for the maintenance and operation of the schools. In calculating the~~
18 ~~uniform rate of tax imposed by Arkansas Constitution, Article 14, § 3, as~~
19 ~~amended by Amendments 11, 40, and 74, the following categories of millage may~~
20 ~~be utilized to meet the minimum millage requirement:~~

21 ~~(A) The local school district's maintenance and operation~~
22 ~~millage;~~

23 ~~(B) The dedicated maintenance and operation millage;~~

24 ~~(C) Excess debt service millage; and~~

25 ~~(D) The millage derived from the ratio of the debt service~~
26 ~~funding supplements divided by the total assessment.~~

27
28 ~~6-20-304. Liberal construction.~~

29 ~~All general provisions, terms, phrases, and expressions used in this~~
30 ~~subchapter or any related provisions of this Code shall be liberally~~
31 ~~construed so as to effectuate its purposes.~~

32
33 ~~6-20-305. Miscellaneous.~~

34 ~~The State Board of Education shall have authority, acting pursuant to~~
35 ~~its rule making powers, to adopt regulations for the implementation of the~~
36 ~~provisions of this subchapter.~~

~~6-20-306. School funding.~~

~~(a)(1) Beginning with the 1996-1997 school year, the Department of Education shall provide from available funds the following school funding categories in the priorities listed to local school districts:~~

- ~~(A) Category 1. State equalization funding per student;~~
- ~~(B) Category 2. Student classroom teacher funding;~~
- ~~(C) Category 3. Student unit funding; and~~
- ~~(D) Category 4. Student needs funding.~~

~~(2) No subsequent category of funding shall receive any funding until each prior category is fully funded.~~

~~(b)(1) If any category of funding excluding Category 1 is only partially funded, each local school district shall receive a pro rata share.~~

~~(2) However, if the General Assembly determines that any element of Category 3 or 4 needs to be funded before full funding of any preceding category is achieved, then that subset of either Category 3 or Category 4 shall be funded exclusive of the previously listed categories.~~

~~6-20-307. Facilities.~~

~~(a) General facilities funding, isolated funding, and student growth shall be provided to local school districts from available funds in a line item appropriation within the Public School Fund.~~

~~(b)(1) The state shall provide from available funds a debt service funding supplement to qualifying local school districts for the purpose of reducing debt service burdens issued before May 30 of each fiscal year and increasing the amount of local revenue available for maintenance and operations expenditures.~~

~~(2) The legislative intent is to continue providing a debt service funding supplement to qualifying local school districts through available funds in a line item appropriation within the fund.~~

~~6-20-308. Department of Education to provide funding—Adjustments for overpayments.~~

~~(a)(1) After determining the amount of state equalization funding, student classroom teacher funding, student unit funding, vocational funding, general facilities funding, and student growth funding available to each~~

1 ~~local school district, the Department of Education shall provide any~~
 2 ~~additional base funding necessary to ensure that the total state and local~~
 3 ~~revenue per average daily membership of each local school district is no less~~
 4 ~~than the minimum state and local revenue per average daily membership.~~

5 ~~(2) For the purposes of additional base funding, any questions as to~~
 6 ~~what revenue shall be included will be determined by reference to 34 C.F.R. §~~
 7 ~~222.63 (1994).~~

8 ~~(b) A school district shall not lose any state funding as a result of~~
 9 ~~debt service savings produced by refunding outstanding bonds provided that:~~

10 ~~(1) The yearly savings produced by the refunding is deposited~~
 11 ~~into a refunding savings building fund and is used by the district for the~~
 12 ~~building and equipping of school buildings, for major adaptations to a~~
 13 ~~facility, or for purchasing sites therefor; and that~~

14 ~~(2) Prior to the date that the refunding bonds are sold at~~
 15 ~~public sale, the district submits a certificate to the Director of the~~
 16 ~~Department of Education certifying that the yearly debt service savings will~~
 17 ~~be used for the purposes described in this subsection (b).~~

18 ~~(c) If the department shall determine that an overpayment has been~~
 19 ~~made to a local school district in any appropriation authorized by this~~
 20 ~~subchapter, the department is authorized to withhold the overpayment from~~
 21 ~~state equalization funding and is authorized to transfer the amount withheld~~
 22 ~~for the overpayment to the line item appropriation from which the overpayment~~
 23 ~~was initially made.~~

24
 25 ~~6-20-309. Local school districts—Restrictions on use of specific~~
 26 ~~funding.~~

27 ~~(a) Local school districts may expend Category 1 funds for student~~
 28 ~~classroom teacher funding, student unit funding, and student needs funding.~~

