



Research Report



Executive Summary

Background

In 2003, Lawrence O. Picus and Associates (Picus) completed the first Arkansas K-12 adequacy study. That study included funding and staffing recommendations based on a school size of 500 students. Senator Dave Bisbee is widely credited with converting that school-based funding formula to a matrix that could be used to determine the per-pupil level of foundation funding.

The legislature adopted the Bisbee matrix during the Second Extraordinary Session of 2003. The General Assembly also passed Act 57 of the Second Extraordinary Session of 2003, amended by Act 1204 of 2007, which requires the legislature to conduct an adequacy study each biennium to assess needs related to providing an adequate education for all Arkansas K-12 students. Picus was selected to perform the first follow-up study with help from the Bureau of Legislative Research (BLR) staff. The resulting 2006 report used the Bisbee matrix to make recommendations on funding levels and called for some minimal restructuring (recalibration) of the matrix itself. In its final ruling associated with "Lake View" in May 2007, the Arkansas Supreme Court held that the state's system of funding public schools met the constitutional requirements of providing an adequate education and substantially equal educational opportunity for all of the state's public school children (Lake View, 2007).

Committee Process

Following the 2007 session, the House and Senate Interim Committees on Education made the Joint Adequacy Evaluation Oversight Subcommittee responsible for conducting the Act 57 study and making recommendations to the Education Committees in 2008. As part of the Act 57 process, the Adequacy Subcommittee will receive input from many sources, including this BLR study consisting of a web survey of all 245 districts and site visits to 74 sample schools. Other sources include the Arkansas Department of Education (ADE), school districts, teacher organizations, administrative organizations and various outside experts. Following the receipt of the recommendations, the Education Committees will prepare the final Act 57 report and submit it to the President Pro Tempore of the Senate and the Speaker of the House of Representatives by September 1, 2008.

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Purpose

The purpose of this 2007-08 resource utilization study is to determine how districts and schools are using resources to provide a substantially equal opportunity for an adequate education to public school students.

Act 57 of the Second Extraordinary Session of 2003, A.C.A. § 10-3-2101 et seq., requires the House and Senate Education Committees to use the *Lake View* opinion as their "guidepost." Therefore, this report compares the results of the utilization study conducted by the BLR with the current funding matrix (the matrix) to determine whether schools use the funding the way the legislature intended. It addresses the extent to which schools are successful in providing staffing and student programs that legislators envisioned. This report provides limited cost information reported by schools for some of the matrix items, but it does not attempt to assess whether funding levels are sufficient for these resources. The need for cost-of-living or other funding level adjustments, if any, will be reviewed separately by the Adequacy Subcommittee.

Methodology

This study replicates the methodology of the 2006 Picus study. BLR staff surveyed all 245 districts through a web survey and conducted on-site interviews with staff at 74 schools. The 74 schools were randomly selected after eliminating the schools included in the 2006 Picus study. A statistical analysis indicated that 67 schools would provide a representative sample. Seven additional schools were selected to ensure the proper sample size.

The study provides state-level data related to school size and to each line item of the current matrix for the 2007-09 biennium. Additionally, the study provides state-level data for each of the categorical funding programs, which include:

- 1) National Student Lunch Act (NSLA) (This category of state funding is based on the poverty data used for the federal National Student Lunch Act. However, the state program should not be confused with the federal school lunch program. The state NSLA program provides extra funding to schools for the education of students in poverty.)
- 2) English Language Learners (ELL)
- 3) Alternative Learning Environments (ALE)
- 4) Professional Development (PD)

It also provides a comparative analysis of the matrix and sample schools for various groupings of schools and districts. These groupings include grade level, school size, poverty, minority population, and student achievement. Other supplemental data related to teacher and staff experience as well as expenditure data for some of the matrix components and categorical programs are listed as well.

Conclusions

The matrix is the basis for determining a level of foundation funding. It was not intended to reimburse schools for actual expenditures but rather to establish a level of funding that is adequate for Arkansas schools to meet standards and to provide a substantially equal opportunity for an adequate education to the state's public school students. Districts bear responsibility for operating in an efficient and effective manner that focuses first on adequate academic instruction for their students. The variety of needs for different districts and their student characteristics make it unlikely that all individual matrix line items will fit all schools equally well, which is why the matrix is not mandated. This study reviewed each line item of the matrix in an effort to identify how schools are using these increased resources. Some of the most important results are summarized below.

Elective or PAM Teachers

School-level personnel salaries represent 69% of the FY 2008-09 matrix funding. The largest portion of those salaries are for core teachers and elective or PAM teachers. In 2006, Picus reported that 40% of school personnel were PAM teachers rather than 20% as Picus recommended and the matrix funded. Picus stated that a higher ratio of core teachers to elective or PAM teachers is needed to improve achievement scores. This BLR study found that 38% of school personnel are elective or PAM teachers. As can be seen in the detailed analysis found in Volume 2, 46% of middle school personnel and 40% of high school personnel are elective or PAM teachers.

Instructional Facilitators

The number of instructional facilitators has increased since the 2006 Picus report. In that report, Picus found that, on average, schools employed 0.45 of an instructional facilitator. This BLR study found that schools have, on average, 1.9 instructional facilitators, compared with the matrix funding for a minimum of 2. The numbers in the 2006 report may have been higher than reported due to confusion in the terminology for this position. This level of staffing for instructional facilitators is a positive step in school organizations. Picus recommended that it be pulled out of the matrix due to the apparent low number of instructional facilitators and the consultants' views about the importance of this strategy for improving achievement.

Carry-Forward

In 2007, the carry-forward for FY 2007-08 and 2008-09 was broken into three distinct funding components. A secretary position that was formerly in the carry-forward was taken out of that line item and added as its own line item in the school-level personnel section of the matrix. In addition to adding funding for that position in another area, the total funding for the remaining components of the three new line items was increased by 3.1%.

Fund Balances

The variance in the levels of fund balances carried by districts is large. For all districts, the net legal fund balance of \$1,227 per student is 22%. The net legal fund balance ranges from \$31.05, or 0.55% per student, to \$5,817.60, or 102.75% per student. The district with 102.75% had a year's worth of foundation funding unspent. Additionally, some districts had large balances for other funds including a building fund balance of \$35.8 million and a large categorical fund balance of \$2.7 million.

Education Funding Outside the Matrix

The matrix, which is the basis for the level of foundation funding, is not the only funding provided for an adequate education. It is not intended to cover all operational funding for schools. Other sources of funding available to schools are: state categorical funding, state growth funding, funding for declining enrollment, isolated funding, special needs isolated funding and other state grants from ADE; federal funding from a variety of federal programs; and in some cases, a portion of the local mills above state URT. Furthermore, some districts have substantial earnings from investment income and interest income on fund balances.

Options

The need for updating existing funding levels will not be addressed in this report. However, the Adequacy Subcommittee has several options for responding to concerns it may have related to the use of resources. The options are:

- Identify additional items (such as adding a secretary) to be included within a matrix line item.
- Move matrix line items outside the matrix to categorical to ensure that spending for those items is as intended.
- Mandate line item minimums for some components of the matrix such as technology.
- Mandate identified line items for only those schools with poor academic performance.
- Recommend incentives for certain expenditure reductions, such as reduced utility costs.
Request additional review or study for an individual line item.

In closing, the state should assure itself that educational funding is being spent in efficient, innovative ways that promote the use of research-based educational strategies and does not continue to be spent on strategies that have not been confirmed by research.