

DRAFT Modified LEARN FORMULA LEGISLATION DRAFT

December 2, 2003

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

6-20-XX01. Title.

This subchapter shall be known, and may be cited, as "The Equitable and Adequate Education Funding Act of 2003."

6-20-XX02. Legislative Findings.

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

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

(1) Assure each child in Arkansas the opportunity for an adequate education, regardless of where that child resides within the state;

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

(3) Assure that:

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

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

(ii) Mathematics skills; and

(iii) Science and social studies disciplines; and

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

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

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

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

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

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

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

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

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

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

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

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

6-20-XX03. Definitions.

As used in this act these terms shall have the following meanings, unless the context otherwise requires:

(a) INSTRUCTIONAL COMPONENTS:

(1) "Alternative Learning Environment" means an intervention program in compliance with Arkansas Code Ann. § 6-18-508 and 509, and 6-20-303 that seeks to eliminate traditional barriers to learning for students;

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

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

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

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

(3) "Catastrophic Special Education" means the state program that funds the costs of educating certain students in special education pursuant to A.C.A. §6-20-323(c) and rules promulgated by the Arkansas State Board of Education. The State Board of Education shall have regulatory authority to further define those costs that the state will provide under this program;

(4) "Classroom Teachers" means those certified personnel who spend seventy percent of their time interacting with students in a classroom setting teaching

grade level or subject matter appropriate classes with the exception of Physical Education, Art, and Music;

(5) "English Language Learning Students" means those students who have been identified as not proficient in the English language based upon a state approved English proficiency assessment instrument;

(6) "Extra Duty Pay for Teachers" means those amounts paid to teachers for duties performed outside of the course and scope of their duties in their contract;

(7) "Guidance Counselor" means an individual certified by the State Board of Education to provide counseling services to public school students;

(8) "Instructional Facilitators" means the certified personnel, who coordinate the instructional program, provide ongoing coaching and mentoring of teachers to change and improve instructional practice, and/or serve as technology coordinators for the school;

(9) "Instructional Materials" means those materials used to teach a class including, but not limited to, textbooks, trade books, work books, activity-oriented programs that may include manipulatives, hand-held calculators, or other hands-on materials, laboratory equipment, and equipment necessary for workforce education;

(10) "Librarians" or "Media Specialists" mean individuals certified by the State Board of Education as having the knowledge and skills in running a library or media center in a public school;

(11) "Local School District" means a geographic area with an elected board of directors which qualifies as a taxing unit for purposes of ad valorem property taxes under Title 26 of this Code and which conducts the daily affairs of public schools pursuant to the supervisory authority vested in it by the General Assembly and Title 6 of the Arkansas Code.

(12) "Miscellaneous Revenues" means the lesser of either the previous year or the average of the five (5) previous years of those funds received by a local school district from federal forest reserves, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, severance taxes, funds received by the district in lieu of taxes, and local sales and use taxes dedicated to

education pursuant to § 26-74-201 et seq., § 26-74-301 et seq., § 26-75-301 et seq., and § 14-164-301 et seq.;

(13) "Previous year" means the school year immediately preceding the school year in which funds are allocated to a local school district under this act;

(12) "Principal" means a certified individual employed by a school district who has administrative responsibility and instructional leadership for the planning, management, operation, and evaluation of a public school;

(13) "Professional Development" means a coordinated set of planned learning activities for teachers and administrators that are standards-based. It shall result in individual, school-wide, and system-wide improvement designed to insure that all students demonstrate proficiency in the state academic standards;

(14) "Pupil Support Staff" mean those individuals employed to provide health, safety, and/or social services to the students in a school.

(15) "School Type" means the classification given to each type of school.

(16) "Specialist Teachers" mean those certified personnel who spend seventy percent of their time interacting with students in a classroom specialty settings, as approved by the State Board of Education, teaching subjects including but not limited to physical education, art, and music;

(17) "Students/NSLA" those students eligible to receive free and or reduced priced meals under the National School Lunch Act;

(18) "Substitute Teachers" those individuals employed to temporarily replace classroom or specialist teachers when the classroom or specialist teachers are absent;

(19) "Supervisory Aids" those non-instructional individuals employed to supervise students, whether before or after school, during recesses, or lunch breaks;

(20) "Teachers for English Language Learning Students" those certified personnel responsible for teaching English students identified as English Language Learning Students;

(21) "Teachers for Special Education Students" those certified personnel who are primarily responsible for teaching students specified as special education under

the Individuals with Disabilities Act , 20 U.S.C. § 1400 et seq., or who are speech pathologists as defined by the State Board of Education;

(22) "Teachers for Students/NSLA" mean those certified personnel who are primarily responsible for helping NSLA students; and,

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

(b) NON-INSTRUCTIONAL AND SUPPORT COMPONENTS:

Total state sums expended in the prior school year to support activities not directly related to classroom learning divided by the prior total state year three quarter average daily membership. These include expenditures such as General Administration, Business Support, Operation and Maintenance Services, School Plant Services, Student Transportation Services, and Central Support Services. These expenditures do not include federal funds, debt service payments and capital expenditures.

