

TESTIMONY

Presented by
EDUCATION ADVOCACY ORGANIZATIONS

Before the
**HOUSE AND SENATE INTERIM COMMITTEES ON EDUCATION
OF THE
ARKANSAS GENERAL ASSEMBLY**

Regarding the Adequacy of
THE ARKANSAS PUBLIC EDUCATION SYSTEM

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Arkansas Advocates for Children and Families
Written Adequacy Testimony
Submitted on December 30, 2015

What do our school children need to increase academic achievement? What are the components of an adequate education system? The Supreme Court signed off on a funding matrix as a way to determine the inputs for an adequate system and left the allocation of dollars related to those inputs to our state's legislative body. Since 2004, we have had many, many, many discussions about adequacy, yet we have not yet managed to achieve all that we wish for our children. And, while test scores have generally improved since the original Lake View decision, the achievement gap is still present. In 2013, while 80% of white third graders could read proficiently, only 76.9% of Hispanic third graders and 67.6% of black third graders could do so.¹ What can we change in how we allocate our dollars so that *all* of our children are achieving?

1. Fully fund our quality early childhood education program

Early childhood education is one of the most studied and most impactful education programs. Not only does quality pre-k lead to higher levels of Kindergarten readiness, but it leads to higher salaries later in life. We have written time and again about the amazing, meaningful results of quality pre-k both throughout the country and here in Arkansas. Here are the key points:

- A vast amount of brain development occurs from birth to age five. Before age three, eighty-five percent of a child's core brain structure is formed. Our earliest experiences form the foundation for all of our future learning, they provide the 'wiring' that we use to learn how to read, how to critically think, how to set and reach goals, and how to adapt to new situations.
- Not only do our brains get wired for learning in these early years, but data shows that the quality of early childhood development strongly influences health, social, and economic outcomes.
- A recent study by the National Institute for Early Education Research shows that the state of Arkansas would save over \$26 million by 2030 by investing in quality pre-K for the 4-year-olds who qualify for and aren't currently served by our quality program. Just think of the savings that would accrue if early childhood education was available for everyone.
- It's good for the workforce right now. Pre-K programs, both public and private, provide employment opportunities in Arkansas towns. Quality pre-K enables parents to go to work by giving them a safe place to take their kids. In addition to serving as employers, these programs contribute to the local economy by purchasing goods and services from other businesses.

So, why has pre-k not traditionally been included in adequacy? Legislatures of the past drew a fine line between what was absolutely required in adequacy and things that *could* be addressed.

¹ For additional information on achievement post-Lake View, please visit <http://www.aradvocates.org/publications/education-in-the-post-lake-view-era/>.

So, while the court decision spoke favorably about quality pre-k, to the detriment of many of our youngest learners, quality pre-k fell on the 'other' side of what was required. You have the power to decide that this crucial support for learning be included.

2. Ensure that the funding for the students who need it the most is correlated to programs that increase their achievement.

How do our school districts spend their NSLA dollars (NSLA stands for the National Student Lunch Act, which at the state level is the acronym for state funding for kids whose families are struggling to make ends meet)? The better question is: how should they?

We have written extensively in the past about the importance of tying dollars set aside for these kids to evidence-based programs that actually increase their achievement. The Bureau of Legislative Research itself has extensively researched which programs show the best outcomes. They include after-school and summer programs, quality early childhood education, and tutoring.

We must ensure that NSLA dollars are used for programs that effectively support NSL students.

What this looks like in practice is limiting the option for use of NSLA funding to just those programs with proven results. So, while allowable categories of expenses have grown since the Lake View decision (through both legislative and regulatory means), you have the power to decide that this funding source can and should achieve its goal. There is precedent to do so. In Act 1467 of 2013, the following language was included in the education funding bill:

The evidence... indicates that the method in which national school lunch state categorical funding is distributed should change... School districts should only be permitted to use national school lunch state categorical funding to fund evidence-based programs directed at improving student achievement for economically disadvantaged and low-performing students.

3. Make sure kids are in school

According to Attendance Works, the nationwide authority on the importance of attending school, chronic absence is a measure of how much school a student misses for any reason (including excused absences, illnesses and unexcused absences). When a student is missing 10 percent of days for any reason, she is considered to be chronically absent. Nationally, one in 10 Kindergartners misses a month of school every year. And, these rates only get higher by middle and high school when truancy (unexcused absences) increases. (For a deep dive into Arkansas's data, we will be releasing an Arkansas-specific report later this year.)

What is obvious: children need to attend school to learn, is also backed up by data. Despite the popular notion that missing a few days here and there when children are young won't have a negative impact, we know that these absences interrupt early learning and result in lower

academic achievement. This is especially true for English language learners and those who qualify for NSLA funding. These students often lack the resources to make up the learning lost and can fall behind academically.

How have we missed it? We focus on average daily attendance and unexcused absences, which mask chronic absence. Averages don't tell us whether we have students who have missed lots of days at one time or lots of days over a long time. Unexcused absences don't account for the number of children who have parents who call in an excuse.

How can we address chronic absence?

- We can empower our school teachers, administrators, and counselors to use the right data the right way. Through professional development and peer-to-peer learning, we can identify patterns.
- We can provide parents with supports, including both before- and after-school care, to ensure that parents with transportation concerns can more easily get their children to school. This is especially helpful when parents work evening shifts or other non-school-hour-based schedules.
- Start early. Attendance matters at all grade levels, even in pre-k.

4. After-school and summer programs

We know that the social, emotional, physical, vocational, cognitive and civic engagement our students need to meet the challenges ahead of them cannot all be addressed during the school day. Young people of all ages need support that includes academics, social and emotional development, guidance, and even second chances. Supports like these allow students to successfully transition into the next grade and then into adult life.

We know that:

- Compared to their matched non-participants, students attending afterschool programs improve their attendance, are less likely to drop out of school, and have higher aspirations of finishing school and going to college.
- Two-thirds of the achievement gap between lower- and higher-income youth results from unequal access to summer learning opportunities.
- Youth not attending quality afterschool and summer programs are more likely to be involved in criminal activity, drink alcohol, smoke cigarettes, and engage in sexual activity.
- Parents who are concerned about their children's after-school care miss an average of eight days of work per year.