29 ~~(b) A local school district may only use general facilities funding~~
 30 ~~for the purchase of school buses, furniture, equipment, and computer software~~
 31 ~~or for the renovation or repairs of existing facilities.~~

32 ~~(c) Local school districts may not use student classroom teacher~~
 33 ~~funding to compensate anyone other than classroom teachers.~~

34
 35 ~~6-20-310. Local school districts—Required expenditures.~~

36 ~~(a) Local school districts shall expend state and local revenues on~~

1 ~~students evaluated as special education students in accordance with existing~~
 2 ~~federal and state laws and Department of Education regulations.~~

3 ~~(b) Local school districts shall expend state and local revenues on~~
 4 ~~students in alternative learning environments and in gifted and talented~~
 5 ~~programs in accordance with existing state laws and department regulations.~~

6
 7 ~~6-20-311. Local school districts.~~

8 ~~(a) Beginning with the 1995-1996 school year, each local school~~
 9 ~~district shall prepare an annual certified audit of the financial condition~~
 10 ~~and transactions of the local school district as of June 30 of each year in~~
 11 ~~accordance with generally accepted accounting practices and containing any~~
 12 ~~other data as determined by the State Board of Education.~~

13 ~~(b) Nothing in this legislation shall be construed to authorize,~~
 14 ~~permit, or require consolidation of any school district.~~

15 ~~(c) [Repealed.]~~

16
 17 ~~6-20-319. Other requirements for state aid.~~

18 ~~In order for a district to be entitled to state aid under the~~
 19 ~~provisions of this subchapter, each district shall satisfy the following~~
 20 ~~requirements:~~

21 ~~(1) Expenditures for any fiscal year shall not exceed the legal~~
 22 ~~revenues for that year;~~

23 ~~(2) The district shall maintain such records and make such~~
 24 ~~reports relative to attendance, receipts, and disbursements and other reports~~
 25 ~~as required by the Department of Education for the administration of this~~
 26 ~~subchapter;~~

27 ~~(3) The district shall maintain proper financial records in~~
 28 ~~accordance with the state's school accounting manual and regulations~~
 29 ~~promulgated by the State Board of Education;~~

30 ~~(4) The district shall file with the board annually a salary~~
 31 ~~schedule for its certified employees which recognizes a minimum level of~~
 32 ~~training and experience. This schedule shall reflect the actual pay practices~~
 33 ~~of the district, including all fringe benefits. Salary increments for~~
 34 ~~experience or education, or both, shall be identified on the schedule;~~

35 ~~(5) All pupil attendance records shall be kept in their original~~
 36 ~~form and shall be public records. They shall be kept according to law and~~

1 regulations, on paper or electronic forms either furnished or approved by the
 2 department. Original attendance records shall be kept on file in the office
 3 of the superintendent of schools after the school term is ended for a period
 4 of three (3) years, and these records shall be available for monitoring
 5 purposes during any day of the school term by the teachers or other persons
 6 designated to keep attendance.

7
 8 ~~6-20-320. Computation of classroom teacher salaries.~~

9 ~~Local school districts may not include the cost of substitute teachers,~~
 10 ~~extended contracts for extracurricular activities, or supplementary pay for~~
 11 ~~extracurricular activities in meeting the expenditures requirement for~~
 12 ~~student classroom teacher salaries.~~

13
 14 ~~6-20-323. Special needs students.~~

15 ~~(a) The Department of Education shall provide special assistance for~~
 16 ~~students with special needs to local school districts from available revenues~~
 17 ~~from line item appropriations in the Public School Fund.~~

18 ~~(b) Funding for students with limited English proficiency shall be~~
 19 ~~based upon actual students who have been identified based on the use of an~~
 20 ~~English proficiency assessment instrument. These funds shall be distributed~~
 21 ~~pro rata based upon the number of students identified as limited English~~
 22 ~~proficient.~~

23 ~~(c) Funding for special education catastrophic occurrences shall be~~
 24 ~~based upon those individual cases where special education and related~~
 25 ~~services required by the individualized education program of a particular~~
 26 ~~student with disabilities are unduly expensive, extraordinary, or beyond the~~
 27 ~~routine and normal costs associated with special education and related~~
 28 ~~services provided by a local school district.~~