6-20-XX04. Adequate Funding of Public Education

(a) Establishment of Foundation Amount: Each school shall be guaranteed a foundation amount of funding based upon the allocation of resources generated under this subsection. Provided that this section shall be construed only to allocate funds to a school and not mandate a particular salary for a particular position.

(1) Personnel Resources:

(A) Principal: For every school, a school district shall be allocated one principal funding unit for salary and benefits of seventy-one thousand eight hundred thirty-seven dollars (\$71,837);

(B) Instructional Facilitators: For every school, a school district shall be allocated a number of instructional facilitators equal to the average daily membership of that school divided by five hundred (500) times two and one-half (2.5), provided that every school shall have a minimum of one (1) instructional facilitator. Each instructional facilitator, or pro-ration thereof to one-tenth of a full-time equivalency, shall carry a teacher funding unit for salary and benefits of forty seven

thousand one hundred and twenty five dollars (\$47,125);

(C) Classroom Teachers: for every school, a school district shall be allocated funding for the following number of classroom teachers, based on the average daily membership of that school:

(i) For every twenty (20) students in average daily membership in kindergarten through third grade (K-3), one (1) teacher pro-rated to one-tenth (0.1) of a full-time equivalency;

(ii) For every twenty-five (25) students in average daily membership in fourth through twelfth grade (4-12), one (1) teacher pro-rated to one-tenth (0.1) of a full-time equivalency; and,

(iii) Each classroom teacher or pro-ration thereof to one-tenth of a full-time equivalency, shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125) for each classroom teacher, or pro-ration thereof to one-tenth of a full-time equivalency;

(D) Specialist Teachers: for every classroom teacher, a school will be allocated two-tenths (0.2) of a full-time equivalency for specialist teachers, which shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125) for each specialist teacher, or pro-ration thereof to one-tenth of a full-time equivalency;

(E) Teachers for NSLA Students: For every school, a school district shall be apportioned one (1) teacher funding unit for NSLA students for every one hundred (100) NSLA students pro-rated down to one-tenth (0.1) of a full-time equivalency, with the exception that each school will be guaranteed at least one (1.0) teacher for NSLA students, which shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125) for each teacher for NSLA students, or pro-ration thereof to one-tenth of a full-time equivalency;

(F) Teachers for English Language Learning Students: For every school, a school district shall be funded a four-tenths (0.4) teacher for every one hundred (100) English language learning students, pro-rated to one-tenth (0.1) of a full-time equivalency, which shall carry a funding unit of forty seven thousand one

hundred and twenty five dollars (\$47,125) or pro-ration thereof to one-tenth of a full-time equivalency;

(G) Teachers for Alternative Learning Environments: For every school, a school district shall be allocated one (1) teacher for alternative learning environments for every fifteen (15) students, as defined by State Board of Education Rules in alternative learning environments pro-rated to one-tenth (0.1) of a full-time equivalency, which shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125) or pro-ration thereof to one-tenth of a full-time equivalency;

(H) Teachers for Special Education: For every school, a school district shall be allocated a number of teachers for special education equal to the average daily membership of that school divided by five hundred (500) times two and nine-tenths (2.9) pro-rated to one-tenth (0.1) of a full-time equivalency, so long as each school has a minimum of one-half (0.5) teachers for special education, which shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125) or pro-ration thereof to one-tenth of a full-time equivalency;

(I) Pupil Support Staff: For every school, a school district shall be allocated:

(i) If the school type is an elementary school, one (1) pupil support staff person for every one hundred (100) NSLA students pro-rated to one-tenth (0.1) of a full-time equivalency;

(ii) If the school type is middle school, one (1) pupil support staff person for every one hundred (100) NSLA students pro-rated to one-tenth (0.1) of a full-time equivalency, and one (1) guidance counselor for every five hundred (500) students in average daily membership pro-rated to one-tenth (0.1) of a full time equivalency;