The Positive Youth Development Act sponsored by then Senator Key passed the legislature in 2011. We have a quality framework -- now is the time to commit to funding.

5. Highly qualified teachers and the wealth gap

Arkansas is following a trend other states are seeing: a decline of teachers. Qualified, effective teachers are at the core of a strong education system and student success. Three key areas are often noted for contributing to the decline in the profession: low pay, feeling undervalued, and under resourced. So, it's critical to our workforce and economy that we tackle the issues leading to teacher turnover and attract highly qualified, effective people to cultivate our greatest asset: our children. In our recent report, we found classroom salary inequities between poorer and wealthier districts. Classroom salaries include staff members who work directly with students like teachers, librarians, and counselors. When looking at median classroom salaries in 2014, the wealthiest school districts often pay more than the poorer districts. This creates a competitive disadvantage for school districts with lower wealth to find and/or retain quality teachers and staff. It's important that all teachers, regardless of where they teach, are paid an adequate salary.

One area that contributes to this imbalance is property wealth or community resources². Because districts vary in the amount of wealth in their community, some have greater resources than others. Resources represent things like ample school supplies for children or parental involvement. Some teachers even find themselves spending out of pocket for their classroom needs. Teachers devote countless hours to not only the classroom, but after hours preparing lesson plans, grading papers or supporting their students in extracurricular events. Because they dedicate so much time, it is important that we raise morale by ensuring teachers feel appreciated and valued for the work they do. We must balance the pressures of "results" and "accountability" in our measurements with teacher support and growth opportunities.

Another important component to effective teaching and student success is cultural competency of the students and community being served. Arkansas's demographics are quickly changing. The Census predicts that minority children will be the majority of children in the United States. The demographics of teachers don't reflect the changing demographics of students. So, for the strength of our communities, our future workforce, and our economy, it becomes even more critical that all children have the opportunities, education, and resources they need to thrive. Now more than ever, it is important that teaching is adaptive, inclusive, and relevant to changing cultures and demographics. The Arkansas Department of Education is doing great work to explore which cultural competencies best fit for Arkansas and to incorporate those methods into Arkansas's teacher preparation programs.

² For a recent report on the impacts of wealth disparities on our schools, please visit: <http://www.aradvocates.org/publications/wealth-education-and-the-opportunity-gap/> and <http://www.aradvocates.org/publications/what-schools-need-to-succeed-a-look-at-three-schools/>.

Arkansas Association of Educational Administrators (AAEA)

**A REVIEW OF ADEQUACY
IN
FINANCING PUBLIC EDUCATION
IN ARKANSAS
2016**

*Prepared for: The Education Adequacy Subcommittee
of the Arkansas General Assembly*

Prepared by: Arkansas Association of Educational Administrators



Adequately Financing Public Education in Arkansas

January 11, 2016

Under the Arkansas Constitution, it is the state's responsibility to provide a revenue structure that supports an adequate and equitable education for all students in its public school system.

- ⇒ Adequacy represents an attempt to move beyond considering the fairness of fiscal input toward the broad-based improvement of educational outcomes.
- ⇒ Adequacy seeks to ensure that all students have a quality education.
- ⇒ Adequacy asks, "What level of educational resources is sufficient to generate a specific set of educational outcomes?"

Over the years, state government has struggled to transform its approach to financing public education and to fulfill its promise of equal opportunity. Finally, a new funding structure for public schools was enacted by the General Assembly, and adopted by the Arkansas Supreme Court declaring the Arkansas school funding system constitutional. So, how does Arkansas rank on school finance when compared to other states? The **2015 Quality Counts** report published by Education Week gives Arkansas an overall grade of C and a national ranking of 28th among states on school finance.

In the area of student achievement, **The 2015 Quality Counts** report ranks Arkansas 37th among states. The report also shows that Arkansas' achievement gains on the NAEP since 2003 have been substantial. For example, gains in 8th grade math since 2003 are the 5th highest in the nation. Gains on 4th grade math are the 11th highest in the nation and in 4th grade reading, the 16th highest in the nation. The "**Breaking the Curve**" report released in **2015** by the Urban Institute takes into account a state's student demographics and ranks performance accordingly. In this report, Arkansas' ranking on the 2013 NAEP, demographically adjusted, is 20th among states. Also, Arkansas's ranking on how much NAEP scores increased between 2003-2013, relative to what might have been expected based on changes in student demographics, is 8th among states.

Arkansas has also been successful in closing the achievement gap. The **2015 Quality Counts** report indicates that for 4th grade math from 2000-2013, the performance gap between black and white students decreased from 31 points to 19 points. In 8th grade math, the gap decreased from 41 points to 27 points. While less than math, the performance gap in reading has also decreased.

On behalf of the children of Arkansas, the Arkansas Association of Educational Administrators (AAEA) is appreciative of this progress and the Legislature's efforts. However, if we expect children to achieve at high levels, then schools must be funded for success. Economists have long believed that investments in education, or "human capital," are an important source of economic growth. Dollar for dollar, investing in public education grows the economy. Several studies by the Brookings Institute conclude that the cost of improving education, through programs such as universal preschool, is covered several times over by the growth in national revenue.

In the Special Masters' Interim Report and Final Report it was pointed out that constitutional compliance is an "*ongoing task requiring constant study, review and adjustment.*" Continual assessment and funding priority are provided through state law. Therefore, the AAEA welcomes the

opportunity to submit written recommendations and commentary on sustaining and advancing an *adequate* education for the public schools and children of Arkansas.

The following describes and provides recommendations on adequate funding along with findings and research to support these proposed changes.