29 ~~(d)(1) Funding for students with low socioeconomic status shall be~~
 30 ~~based on students in kindergarten through grade one (K-1) living in areas~~
 31 ~~with high concentrations of low income families or from low income families~~
 32 ~~as indicated by eligibility for the free or reduced price lunch program under~~
 33 ~~the National School Lunch Act or any other act of Congress. These funds shall~~
 34 ~~be used only for early intervention strategies sanctioned by the department~~
 35 ~~in reading and writing literacy or mathematics for students in pre-~~
 36 ~~kindergarten through grade one (preK-1).~~

1 ~~(2) Funding for students with low socioeconomic status shall~~
 2 ~~only be funded through June 30, 2005.~~

3 ~~(c) Funding for students in alternative learning environments shall be~~
 4 ~~distributed either through grants, competitive or otherwise, or pro rata~~
 5 ~~based upon the number of full time equivalent students participating in a~~
 6 ~~nontraditional or flexible instructional program designed to improve student~~
 7 ~~achievement in the core academic subjects which the students could not~~
 8 ~~achieve in a regular classroom environment.~~

9 ~~(f) The State Board of Education shall promulgate rules and~~
 10 ~~regulations for the disbursement of available funds for special needs~~
 11 ~~students explicated in this section.~~

12
 13 ~~6-20-324. Incentive revenues to encourage local millage.~~

14 ~~After the calculation and provision of additional base funding, the~~
 15 ~~Department of Education shall provide incentive funding to local school~~
 16 ~~districts below the district at the ninety fifth percentile in order to~~
 17 ~~reward local school districts for levying additional mills available for~~
 18 ~~maintenance and operations and in order to remove the potential disincentive~~
 19 ~~for a local school district to reduce its additional mills available for~~
 20 ~~maintenance and operations in order to receive additional base funding or in~~
 21 ~~order to receive an increase in additional base funding.~~

22
 23 ~~6-20-325. State equalization funding for natural disaster areas.~~

24 ~~(a) When any county in the State of Arkansas is declared a disaster~~
 25 ~~area by the Federal Emergency Management Administration, the school districts~~
 26 ~~that experienced loss of students due to the disaster and that are located~~
 27 ~~within that county shall receive funding.~~

28 ~~(b)(1) The school district shall be responsible for requesting these~~
 29 ~~funds and for providing documentation required by the Department of~~
 30 ~~Education.~~

31 ~~(2) The school district is required to document the loss in~~
 32 ~~enrollment specifically due to the disaster.~~

33 ~~(c)(1) Funding shall be provided for two (2) years, based on the loss~~
 34 ~~in revenues from the loss in average daily membership in the first year~~
 35 ~~subsequent to the natural disaster as compared to the year in which the~~
 36 ~~natural disaster occurred.~~

1 ~~(2) Funding shall be calculated each fiscal year, with each~~
 2 ~~qualifying school district receiving either full reimbursement or a pro rata~~
 3 ~~share of the total funds available.~~

4 ~~(d) A school district may not receive funds both for a loss in~~
 5 ~~students due to a natural disaster and for a loss in revenues due to a loss~~
 6 ~~in students.~~

7 ~~(e) These funds shall be distributed in accordance with rules and~~
 8 ~~regulations promulgated by the department.~~

9
 10 ~~6-20-326. Districts losing revenues.~~

11 ~~(a) The Department of Education shall provide funding to local school~~
 12 ~~districts from available funds to aid local school districts which have~~
 13 ~~suffered a significant loss of revenues. The loss of revenues considered~~
 14 ~~under this section shall have occurred in a one year period. Funding under~~
 15 ~~this section shall only be for one (1) year and shall be considered~~
 16 ~~nonrestricted revenues included in the calculation of total state and local~~
 17 ~~funding per average daily membership.~~

18 ~~(b) Under no circumstances may a school district receive both student~~
 19 ~~growth funding and loss funding authorized by this section. If a school~~
 20 ~~district qualifies for both student growth funding and loss funding, then the~~
 21 ~~school district shall receive the greater of the two (2) amounts.~~

22 ~~(c) The State Board of Education shall promulgate rules and~~
 23 ~~regulations for the disbursement of available funds for local school~~
 24 ~~districts' lost revenues.~~

25
 26 ~~6-20-327. Calculation and disbursement of funds authorized.~~

27 ~~(a) The Department of Education shall calculate the amount of funds~~
 28 ~~authorized by this subchapter on three (3) occasions during the year. The~~
 29 ~~first of these shall be done at the beginning of the year. A second~~
 30 ~~calculation shall occur at some point during the year, making corrections for~~
 31 ~~clerical errors and student growth. The third of these calculations shall be~~
 32 ~~done at the end of the year and shall settle all funding amounts due to~~
 33 ~~school districts under this subchapter.~~

34 ~~(b) On or before July 1 of every year, the department shall set a~~
 35 ~~schedule of payments of funds authorized under this subchapter to school~~
 36 ~~districts.~~

~~(c) If statistical data required in this subchapter are not available at the time they are required for calculations or if the school program is disrupted for any cause not controlled by the local board of education, the State Board of Education shall cause procedures to be developed which will ensure that the provisions of this subchapter are properly enforced.~~

SECTION 6. Arkansas Code, Title 6, Chapter 17, Subchapter 10, minimum salaries for teachers, is repealed.