(iii) If the school type is high school, one (1) pupil support staff person for every one hundred (100) NSLA students pro-rated to one-tenth (0.1) of a full-time equivalency, and two (2) guidance counselors for every five hundred (500)

students in average daily membership pro-rated to one-tenth (0.1) of a full time equivalency;

(iv) Each school will be guaranteed at least one (1.0) pupil support staff person, notwithstanding the calculations under this paragraph;

(v) Each pupil support staff person shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125), or pro-ration thereof to one-tenth (0.1) of a full-time equivalency;

(J) Librarians or Media Specialists: For every school, a school district shall be allocated:

(i) If the school type is middle school, one (1) librarian for every five hundred (500) students in average daily membership pro-rated to one-tenth (0.1) of a full time equivalency;

(ii) If the school type is high school, one and one-half (1.5) librarians for every five hundred (500) students in average daily membership pro-rated to one-tenth (0.1) of a full time equivalency;

(iii) Each middle or high school will be guaranteed at least one-half (0.5) librarian, notwithstanding the calculations under this paragraph;

(iv) Each librarian shall carry a funding unit of forty seven thousand one hundred and twenty five dollars (\$47,125), or pro-ration thereof to one-tenth (0.1) of a full-time equivalency; and,

(K) Substitutes: For every classroom or specialist teacher allocated under this section, each school district shall be provided ten (10) days for substitutes, which shall carry a funding unit of-sixty-nine dollars (\$69) per day, including benefits;

(2) Per-pupil Resources:

(A) Professional Development: For every school, a school district shall be allocated fifty dollars (\$50) per average daily membership in that school;

(B) Technology: For every school, a school district shall be allocating one hundred seventy-five dollars (\$175) per average daily membership in that school;

(C) Instructional Materials: For every school, a school district shall be allocated two hundred fifty dollars (\$250) per average daily membership in that school;

(D) Extra Duty Funds: For every school, a school district shall be allocated:

(i) If the school type is middle school, then sixty dollars (\$60) per average daily membership in that school;

(ii) If the school type is high school, then one hundred twenty dollars (\$120) per average daily membership in that school; and,

(E) Supervisory Aids: For every school, a school district shall be allocated thirty-five dollars (\$35) per average daily membership in that school;

(3) Non-Instructional Resources:

The Non-Instructional resources shall be \$1,152 per district total ADM for the 2005 fiscal year.

(4) Total Foundation Amount: The total foundation amount shall be the aggregate sum of funds allocated under subsection (1), (2), and (3) of this section.

(b) Calculation of the distribution of state aid to local school districts: State revenues to school districts will be an amount equal to the difference between:

(1) The total foundation amount for the school district; and,

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

(c)(1) Adjustment of Funding for schools that experience increases ADM: For any school that has an increase in the two quarter ADM compared to the prior year three quarter ADM, the school and district foundation amount shall be recalculated and funded based on the adjusted growth.

(2) No school or school district shall lose state revenues because of the adjustment in subsection (c)(1).

(d) Disbursement of funds authorized:

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

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

6-20-XX05. Miscellaneous Provisions.

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

(b) The State Board of Education shall have authority, acting pursuant to its rule-making powers, to adopt regulations for the implementation of the provisions of this subchapter in compliance with the "Legislative Intent" found herein.

(c) If the department shall determine that an overpayment has been made to a local school district in any funding category authorized by this subchapter, the department is authorized to withhold the overpayment from current funding of the school district and is authorized to transfer the amount withheld for the overpayment to the line item appropriation from which the overpayment was initially made.

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

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

(1) Expenditures for any fiscal year shall not exceed the legal revenues for that year available to the district as determined by state law or regulations of the State Board of Education;

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

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

(4) The district shall file with the State Board of Education annually a salary schedule for its certified employees which recognizes a minimum level of training and experience. This schedule shall reflect the actual pay practices of the district, including salary and benefits, as well as salary increments for experience or education, or both.

(5) All pupil attendance records shall be kept in their original form and shall be public records. They shall be kept according to law and regulations, on paper or electronic forms either furnished or approved by the department. Original attendance records shall be kept on file in the office of the superintendent of schools after the school term is ended for a period of three (3) years, and these records shall be available for monitoring purposes;

(f) Local school districts may not include the cost of substitute teachers, extended contracts for extracurricular activities, or supplementary pay for extracurricular activities in meeting the minimum teacher salary schedule for student classroom teacher salaries.