- **COLA (Cost of Living Adjustment)** - As established by Act 124 of 2007, the Foundation Funding Matrix is to be adjusted each year for inflation of any appropriate component of the funding system. Due to yearly statutory obligations for salaries of both certified and classified employees (AR Code 6-17-2403 for certified and AR Code 6-17-2203 for classified), it is crucial that a COLA be added each year to those components of the Funding Matrix. A COLA is in order to maintain current standards and requirements and does not cover any new requirements or loss of revenue placed upon school districts.
- **Carry-Forward (Transportation)** - Fund a high cost transportation category for those districts with an extremely high number of route miles within their boundaries. This could be phased in over time by freezing the current per student funding amount for transportation (\$321.20) and, as COLAs are applied to this amount in the future, distribute these additional funds to districts according to a high cost transportation formula. The Adequacy Committee recognized this inadequacy in **2010** and recommended a formula for distributing future transportation increase funding in a different manner. However, the Legislature chose not to follow this recommendation and appropriated an allotment of \$500,000 to be distributed to those districts with high transportation costs. In **2014**, the Interim Study on Educational Adequacy recommended the creation of a separate, supplemental funding program for districts with high transportation costs. However, the Legislature chose not to follow this recommendation and no additional funding for transportation was allocated to the school district. The original Adequacy Report called for a study of a high cost transportation formula. While the issue has been discussed in several Adequacy studies, and several recommendations made by the Adequacy Committee, a yearly funding stream distributed by a high transportation cost formula has not been approved.
- **Categorical Programs** - Increase funding for FY17 and FY18 to reflect accurate COLA adjustments since many expenditures from the National School Lunch, English Language Learners, and Alternative Learning Environment categories are for personnel costs.
- **Teacher Salaries** - Teaching talent matters when it comes to improving student achievement and increased efforts are needed to raise teacher salaries in the state. The **2014** desk audit from Picus Odden & Associates says, “Many improving schools today consciously seek to recruit and retain the best talent, from effective principal leaders to knowledgeable, committed, and effective teachers.” However, Arkansas is losing ground when it comes to recruiting teachers. **In 2010 state universities had 8,255 enrolled in educator preparation programs. That number has dropped to 5,258 in 2015.** Arkansas teacher attrition also plays an important role in the number of educators for our students. The average percent of teachers lost after one year from 2001-04 was 14.5%. After three years the average was 27.39% and the attrition average for five years from 2001-10 was 34.56%. This reduction in potential teachers and administrators seems to indicate that teaching is not an attractive field to enter and stay as a career. Salaries and other benefits certainly make an impact on people’s decision on entering the teaching profession along with the accountability and public pressure. Currently the

minimum starting teacher salary in Arkansas, as listed in A.C.A. 6-17-2403(b) is \$30,122 for a Bachelor's Degree and \$34,640 for a Master's Degree. For 2015-16, starting teacher salaries in districts across the state range from the minimum of \$30,122 to \$46,816. As updated by SREB in May 2015, the average Arkansas teacher salary in 2013-14 was \$47,319, which ranks 13th out of the 16 SREB states. BLR has previously reported that Arkansas' average teacher salary ranked 8th among SREB states in 2005-2006. On a related issue, Lakeview charged the state with decreasing the disparity of teacher salaries across the state. However, no progress has been made in this area. For 2015-16, starting teacher salaries in districts across the state range from the minimum of \$30,122 to \$46,816. The top of district salary schedules for career teachers range from the minimum of \$42,140 to \$75,316. **In the future, AAEA recommends that any increases in the per-student foundation funding amount should be accompanied by the same percentage increase in the minimum starting teacher salary.**

- **Public School Employee Health Insurance** - AAEA appreciates the work of the Legislative Task Force on Health Insurance and the work completed by the Task Force. This is an area that will require continued efforts from the legislative body to ensure the retention of school personnel by making sure benefits are affordable. **AAEA supports the modification of the current State and Public School Health Insurance Board to include more representation from public school employees.** Currently, of the fourteen (14) Board members, only three (3) are public school employees, which represents approximately 21% of the total board. Yet, the school employees represent 60% of the members of the State Public School Health Insurance Program.
- **Technology (Bandwidth)** - AAEA would like to thank the legislative body for working on the bandwidth issue in Arkansas. School districts are being provided broadband from the state and it will be beneficial for future students. We would also like to applaud Speaker Jeremy Gillam as he has proposed high-speed bandwidth for the entire state, which will expand out-of-school access to high-speed broadband. **“The homework gap” is fast becoming part of our new digital divide.** Speaker Gilliam's plan will certainly benefit our kids in Arkansas, but it will also enhance economic development opportunities in Arkansas. AAEA would like to issue a caution here as well. Several years ago, Arkansas lead the nation in access to broadband and connecting schools. However, we didn't continue to address the need to maintain the system, and we soon found ourselves behind the nation. This issue should remain an area where legislators monitor and adjust as technology continues to expand and as the need to be connected continues to grow. We, like Mr. Speaker, like the thought of making Arkansas the “Tech Capitol of the South.”
- **National School Lunch (NSL) Funds** - AAEA believes it is imperative that this funding source remains intact and enhanced for public schools to continue improving the quality of education for the children of Arkansas. AAEA acknowledges that it is time to review the funding distribution model and allowable expenditures. The **FORWARD Arkansas** Report also recommends changes in the NSL funding distribution model.

Funding for struggling learners (more commonly known as NSL or NSLA funding) has been part of the state-funding formula for Arkansas public schools since the 2006-2007 school year. The term NSLA refers to the National School Lunch Act. The number of K-12 students in each school district that received free/reduced meals, in accordance with NSLA eligibility

guidelines, determines the funding allotment for each district. Since its inception, this categorical funding source has been the funding source on various strategies that improve learning for struggling students and to improve educational outcomes for all students. Districts are provided flexibility to utilize these funds for a number of programs/initiatives under laws established by the Arkansas Legislature and rules developed by the Arkansas Department of Education. **There is strong evidence indicating that Arkansas public schools have been successful over the past decade in both closing the achievement gap and raising the achievement levels of all students.** As reported by BLR in September 2015, **The Arkansas achievement gap is narrower than the U.S. gap in all four assessments reported by NAEP.** The most significant progress in closing the achievement gap has been in 4th grade math where performance gap scores between poverty and non-poverty students narrowed from 23 points to 16 points (NAEP scale scores, 2000-2015).

- **English Language Learners (ELL) Funds** - According to an Oct, 2015 BLR report to the Joint Interim Committee on Education, school districts and open-enrollment charter school expenditures of ELL funds for FY15, including expenditures of funds transferred to ELL, totaled \$15.9 million or \$425 per student. Thus, on average, districts spent roughly 134% of the ELL categorical funding they originally received for that purpose. Statewide, districts are spending almost \$4 million more providing ELL services than is sent to them through the Matrix. In addition, the number of ELL students in Arkansas has almost doubled in the past decade. It is crucial that additional funding be provided to districts for needed services to English Language Learners. The **ForWARD Arkansas** Report also recommends a greater investment in funding for ELL students.