~~6-17-1001. Minimum base salary—Master's degree.~~

~~(a)(1) The board of directors in each school district in the state shall pay its teachers upon a salary schedule which has annual increments for education and experience and which provides for a base salary, a minimum salary for a teacher with a master's degree, and at least fifteen (15) years of experience as described in this section.~~

~~(2) Beginning with the 2003-2004 school year, the teacher's experience for purposes of salary and benefits shall be his or her total years in any school district in the state and shall not be based on only the years in the district in which he or she is currently employed.~~

~~(b) In school year 2000-2001 and in each school year thereafter, no school district shall pay its teachers with a bachelor's degree and no experience less than twenty one thousand eight hundred sixty dollars (\$21,860).~~

~~(c) In school year 2000-2001 and in each school year thereafter, school districts shall pay teachers with a master's degree and no experience at least one hundred fifteen percent (115%) of the minimum base salary prescribed in subsection (b) of this section.~~

~~(d) In school year 2001-2002 and in each school year thereafter, school districts shall pay a teacher with a master's degree and at least fifteen (15) years of experience one hundred fifty percent (150%) of the state minimum base salary.~~

~~(e)(1) In school year 1995-1996 and in each school year thereafter, each school district in the state shall have in place a salary schedule which provides at least fourteen (14) annual increments for experience.~~

~~(2) In school year 2001-2002 and in each school year thereafter, each school district in the state shall have in place a salary schedule which provides at least fifteen (15) annual increments for experience.~~

1 ~~(3) In school year 2001-2002 and in each school year thereafter,~~
2 ~~each school district in the state shall have in place a salary schedule with~~
3 ~~at least the following minimum levels of compensation:~~

| 4 | 5 | 6 | 7 |
|------------------|------------------|-----------|----------|
| Years Experience | BA Degree Salary | MA Degree | Salary |
| 7 | 0 | \$21,860 | \$25,139 |
| 8 | 1 | 22,304 | 25,649 |
| 9 | 2 | 22,748 | 26,159 |
| 10 | 3 | 23,192 | 26,669 |
| 11 | 4 | 23,636 | 27,179 |
| 12 | 5 | 24,080 | 27,689 |
| 13 | 6 | 24,524 | 28,199 |
| 14 | 7 | 24,968 | 28,709 |
| 15 | 8 | 25,412 | 29,219 |
| 16 | 9 | 25,856 | 29,729 |
| 17 | 10 | 26,300 | 30,239 |
| 18 | 11 | 26,744 | 30,749 |
| 19 | 12 | 27,188 | 31,259 |
| 20 | 13 | 27,632 | 31,769 |
| 21 | 14 | 28,076 | 32,279 |
| 22 | 15 or more | 28,520 | 32,789 |

23 ~~(f) For the 1997-98 school year and for each year thereafter, each~~
24 ~~school district shall provide no less than four hundred dollar increments for~~
25 ~~experience for teachers with one (1) and two (2) years of experience.~~

26 ~~(g) For the 1998-1999 school year and for each year thereafter, each~~
27 ~~school district shall provide no less than four hundred dollar increments for~~
28 ~~experience for teachers with three (3) and four (4) years of experience.~~

29 ~~(h) For the 1999-2000 school year and for each year thereafter, each~~
30 ~~school district shall provide no less than four hundred dollar increments for~~
31 ~~experience for teachers with five (5) and six (6) years of experience.~~

32 ~~(i) For the 2000-2001 school year and for each year thereafter, each~~
33 ~~school district shall provide no less than four hundred dollar increments for~~
34 ~~experience for teachers with seven (7) and eight (8) years of experience.~~

35 ~~(j) For the 2001-2002 school year and for each year thereafter, each~~
36 ~~school district shall provide no less than four hundred dollar increments for~~

1 ~~experience for teachers with nine (9) and ten (10) years of experience.~~

2 ~~(k) For the 2002-2003 school year and for each year thereafter, each~~
 3 ~~school district shall provide no less than four hundred dollar increments for~~
 4 ~~experience for teachers with eleven (11) and twelve (12) years of experience.~~