SECTION 2. Expenditure Requirements

6-21-xx01. Title. This subchapter shall be known, and may be cited, as "The Arkansas Educational Expenditure and Adequacy Act of 2003."

6-21-xx02. Legislative Findings.

(a) The General Assembly recognizes that the Arkansas Supreme Court has determined that there are sharp disparities among school districts in the expenditures per pupil and the education opportunities available as reflected by staff, class size, curriculum, remedial services, facilities, materials and equipment.

(b) The General Assembly recognizes that the Arkansas Supreme Court has determined that it is the State's responsibility, first and foremost, to develop forthwith what constitutes and adequate education in Arkansas. Next, the State's responsibility is to assess, evaluate, and monitor, not only the lower elementary grades for English and math proficiency, but the entire spectrum of public education across the state to determine whether equal educational opportunity for an adequate education is being substantially afforded to Arkansas' school children.

(c) The General Assembly recognizes that the Arkansas Supreme Court has determined, that it is the State's responsibility to monitor and know how state funds are being spent, and whether each student is receiving an opportunity for an adequate education.

6-21-xx03 School District Adequate Expenditure Requirements.

(a) In order to assure an equal educational opportunity for an adequate education to all students in Arkansas public school districts every school district shall:

(1) Not allow expenditures or obligations incurred for a school district for any fiscal year to exceed the legal revenues for that year except as permitted by law.

(2) At a minimum, in school year 2004-2005, pay the district's teachers pursuant to and based upon a salary schedule as required in Section 5, 6-17-2304 of this act;

(3) At a minimum, in school year 2005-2006 and each year thereafter, pay the district's teachers pursuant to and based upon a salary schedule as set forth in this act;

(4) At a minimum, shall establish the staff of personnel resource positions, for which the district received guaranteed foundation funding, pursuant to Section 1, 6-20-xx04 (a) (1) of this act and pay the required salary expenditures for those teacher staff positions as set-forth in sub-paragraphs (2) and (3) above, and;

(5) At a minimum, expend an aggregate amount of foundation resources equivalent to the amount of foundation resources received in each specific categorical area set-forth in and pursuant to Section 1, 6-20-xx04 of this act.

(a) To the extent a school district has met the minimum adequate expenditure requirements in paragraph (a) of this subsection, no school district shall be

prohibited from expending greater resources than those expenditure requirements required in paragraph (a) to enhance the educational opportunities of students in that district.

(b) All minimum adequate expenditures of a school district necessary to meet the requirements set-forth above shall be from those foundation funding resources provided to a school district pursuant to Section 1, 6-20-xx04 of this act. No school district shall use any other funding resources to meet the minimum adequate expenditure requirements in paragraph (a) of this section.

(c) Each school district shall account for all expenditures including the required minimum adequate foundation expenditures by reporting such expenditures to the Arkansas Department of Education pursuant on such forms as the Department shall promulgate.

(d) Any licensed school teacher or administrator that provides false expenditure information may have their license placed on probation, suspended, or revoked pursuant to rules promulgated by the State Board of Education.

SECTION 3. Arkansas Code Title 6, Chapter 20, is amended to add the following new subchapter: Arkansas Code Title 6, Chapter 20, is amended to add the following new subchapter:

6-22-xx01. Title.

This subchapter shall be known, and may be cited, as "The Arkansas Educational Adequacy Accounting Act of 2003."

6-22-xx02. School District budget and expenditure report.

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

(2) Each district shall submit a report detailing how the school district has complied with the expenditure requirements of § 6-21-xx03 by August 15 of each year.

(23) Each budget, approved by the board of directors, of the district in a legally held meeting and signed by the president of the board and the ex officio financial secretary of the district, shall contain the information and be prepared in the electronic format as prescribed by the State Board of Education rules governing financial accounting for Arkansas public school districts.

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

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

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

(2) All grants and aids from the state for which the district may be eligible shall be suspended until the requirements of this subchapter are met.

(c)(1) school districts budgets filed as required by this section shall be reviewed by the *auditors of the financial accountability office of the* department to determine if the requirements of the statutes and the ~~regulations~~ *rules* of the state board regarding the ~~coding or earmarking or~~ use of school funds *and expenditure requirements set-forth in § 6-21-xx03* are being met.

(2) Upon approval, copies of the approved budget shall be filed with the school district, the county treasurer if serving as school treasurer, and the department.