- **Professional Development** - In the final Odden & Picus Report to the Joint Committee on Educational Adequacy in September 2003, a recommendation was included that all school faculties receive ongoing professional development. In fact, this Report goes even further by referring to recent research in identifying six (6) structural features of effective professional development.
 1. Form – PD should be school-based, job-embedded, & focused on the curriculum being taught.
 2. Duration – At least 100 hours of PD and closer to 200 hours per year.
 3. Collective Participation – PD should be organized around groups of teachers from a school that over time includes the entire faculty.
 4. Content Focus – PD should be focused on improving and deepening teachers’ content knowledge as well as how students learn the content.
 5. Active Learning – PD is most effective when it includes opportunities for teachers to work directly on incorporating new techniques into instruction.
 6. Coherence – The alignment of PD to standards, evaluation, and goals.

In January 2014, the Arkansas Bureau of Legislative Research presented to the Joint Committees on Education a policy brief entitled “Essential Points from Research on Effective Interventions (Strategies) for Achievement Gains.” Regarding professional development, this brief included the following statements.

1. Three essential factors leading to effective teaching are hiring practices, effective leaders, and professional development.
2. In schools that successfully “turn around” academic performance, leaders work with academic coaches and other teachers to create a culture, structures, and dispositions that promote continuous incremental professional development aimed at identifying individual teacher and student needs.

In the Desk Audit of the Arkansas School Funding Matrix presented by Picus Odden & Associates to the Education Adequacy Committee in September 2014, a recommendation was made to increase the allotment for PD to \$100 per student. The current PD is \$32.40 per student. A portion of this amounts goes directly to AETN.

Arkansas has implemented three ambitious initiatives that create a tremendous need for targeted and specialized professional development in order to be successful. As Arkansas continues implementation of the Arkansas State Standards, continues the implementation the Teacher Excellence and Support System (TESS), and fully implements the Leader Excellence and Development System (LEADS), the need for targeted and specialized professional development that is research-based and standards-based will increase dramatically. Also, as Arkansas moves towards a focus of career readiness and preparing students both for college, technical training, and the job force, quality professional development for educators in these areas is crucial.

- **Using the Matrix/Foundation Funding as an Expenditure Model** - The Adequacy Matrix initially established to fund Arkansas schools by Lawrence Picus & Alan Odden made assumptions concerning necessary staffing levels and other expenses in comparison to a hypothetical model of the 500-student school. Even in its earliest years, the real application of this funding model failed to conform to the actual needs found in real schools of all sizes throughout Arkansas. Local school leaders used the total funds to address needs for staffing and other expenditures consistent with the actual conditions in communities. Some spent more for special education teachers than assumed, others required more student/staff support in the form of counselors, social workers or administrators and others found that more clerical assistance was required for efficient operation. In every case, local school leaders found that a “one size fits all” model for spending funds was not appropriate. This finding in no way diminishes the value of the scholarly model presented by Picus & Odden.

Since its inception, biennial reviews of the Adequacy Matrix have revealed areas which were clearly underfunded. Minor adjustments to selected areas have partially addressed these categories, but some of the inadequacies in staffing have been uncorrected. Evidence gathered by BLR as well as testimony presented during the hearing process has documented the fact that school districts of all sizes are required to supplement several staffing categories by adding funds from other sources or by using funds included in the matrix for other purposes to address local needs. This aspect of the Adequacy Matrix as a funding method as opposed to a spending plan should be without question in view of this evidence.

When the Arkansas General Assembly required that Foundation Aid generated for each school district be segregated into a separate fund in order to ascertain spending patterns, the resulting

data served to further confuse the issue. By requiring that only Foundation Aid be recorded into this created fund and that additional expenditures in corresponding categories be recorded elsewhere created an artificially-imposed ceiling on apparent spending. Simultaneously other matrix categories in which school districts spent less than the assumed allocation were treated as “excess” and used as a reason to reduce or freeze funding. The entire method is obfuscation-using data and is not a genuine attempt to assess Adequacy in the spirit of the Arkansas Supreme court decision in *Lake View*.

The Adequacy Matrix is a viable method of assessing the provision of resources to Arkansas schools. However, it is not and never was designed as a spending pattern for every district in view of the disparate sizes and demographic needs of local schools.

According to “A Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy” dated November 1, 2014 by BLR, “Unlike some other types of funding, foundation funding is unrestricted. This means that the state does not specify what school districts may or may not purchase with the foundation funding they receive. This flexibility is intended to account for the specific needs of each school district, allowing some districts to spend more on teacher salaries, for example, while other districts may have higher transportation needs.” Schools understand this fact and are obviously funding personnel and operational costs as local conditions require. It is disingenuous to fail to consider the excess costs in several mandated/needed categories while holding funding constant in most categories. The adequacy determination process must rely on data and upon the testimony of those who operate the schools. As we move further away from the Lakeview Court Case, AAEA is concerned that policy makers may not understand why the matrix was designed as a revenue model and not an expenditure model.

As you know, every school in every area of the state has different needs, and school leaders need the flexibility to meet those needs at the local level. For example, a district may not be spending the matrix amount on technology because they have identified an intervention program not funded by the matrix but which has been successful in improving student achievement. Or, they have identified funds outside the matrix (such as federal funds) for technology expenditures. The matrix does not match how a district needs to spend those dollars. Example: the matrix provides one teacher for every 20 kindergarten students. What happens when a district has 25 kindergarten students or 15 kindergarten students? Or, what happens when a district has to spend more money transporting kids to school than the matrix provides? In another example: the matrix funds schools of 500 for .85 library media specialist and 1 principal. However, the Arkansas Standards for Accreditation requires a school of 300 must employ a full-time licensed library media specialist and a full time principal. Since the matrix does not fit the actual school, the district must fund those positions with other matrix funding or the use of local funds. While numerous other examples exist, the bottom line is the matrix is an unrestricted funding model to distribute dollars. The closer the matrix gets to becoming an expenditure model the closer schools will be to fiscal distress because the matrix does not match their needs.