5 ~~(l)(1) For the 2003-2004 school year and for each year thereafter,~~
 6 ~~each school district shall provide no less than four hundred dollar~~
 7 ~~increments for experience for teachers with thirteen (13) years of~~
 8 ~~experience.~~

9 ~~(2) For the 2004-2005 school year and for each year thereafter,~~
 10 ~~each school district shall provide no less than four hundred dollar~~
 11 ~~increments for experience for teachers with fourteen (14) years of~~
 12 ~~experience.~~

13 ~~(3) For the 2005-2006 school year and for each year thereafter,~~
 14 ~~each school district shall provide no less than four hundred dollar~~
 15 ~~increments for experience for teachers with fifteen (15) years of experience.~~

16 ~~(m) Subsections (f) (1) of this section shall not apply to any local~~
 17 ~~school district whose minimum salary for teachers exceeds twenty one thousand~~
 18 ~~eight hundred sixty dollars (\$21,860) and whose average salary exceeds the~~
 19 ~~state average salary for teachers for the previous year.~~

20 ~~(n) As used in this section, "teacher" shall include any full-time~~
 21 ~~employee of a local public school district.~~

22 ~~(1) Who is compelled by law to secure a license from the State~~
 23 ~~Board of Education as a condition precedent to employment in a position in or~~
 24 ~~related to grades prekindergarten through twelve (preK-12) of the public~~
 25 ~~schools of this state; and~~

26 ~~(2) Who is:~~

27 ~~(A) Engaged directly in instruction with students in a~~
 28 ~~classroom setting for more than seventy percent (70%) of the individual's~~
 29 ~~contracted time;~~

30 ~~(B) A guidance counselor; or~~

31 ~~(C) A librarian.~~

32 ~~(o) All minimum salaries set forth in this section shall be for a~~
 33 ~~contract number of days that is not more than the number of days in the~~
 34 ~~school year required by the State Board of Education's regulations for~~
 35 ~~accreditation for the school year in which the contract is effective.~~

36 ~~(p)(1) A district that determines that it cannot meet the minimum~~

1 salary requirements of this section from funds available may petition the
2 Department of Education for a waiver of the requirements of this section for
3 up to three (3) school years based on regulations promulgated by the State
4 Board of Education.

5 (2) The department shall not grant a waiver to any district that
6 is not in compliance with the uniform rate of tax requirements under Arkansas
7 Constitution, Amendment 74.

8
9 ~~6-17-1002. Salary amount—Annual review.~~

10 (a) The salaries fixed herein shall be regarded as minimum salaries
11 only, and each district may supplement such salaries. No teacher shall
12 receive a reduced salary as a result of this subchapter's requirements.

13 (b) Base salary shall not be raised until all teachers within a
14 district are paid equal to or greater than the minimum requirements
15 established herein. Each school district shall develop its own salary
16 schedule with salaries equal to or greater than the required minimums set
17 forth herein.

18 (c) The Arkansas Teachers' Salaries Study Commission shall annually
19 review the minimum base salary and make recommendations to the Department of
20 Education, the Governor, and the General Assembly for such modifications as
21 the commission shall deem appropriate.

22
23 ~~6-17-1003. Enforcement—Appeal—Rules and regulations.~~

24 (a) The State Board of Education is empowered to enforce the
25 provisions of this subchapter and is specifically authorized to order the
26 dissolution and merger of any school district which fails to comply with the
27 minimum salary requirements established by this subchapter. Any appeal from a
28 decision of the board ordering the dissolution and merger of a school
29 district for failure to comply with the provisions of this subchapter shall
30 be filed in the Circuit Court of Pulaski County and must be filed within
31 thirty (30) days of the decision of the board.

32 (b) The board shall issue rules and regulations to implement this
33 subchapter.

34
35 ~~6-17-1004. Salary goals.~~

36 (a) The personnel policies committees and negotiating teams

~~established and maintained in Arkansas public schools are encouraged to set and meet five year goals to substantially increase teacher salaries. In setting realistic yet meaningful salary goals, the committees and teams shall consider exceeding the state, regional Southern Regional Education Board states, border states, or national average salaries for teachers.~~

~~(b) Within two (2), four (4), and five (5) years following the adoption of this section, school districts shall report to the Arkansas Teachers' Salaries Study Commission and the Department of Education the goals developed, adopted, and met.~~

SECTION 7. Effective Date.

This act shall become effective on July 1, 2004.

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