(d)(1) The ex officio financial secretary of each school district shall keep a record of the expenditures and receipts of the district in the manner and on the forms as may be specified by the ~~State Board rules and~~ *the School Audit Section of the Division of Legislative Audit.*

(2) When the *auditors of the financial accountability office of the* department or the School Audit Section of the Division of Legislative Audit determine

that the financial records of any school district are not being properly kept or that the financial affairs of the district are not being administered in accordance with state law or board *rules* regulations, grants and aids from the state to which the district may be entitled shall be withheld until it can be determined that the fiscal records of the district are in order or that the financial affairs are being properly administered as established by statute or by *rule* regulation promulgated by the board so long as the department has met all deadlines for providing information to school districts.

(e)(1) The department may withhold state aid from any school district that fails to file its budget or any other required report with the department by the deadline established by statute or by *rule* regulation promulgated by the board so long as the department has met all deadlines for providing pertinent information to school districts.

(2) The department shall submit a list of all required *financial accountability* reports, with due dates, to each school district on or before July 1 of each year.

(f) The board shall promulgate the necessary *rules* regulations to fully implement the provisions of this section.

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

6-22-xxxx. Uniform Budget and Accounting System Required.

(a) The State Board of Education shall adopt by rule and regulation a uniform budget and accounting system for school districts, education service cooperatives and open-enrollment charter schools.

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

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

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

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

6-22-xxxx. Reporting of expenditures.

(a) The State Board of Education shall adopt by rule and regulation what expenditures each public school or public school district shall report on its annual public school performance report authorized by §§ 6-15-1401, et seq.

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

- (1) Total expenditures;
- (2) Instructional expenditures;
- (3) Administrative expenditures;
- (4) Extracurricular expenditures;
- (5) Capitol expenditures; and
- (6) Debt service expenditures.

6-22-xxxx. Monitoring of Expenditures.

(a) The Department of Education shall create and maintain a database of public school expenditures that allows for the gathering of data on separate functions and programs as explicated in Section 1 of this Act.

(b) The Department of Education shall have the authority to analyze and inspect the financial records of any public school or public school district in order to verify that a public school or public school district is correctly and accurately

reporting expenditures.

(c) The Department of Education shall annually submit a summary report to the State Board of Education, the Governor, and the Senate and House Joint Interim Committee on public school and public school district expenditures as outlined in Section 4 of this Act.

6-22-xxxx. Controlling Level and Types of Expenditures.

(a) Using three (3) years of data that has been gathered under the provisions of this act or using other similar data for years prior to the adoption of this act, but using at least three (3) years of data, the State Board of Education shall by rule and regulation allow the Department of Education to set and annually review expenditure levels for the different types of expenditures explicated under Section 4 of this Act.

(b) Using three (3) years of data that has been gathered under the provisions of this act or using other similar data for years prior to the adoption of this act, but using at least three (3) years of data, the State Board of Education may by rule and regulation set restrictions on the types of expenditures for which public schools or public school districts may use educational funds.

(c) Once the State Board of Education has enacted a rule and regulation under this section, the State Board of Education shall annually review the limits that have been set.

6-22-xxxx. Required training.

(a)(1) Any individual whose job responsibility includes preparing the budget or recording expenditures shall obtain a minimum of six (6) hours of training and instruction, including but not limited to the school laws of Arkansas, and the laws, and rules and regulations governing the expenditure of public education funds, fiscal accountability, school finance, and ethics by within the first six (6) months of acquiring that position of authority. Each year thereafter, any individual whose job responsibility includes preparing the budget or recording expenditures shall obtain training and instruction, including but not limited to the school laws of Arkansas and the laws, rules and regulations governing the expenditure of public education funds, fiscal

accountability, school finance, and ethics by December 31 of each calendar year. Hours of training and instruction obtained in excess of the minimum requirements may cumulate and be carried over from year to year.

_____ (2) This instruction may be received from an institution of higher learning in this state, from instruction sponsored by the Department of Education, or by an in-service training program conducted by the Arkansas Association of School Business Officials or some other provider. Any instruction provider other than ~~not provided by~~ the Department of Education shall ~~be request~~ pre-approval as to form and content by the Department of Education.

_____ (3) Any individual completing thirty (30) hours of instruction shall receive a certification of initial mastery.

_____ (4) Should any individual covered under this section fail to obtain required training by the end of the calendar year, and fail to cure this deficiency by March 1 of the following calendar year and no time extension request has been filed, as determined by the records of the Department of Education, that individual shall be unable to continue in that position from the date or receipt of notification by the superintendent. The Department of Education shall immediately notify the superintendent by certified mail, return receipt requested, with a copy to the board president, of this situation.