- **Staffing** - It has been some time since staffing in the funding matrix has been studied. **AAEA encourages a new study of staffing be done to research the costs of additional requirements and responsibilities that have been added onto district administrators and staff.** Some of the supplementary administrative and staff duties include: TESS, LEADS,

dyslexia, new curriculum standards, digital learning, and facility requirements. In fact, the recently released **ForwARd Arkansas** report recommended the creation of a school administration manager role to support operations as a school principal support strategy. They also recommended establishing teacher leader roles that should be explored.

- **Career and Technical Education** - In many cases, teachers, administrators, parents, etc. tell students to be successful they must earn a four year college degree. This is just not true today. Depending on which economic report you review, approximately 80% of jobs do not require a college degree. Yet, in many school districts 50% to 70% of their students are encouraged to enroll in a four-year college. The job market where people can earn a quality career include high skill, high wage technical jobs that are expanding rapidly. We need to ensure our educational system provides opportunities for kids to be successful in those type careers.

We need to start measuring the success of a high school differently than just the average ACT score or their remediation rate. We need to measure the success of a school's graduates. We need to expand programs allowing schools to provide opportunities to earn an associate's degree or technical certificate while earning their high school diploma. We have schools doing great work with career academies, STEM, etc., and we need to encourage them to continue those programs and expand opportunities. We need to expand career awareness programs in our middle schools. We need to expand and fund career centers in Arkansas to ensure all students have an opportunity to explore alternative educational paths.

One of the biggest obstacles for ensuring collaboration between K-12, ADE and Career and Technical is the current makeup of the rule-making body for schools. We have the Arkansas Department of Education (ADE) and the Arkansas Department of Career Education (ACE). These two agencies have different missions and certainly different rules for schools to follow. AAEA believes their mission should be the same, which is to produce successful students. **Therefore, AAEA recommended in 2014 making Career and Technical Education a part of the ADE. The state has had numerous changes since 2014. We suggest that legislators monitor ADE and ACE to determine if changes are being made and barriers to implement needed changes are being torn down by the two separate divisions. If not, then AAEA would once again recommend merging the two divisions into one education department.** Then schools would have one voice to listen to and hopefully Career and Technical Education would be in the conversations of regular educators as we move forward an agenda to give kids employable skills to be successful in life.

There are other areas of education outside the Funding Matrix and Categorical Funding that also need to be addressed. AAEA is offering additional recommendations in these areas:

- **Academic Facilities – Funds for the Facilities Partnership Program need to be replenished with either a secure ongoing appropriation or a one-time allocation from general improvement funds.** Act 1426 of 2005, the Arkansas Public School Academic Facilities Program Act, has the following language, “in order to satisfy the constitutional expectations of the Supreme Court, the state should: (1) provide constitutionally appropriate public school academic facilities for the education of each similarly situated child in the public schools of Arkansas, regardless of where that child resides within the state.” Since 2006,

through a large one-time general improvement funding allocation of \$500 million and other ongoing funding appropriations, the Partnership Program has committed over \$1 billion to school districts for the repair, expansion, and construction of academic facilities. However, there are still facility needs to be met in the state, as evidenced by a video presentation before the Joint Education Committee in October, 2013 by Arkansas Advocates for Children & Families. The one-time general improvement allocation has been spent down and a general revenue investment of less than \$35 million is woefully inadequate to meet the current and future school facility needs. In addition, a comparative study of the state's school district facilities is needed to assess equity between districts and establish priorities for funding decisions. A statewide assessment of facilities has not been conducted since the original study over 10 years ago.

It is crucial that the Facility Partnership Program remains intact to provide assistance in maintaining adequate facilities statewide and doing so without placing a financial burden on districts and taxpayers in economically depressed regions of our state. In August 2015, BLR submitted the "Academic Facilities Funding, Expenditures, and Distress" report to the Joint Interim Education Committee. Included in this report was data showing how much one mill in each district would generate for facility needs. This calculation ranged from a low of \$12,212 to a high of \$3,349,065. Districts on the low end are generally rural districts with the deadly combination of low property values and low and/or declining student enrollment. Without partnership assistance many of these districts would never be able to raise the needed funding to maintain adequate facilities. It is also crucial for these districts to be able to receive partnership funding for "warm, safe, and dry" projects designed to keep existing facilities up-to-date, safe, and comfortable for students and staff. These districts may never grow enough to utilize the partnership program to build a new facility, but they still educate kids and have facility needs. **AAEA recommends that "warm, safe, and dry" projects approved but not funded have access to partnership funds released to the state due to failed millages, etc.**

- Current legislation indicates that open-enrollment charters are public schools. As public schools, the issue of adequate facilities applies to them also. AAEA continues to recommend that charter schools should be able to access facility partnership funding. Certain requirements should be in place to protect the state and be fair. Such as under the following conditions:
 - A facility needs assessment (the same as traditional schools) is essential to determine the current condition of charter facilities and to determine those schools with the most pressing facility needs.
 - After the needs assessment, charter schools would be in the same pool as traditional schools for facility funding, following the same rules for eligibility. With limited state resources to support school facilities, ALL public schools, traditional and charter, that make requests for partnership funding, should follow the same procedures and guidelines to ensure that projects are funded according to the greatest needs.
 - Charters should have bonding authority with the ability to ask patrons for a millage increase or sales tax to support facilities.

- The state would need to protect itself in case of default (facility would become state property).
- A.C.A. 6-21-808 (d)(1)(A) requires districts to expend 9% of foundation funding exclusively to the payment of utilities, and costs of custodial, maintenance, repair, building repair/renovation, including related personnel costs. This requirement plus the requirement that all districts use a computerized maintenance/preventive maintenance program (SchoolDude) to track all work orders has been very successful in improving the quality, cost efficiency, and safety of school facilities. A recent national study on the impact of a preventive maintenance (PM) program shows the following:
 - Arkansas leads the nation in the % of total work as PM. The average AR district performs about 58% of all work as PM, compared to the national average of 14%.
 - AR stands alone as a state in their emphasis on PM work, ranked 1st in the nation by a wide margin. Also, AR completes about 75% of all PM work within 30 days or less, compared to the national average of 51%.
 - PM has been shown to be less costly than emergency repairs. **As of 2015, emergency work orders have dropped in AR by 65% from 2007 levels.** This means reduced overtime costs, extended equipment life, and better use of maintenance personnel and improved equipment operation.

According to ADE reports, school districts are spending significantly more annually on actual maintenance and operation expenditures compared to the 9% M&O expenditure requirement. Therefore, **AAEA recommends that the 9% requirement and the statewide preventive maintenance program continue as currently implemented.**

- **Fund balances** continue to be an issue of discussion. For the past six years, when comparing statewide net legal balances to yearly total net expenditures, the balances have ranged from 16.4% to 18.4% of the yearly expenditures. (Source: Annual Statistical Report of AR Public Schools, 2008-2009 through 2013-2014). This represents approximately 2 months worth of expenditures. There seems to be historical precedence for balance carryover in this range. School districts do not receive any foundation funding from June 30 to August 31 each year. These months are also typically months of low collections rates for property taxes. Districts are also asked to fund federal programs, including personnel costs, until federal applications are approved, typically in early fall. Historically, districts carry over an amount adequate to meet payroll and operating expenses during July and August, or until the first Foundation funds are received for the new fiscal year. Due to the continued discussions of this issue and no defined parameters for school districts, AAEA recommends establishing a cap of the net legal balance and give districts an allotted amount of time to decrease their current balances much like was done with the categorical funding. The Government Finance Officers Association, an international association representing financial agents of cities, counties, school districts, and state government, has a "Best Practice" Statement regarding the appropriate level of **unrestricted** fund balance for governmental units. Their recommendation is that, in general, political subdivisions maintain an unrestricted fund balance in the general fund of no less than

two months of regular general fund revenues or expenditures. Two months, or one-sixth of a year, would be a unrestricted fund balance of 16.67%. The GFOA recommendation allows for even higher balances if local circumstances warrant this. For example, districts might have a debt service payment in the summer and the funds used to make this payment should not count towards the ending balance. Another example warranting a higher fund balance is districts having to “carry” federal programs for several months until final approval by the ADE. **AAEA recommends a district’s net legal fund balance be capped at 20% unless extenuating circumstances are approved by ADE.**

- **Pre-K Education** – Funding for high quality Pre-K educational programs needs to be increased. This is an AAEA recommendation and was also a recommendation in the **ForwARd Arkansas** report. Research continues to confirm the importance of high-quality early childhood education as a strategy for improving the social, emotional, and intellectual development of children as well as increasing the likelihood of their future academic and economic success. A 2008 Arkansas study (Barth, Nitta), for example, found that access to quality pre-k in Arkansas has done more than any other intervention to help close the education achievement gap between white and minority children and between middle-class and low-income students. However, the **2015 Quality Counts** report shows that since 2008, the % of Arkansas 3 and 4-year old children enrolled in pre-school has actually decreased and the “poverty gap” of enrolled children has increased. Numerous national campaigns, such as the National Opportunity to Learn Campaign (OTL) led by the Schott Foundation and the Grade Level Reading Campaign (GLR) led by the Annie E. Casey Foundation have made access to quality early childhood education a focal point of their campaigns to improve educational outcomes for all children.
- **Remediation** - We commend legislators for continuing to talk about the remediation rate in Arkansas. Although the remediation rate is at an all-time low (Source ADHE), we need to evaluate this issue to make sure sound policy decisions are being made in the future. We currently base the entire remediation issue on a student’s score on one exam, ACT. We do this in spite of knowing the ACT is not a good predictor of success in college. In a report submitted to the Joint Subcommittee on Grade Inflation in 2010, Dr. Neal Gibson from ADE, indicated a student’s high school GPA had a .601 correlation compared to the ACT, which had a .418 correlation in predicting college success. Also, a 3-year national study released in February, 2014 by the National Association for College Admission Counseling concluded that high school grades, not ACT/SAT scores, are the best predictor of college success. A recent national report indicated 180+ leading colleges and universities have changed their requirements on submitting ACT/SAT scores for admission. Yet, our state’s policy has not reflected the research.

One problem with the remediation rate is the fact that schools have been directing nearly every student towards enrolling in a college degree program. Students are being required to take certain courses that they may not view as being relevant to their interest or career. All students need quality teachers and rigorous courses; however, it has to be relevant to the student’s interest and goals for their life. Students need rigorous courses to allow them to choose **any** career path, but not force them into a field of study.

The state currently spends millions on remediation. While a portion of these services certainly need to remain, determining the need for remediation on factors other than one test score

should free up funds to implement other successful programs such as career centers, career coaches and quality pre-K. **AAEA recommends that student GPA be added as a factor determining remediation. Students with a certain GPA or a 19 on the ACT should not require remediation. There has been discussion nationwide recently regarding assessing a student's "grit," the tendency to sustain interest in and effort towards long-term goals. AAEA believe that a student's GPA does exactly that.**

- **Unfunded Mandates** - In December 2005, during Lakeview deliberations, the Arkansas Supreme Court found that school districts were being faced with unfunded mandates. An unfunded mandate is a statute or regulation that requires a school district to perform certain actions without providing additional money to fulfill the requirement(s).

Several prime examples of unfunded mandates for school districts are as follows:

- Minimum Teacher Salary Increase - Act 1087 of the 2015 Regular Session required an increase in minimum starting teacher salary by 3% beginning with the 2015-2016 fiscal year (from \$29,244 to \$30,122) and an additional 3% increase for 2016-2017 fiscal year (\$30,122 to \$31,000); however, the annual Funding Matrix COLA for each fiscal year is increasing by less than 1%.
- Health Insurance Premium Assistance/FICA Savings Transfer to EBD - Act 3 of the Second Extraordinary Session of 2014 requires school districts to send funds that are not required to be paid for federal taxes under the Federal Insurance Contributions Act (FICA) to EBD to use for premium assistance. The funds are generated from health insurance pre-taxed premiums. Districts had been utilizing those funds prior to Act 3 for operating needs within their budgets.
- Additional Staff Due to New Requirements - Examples include TESS, LEADS, Arkansas Curriculum Standards, Dyslexia, etc.

There is little doubt that Arkansas will continue its efforts to provide its children an adequate and equitable public education. The challenge we face is to engage in continuous dialogue and a continuous process of assessing needs and appropriate levels of funding. AAEA appreciates the opportunity to be included in this process. AAEA also greatly appreciates the work of administrators across the state that provided data, recommendations, and time from their busy schedules in assisting the Association in the development of this crucial report. We also thank them for their commitment to quality instruction for the children of Arkansas.