_____ (5) Should any individual covered under this section fail to obtain all required training by the end of the calendar year, this failure shall constitute one (1) citation against the district as measured by the Arkansas Standards of Accreditation for Public Schools. In the event that an individual covered under this section be unable to obtain required training as required for reason of military service of the individual or illness of the individual verified by a written sworn statement of the individual's attending physician, the Department of Education shall grant a time extension permitting the individual additional time to obtain required training. The issuance of such a time extension shall not constitute a citation against the district as measured by the Standards of Accreditation and shall not operate to remove the individual from their employment.

(b) Local school district boards of directors are authorized to pay per diem and other necessary expenses from funds belonging to the school district and to reimburse any individual covered under this section for expenses incurred in attending in-service workshops, conferences, and other courses of training and instruction required in completing the hours of instruction as required in subsection (a) of this section or other instruction as authorized and approved by the school district board of directors.

(c) The State Board of Education shall modify the Standards of Accreditation as required herein, and it shall be the responsibility of the Department of Education to receive and maintain records of instructional hours obtained by any individual covered under this section. The State Board of Education is authorized to promulgate rules and regulations consistent with the provisions and intent herein.

6-22-xxxx. Penalties.

Any public school district that does not follow the provisions of this section shall be placed in Fiscal Distress under §§ 6-20-190, et seq.

6-22-xx03 Rule making authority.

(a) Prior to the 2004-2005 school year the Department of Education shall promulgate rules governing and providing compliance with an established uniform chart of accounts for budgeting of revenues and expenditures and financial reporting in order for school districts to comply with § 6-22-xx02. These rules shall be applied to all school districts on a pilot basis for the 2004-2005 school year.

(b) The Department shall promulgate amended rules governing and providing a uniform chart of accounts for budgeting of revenues and expenditures and financial reporting in order for school districts to comply with § 6-22-xx02. These rules shall apply to all school districts for enforcement purposes beginning with the 2005-2006 school year and every school year thereafter.

(c) Any school district that fails to comply with the law or rules governing and providing a uniform chart of accounts for budgeting or revenues and expenditures and financial reporting shall be deemed in fiscal distress and subject to the enforcement provisions of § 6-20-1901 et seq.

(d) Any school district that fails to comply with the expenditure requirements of § 6-21-xx03 shall be deemed in fiscal distress and subject to the enforcement provisions of § 6-20-1901 et seq.

SECTION 4. Differentiated Teacher Compensation Program: Arkansas Code Title 6, Chapter 17, is amended to add the following subchapter:

6-17-2301. Title.

This subchapter shall be known and may be cited as the "Differentiated Teacher Compensation Program of 2003."

6-17-2302. Legislative Intent.

The intent of this subchapter is for the State of Arkansas to create a teacher compensation system that has the following objectives:

(1) A compensation system that drives improvements in student academic achievement;

(2) A compensation system that attracts and retains the best teachers possible;

(3) A compensation system that provides teachers with meaningful and rewarding opportunities for advancement in the profession based on the acquisition of skills that enhance instructional excellence and student learning, taking on leadership roles, and making exceptional professional contributions;

(4) A compensation system that motivates and provides financial incentives for teacher efforts and performance that leads directly to improved student achievement;

(5) A compensation system that encourages and rewards teachers individually for increasing their knowledge, skills, and competencies, and rewards teachers collectively for improving student performance;

(6) A compensation system that promotes a sense of ownership for student results and a commitment to perform in a manner that promotes student

achievement;

(7) A compensation system that promotes professional collegial cooperation;

(8) A compensation system that as a result of the compensation program, teachers have a keen understanding of what is expected of them and the priorities of the state; and

(9) A compensation system that will be affordable, somewhat predictable, and in keeping with the state's educational and fiscal objectives.

6-17-2303. Definitions. For the purposes of this subchapter, the following terms shall have the following meaning unless the context demands otherwise:

(1) "Basic contract" shall mean a contract number of days that is not more than the number of days in the school year required by the state board's for accreditation for the school year in which the contract is effective;

(2) "Knowledge and Skills Based Pay system" is the compensation system explicated by Arkansas Code §§ 6-17-2305;

(3) "School Based Performance Awards" shall mean the compensation system explicated in Arkansas Code § 6-17-2308;

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

6-17-2304. Minimum Teacher Compensation Schedule for 2004-2005.