Arkansas Education Association (AEA)

Arkansas Education Association 2015 Written Adequacy Testimony

Public school funding and the review of Adequacy for Arkansas'
480,599 students

Public education funding in Arkansas is a joint enterprise between local, state, and federal governments. Arkansas is also under a 2002 Supreme Court ruling in the Lake View lawsuit over deprived school funding for the state's poorest students. Progress in improving public education in Arkansas, has been the combined work of the Arkansas Department of Education, local districts, individual schools and the Arkansas Education Association's members. The sustained efforts of these entities deserves credit for recognizing the work and resource outlays it takes to deliver for the Arkansas students.

Arkansas Education Association 2015 Written Adequacy Testimony

Public school funding and the review of
Adequacy for Arkansas' 480,599 students

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**NATIONAL BOARD
CERTIFIED TEACHERS
(NBCT)**

Research suggests that the single most important factor in increasing student educational outcomes is teacher quality. The AEA is pleased to recognize National Board Certification as the gold standard in teacher certification, and joins with the National Board in believing that higher standards for teachers means better learning for students.

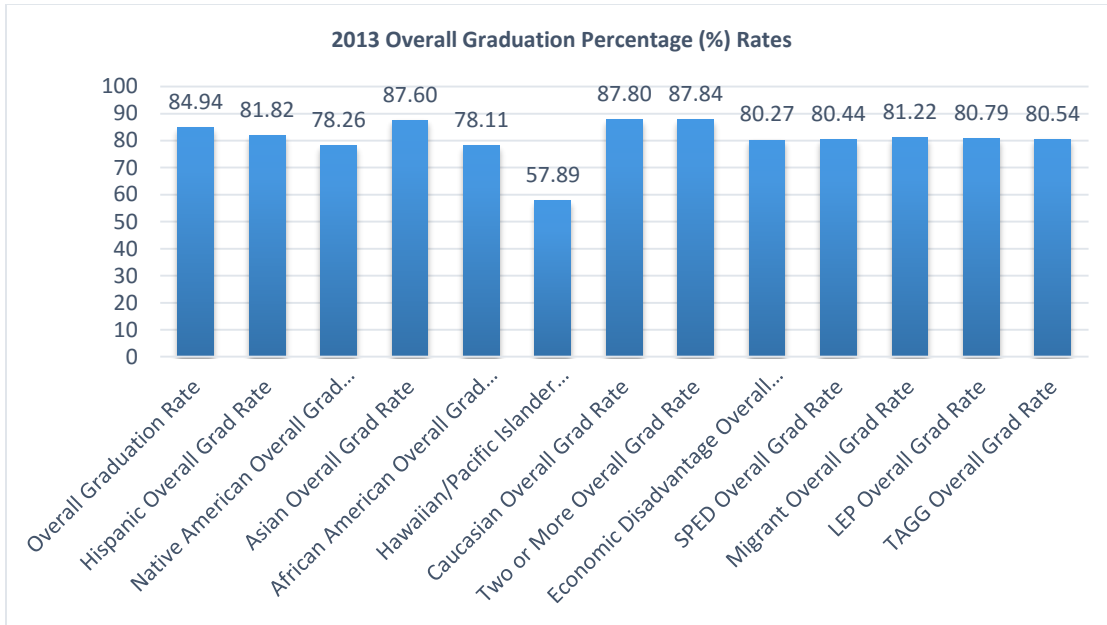
**Arkansas Education Association's
Educational Adequacy Testimony
December 2015**

Thank you for the opportunity for the Arkansas Education Association (AEA) to give testimony for consideration regarding public school funding and the review of Adequacy for Arkansas' 480,599 students. Arkansas statute § 10-3-2102 requires House and Senate Committees on Education to evaluate the cost of providing an adequate education for each school age Arkansas child. The statute also calls for AEA to give evidentiary information on Adequacy. This document is provided as fulfillment of that statutory requirement.

Public education funding in Arkansas is a joint enterprise between local, state, and federal governments. Arkansas is also under a 2002 Supreme Court ruling in the Lake View lawsuit over deprived school funding for the state's poorest students. Progress in improving public education in Arkansas, has been the combined work of the Arkansas Department of Education, local districts, individual schools and the Arkansas Education Association's members. The sustained efforts of these entities deserves credit for recognizing the work and resource outlays it takes to deliver for the Arkansas students.

AEA also commends the ongoing work of the House and Senate Education Committees, its co-chairs, committee members, the Bureau of Legislative Research and staff, and the Arkansas Department of Education.

Arkansas' work on ensuring adequate funding for students throughout the state continues to impact successful student outcomes. In 2013, the data below show an overall improved graduation rate for every portion of the student population. This demonstrates that investing through the mandates of the Lake View case has been an important public education effect for the state and should not be undervalued.



The next level of review should be K-12 preparation for success in higher education and career technical opportunities so as to reduce the remediation rate and improve student success beyond high school.

The most recent study on the student demographic population in public education by the Southern Education Foundation show that the fastest growing population is students living in poverty. In Arkansas a majority of the student population (sixty percent) were low income students eligible for free and reduced lunch.

In light of such information and data, adequacy is essential for Arkansas' students in every facet of their academic and school life.

FACILITIES

Research, court decisions and legislation have substantially recognized that public school facilities and infrastructure have a direct impact on education outcomes. Disparities between facility quality and student success by district is a key indicator for evaluation of education investment. By now, the lowest standard of Warm, Safe and Dry for the student learning environment should be surpassed to ensure all students have access to state-of-the-art facilities in every school district and in every school. Unfortunately, disparities still exist between and within districts.

The disparities between districts can be attributed to the property tax digests as they vary based on property wealth. We believe the state, in its effort to have more successful student outcomes, needs to engage Arkansas' students to raise the level of science and technology participation needs so as to establish an expanded definition for school facilities beyond Warm, Safe and Dry. Without raising 'the bar' on facilities, Arkansas' students will fall behind in the US and globally.

In a 2005 report from the Building Educational Success Together and the National Trust for Historic Preservation, a comprehensive planning approach to school facilities was recommended. To undertake this effort "ensures the most efficient and cost effective use of taxpayer dollars. School facility planning should be a natural part of community planning with a focus on the role of school *within* the community. It should be integrated into community planning and not viewed as a supplement to the overall planning process. Like other focused planning processes, school facility planning has goals, objectives, data, and constituents that may, or may not, overlap, with other interests." Some of the specific aspects of the school facility planning process are described below.