(a) In school year 2004-2005, the board of directors in each school district in the state shall pay their teachers upon a salary schedule that has annual increments for education and experience, that provides for a base salary, a minimum salary for a teacher with a master's degree, and that has at least fifteen (15) years of experience as described in this section.

(b)(1) In school year 2004-2005, each school district in the state shall have in

place a salary schedule with at least the following levels of compensation for the basic contract:

<u>Years Experience</u>	<u>BA Degree Salary</u>	<u>MA Degree Salary</u>
0	\$29,000	\$32,279
1	29,444	32,789
2	29,888	33,299
3	30,332	33,809
4	30,776	34,319
5	31,220	34,829
6	31,664	35,339
7	32,108	35,849
8	32,552	36,359
9	32,996	36,869
10	33,440	37,379
11	33,884	37,889
12	34,328	38,399
13	34,772	38,909
14	35,216	39,419
15 years or more	35,660	39,929

(2) For purposes of the salary schedule explicated in this subsection, the teacher's experience shall be his or her total years in any public 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.

6-17-2305. Knowledge and Skills Based Pay after 2004-2005.

(a) In school year 2005-2006 and each year thereafter, the board of directors in each school district in the state shall pay their teachers upon a salary schedule that has annual increments for education and experience, that provides for a base salary, a minimum salary for a teacher with a master's degree, and that has at least fifteen (15)

years of experience as described in this section.

(b)(1) In school year 2005-2006 and each year thereafter, each school district in the state shall have in place a salary schedule with at least the following levels of 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>2</u>	<u>29,580</u>	<u>2.0%</u>
	<u>3</u>	<u>30,172</u>	<u>2.0%</u>
<u>Emerging Career</u>	<u>1</u>	<u>33,038</u>	<u>9.5%</u>
	<u>2</u>	<u>33,669</u>	<u>2.0%</u>
	<u>3</u>	<u>34,373</u>	<u>2.0%</u>
<u>Career</u>	<u>1</u>	<u>37,638</u>	<u>9.5%</u>
	<u>2</u>	<u>38,391</u>	<u>2.0%</u>
	<u>3</u>	<u>39,159</u>	<u>2.0%</u>
	<u>4</u>	<u>39,942</u>	<u>2.0%</u>
<u>Master</u>	<u>1</u>	<u>43,736</u>	<u>9.5%</u>
	<u>2</u>	<u>44,661</u>	<u>2.0%</u>
	<u>3</u>	<u>45,503</u>	<u>2.0%</u>
	<u>4</u>	<u>46,413</u>	<u>2.0%</u>
<u>Arkansas Fellow</u>	<u>1</u>	<u>50,823</u>	<u>9.5%</u>

(2) For the purposes of the Knowledge and Skills Based Pay system, when a teacher moves from one district to another, the teacher shall be placed in an equivalent position in terms of skill level and steps within the level on the salary schedule of the school district to which the teacher moves.

(c)(1) No individual without a standard teaching license issued by the State Board of General Education may advance from the Entry Skill Level to the Emerging Career Skill Level.

(2) For an individual to advance from the Emerging Career Skill Level to each successive skill level, that individual must demonstrate sufficient increases in

knowledge and skills, and the ability to use those knowledge and skills to advance student achievement, in accordance with rules promulgated by the State Board of General Education.

(3) If an individual no longer demonstrates the knowledge and skills, and the ability to use those skills to advance student achievement, then that individual would be given one (1) year to increase their knowledge and skills appropriate to that Skill Level, otherwise that individual shall be lowered to the appropriate skill level.

(4) An individual must remain in the Emerging Career Skill Level for at least one (1) year before attempting to be promoted to the Career Skill Level. An individual must spend at least three (3) years in the Career Skill Level before attempting to be promoted to the Master Skill Level.

(5) The Arkansas Fellow Skill Level is for teachers who achieve and apply extraordinary expertise in the classroom.

(d) Any individual who has reached the highest Step Within Level without advancing to the next Skill Level shall continue to receive increases in teacher pay equal to two percent (2.0%). When that individual then advances to the next Skill Level, the individual's compensation shall increase by nine and a half percent (9.5%) and shall continue to increase by two percent (2.0%) each year thereafter.

6-17-2306. Transition from the compensation system in Arkansas Code § 6-17-2304 to the compensation system in Arkansas Code § 6-17-2305.

(a)(1) Prior to July 1, 2004, the State Board of General Education shall promulgate rule to implement all aspects of the Knowledge and Skills Based Pay explicated in Arkansas Code 6-17-2305.

(2) The State Board of General Education shall work in cooperation with the House Interim Committee on Education and the Senate Interim Committee on Education and any subcommittees created thereby while creating these rules .

(b) During the 2004-2005 school year, the Bureau of General Education shall pilot and evaluate the Knowledge and Skills Based Pay system explicated in Arkansas Code 6-17-2304 in a limited number of school districts.

(c) During the 2004-2005 school year, the Bureau of General Education shall preliminarily determine where each teacher will be located on the Knowledge and Skills Based Pay system explicated in Arkansas Code 6-17-2305.

(d) Beginning July 1, 2005, the Knowledge and Skills Based Pay system explicated in Arkansas Code 6-17-2305 shall be in full force and effect.

6-17-2307. Additional pay for certain teacher qualities.

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

(2) The State Board of General Education shall annually determine in which academic areas there is a shortage of teachers.

(b)(1) For the school year 2004-2005 and every school year thereafter, school districts shall pay an additional five percent (5.0%) of a teacher's salary if that individual teaches in a geographic area in which there is a difficulty in recruiting and retaining teachers.

(2) The State Board of General Education shall annually determine the geographic areas in which there is a difficulty in recruiting and retaining teachers.

(c)(1) For the school year 2005-2006 and every school year thereafter, school districts shall pay an additional five percent (5.0%) of a teacher's salary if that individual possesses academic credentials that are above what is needed for a standard teaching license.

(2) The State Board of General Education shall promulgate rules that explicate which academic credentials will qualify for this type of incentive pay.

6-17-2308. School based performance awards.

(a)(1) For the school year 2004-2005 and each year thereafter, the Bureau of Education shall pay four different levels of school based performance awards to individual schools that show excellence in meeting state performance goals.

(2) The State Board of General Education shall promulgate rules that explicate how it will be calculated that individual schools qualify for these awards.

(b)(1) The amount of the school based performance award shall be based upon the extent to which the school accomplished established student achievement goals:

(A) For a school that did not accomplish the goals there would be no award;

(B) For a school that had basic accomplishment of the goals, the award would be equal to one thousand dollars (\$1,000) per certified teacher and administrator in the school plus five hundred dollars (\$500) for support staff in the school;

(C) For a school that had accomplished targeted improvement goals, the award would be equal to two thousand dollars (\$2,000) per certified teacher and administrator in the school plus one thousand dollars (\$1,000) for support staff in the school; and

(D) For a school that exceeded the targeted improvement goals, the award would be equal to three thousand dollars (\$3,000) per certified teacher and administrator in the school plus one thousand five hundred dollars (\$1,500) for support staff in the school.

(2) The State Board of General Education shall promulgate rules that explicate what the student achievement improvement goals are and how they will be determined.

6-17-2309. Monitoring and assessment of the compensation system.

(a) The State Board of General Education shall promulgate rules establishing a system that monitors and assesses the implementation and continuation of the Knowledge and Skills Based Pay system as well as the School Based Performance Awards.

(b) The Director of the Bureau of Education shall establish a unit within the Bureau that will be charged with monitoring, training, and assessing necessary under this subchapter.

6-17-2310. Future adjustments of the compensation system.

Every biennium the House and Senate Interim Committees on Education shall analyze the compensation levels explicated under this subchapter based upon relevant available data and shall make recommendations to the General Assembly of any adjustments to the compensation levels deemed necessary to further the objective explicated in Arkansas Code § 6-17-2302.

SECTION 7. Funding of Open-Enrollment Charter Schools.

Funding for Open-enrollment Charter Schools will be distributed base on rules promulgated by the State Board of Education and available funding.

SECTION 8. Regulatory Authority of the State Board of Education.

The State Board of Education shall have complete authority to implement any rules necessary to implement, clarify, or establish any and all provisions of this act as long as those rules are not in direct conflict with the explicit terms of this act.

SECTION 9- XX. The following code sections are repealed.

Arkansas Code Title 6, Chapter 17, Subchapter 11.

Arkansas Code Title 6, Chapter 20, Subchapter 3.

Arkansas Code Title 6, Chapter 20, Subchapter 6.

SECTION YY. Effective Date.

Unless otherwise indicated, the effective date of this act shall be July 1, 2004.