School facility planning assures that public schools fit into the overall growth and zoning plans and projects for the neighborhood and/or community. Developing a dialogue between the various planning entities can provide for the exchange of information and data so that comprehensive plans address all of the needs and requirements of the constituents. Integrating school facility planning into municipal plans and municipal plans into educational facility plans can reduce or eliminate the many negative effects of independent and isolated planning that can lead to such problems as overcrowded schools, underutilized schools, sprawl, and increased costs for public infrastructure. Integrating school facility planning creates opportunities for establishing the school building as a focal point in the neighborhood or community and for developing a sense of pride and identity. Cooperative planning enables communities to be creative in building and land utilization, which could for example, economically combine some of the multiple needs and requirements for schools, recreation, daycare, senior citizens, health and social services, and libraries.

Given the fact that the Partnership Program Fund projections will not meet the long-term needs of the state's public school facilities beyond 2015, serious consideration must be given by the legislature to address the physical needs of schools across the state to ensure real strides are made to transcend the disparities and to move the

quality index for Arkansas' students. State funding for school facilities are essential for low wealth districts.

According to a 2015 Arkansas Advocates for Children & Families report, "When looking at how much has been spent within facilities programs on completed projects from 2006 to 2015, only 8 percent of the state's money went towards districts with the lowest 20 percent of property wealth. Because of the way the formula is set up, the 20 percent of districts with the highest property wealth captured \$390 million – or nearly 40 percent of all state partnership school facilities dollars."

Recommendations

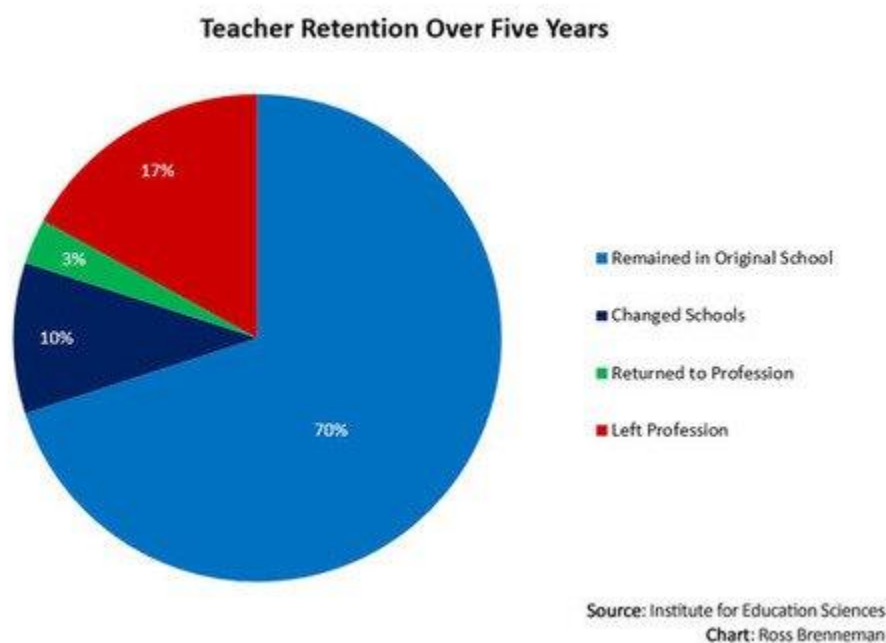
- (1) It is imperative to review the impact the Partnership Program funding is having on furthering facilities disparities between students and within districts. If the disparities are found to be substantial, establishing alternate criteria for low wealth districts will have to be undertaken as disparities will widen the achievement gap, harming the state's education agenda.
- (2) The Partnership Program needs a consistent, dedicated and ongoing funding source to meet the evolving needs for students to access state-of-the-art facilities.
- (3) Put restrictions in place to prevent the re-routing of these funds. The transfer of approximately \$16 million annually to health insurance for public school employees has long-term implications for the facilities funding.

EDUCATOR RECRUITMENT AND RETENTION

Arkansas continues to face challenges with recruiting and retaining educators for rural and urban schools. With the projected growth of the student population, focus on planning for quality educators interacting with every child is essential for success.

There is a direct correlation between Arkansas' Achievement Gap and teacher quality and retention. With less students seeking teaching as a career for a myriad of reasons including career mobility, compensation and support, finding ways to attract and retain teachers must be addressed.

For a decade or so, statistics about new teachers showed that almost half of them leave the teaching profession within five years. But a longitudinal study conducted by the Institute for Education Sciences, published in April 2015, found that statistic to be very different by 2012: Only 17 percent of new teachers are now believed to leave the profession within five years:



Even if future studies find that the measurement has moved again, the change documented is a little shocking, and shows that it takes a long time and a lot of effort to understand where and when and how teachers move. The new data don't necessarily reduce the need to understand and address teacher attrition, but it does help point us in a direction for more research.

This summer, as schools looked to fill teacher vacancies, teacher-prep enrollment numbers in Arkansas did not improve significantly – we are not graduating enough teachers to meet the demand either by subject matter or quantity. There are persistent teacher shortages in some forms, such as in certain subject areas, in rural parts of our state, and in non-white demographics, as well as math and science as AEA reported in its 2014 testimony, the report “An Emerging Understanding of the Arkansas Teacher Pipeline.”

The purpose of the report was to assess the teacher production, employment and retention and their impact on student learning. The results indicated:

- (1) teachers prepared at intuitions of higher education in the education program stay longer in the profession and are confident in their classroom preparation;
- (2) support from the principal (building leader) is the key reason teachers stay or leave the classroom;
- (3) clinical preparation is a significant contributor to the level of preparedness for new teachers and is therefore a key;
- (4) the turnover rate of newly licensed teachers in predominately African-American schools is high when compared to other schools
- (5) more teachers are coming to the classroom from non-traditional undergraduate programs.

The shortage of math, science, and special education teachers in central and rural Arkansas schools, is critical. There is an urgent need for urban and rural schools to attract experienced mathematics, science, and special education teachers who have the content knowledge, intellectual flexibility, and demonstrated commitment to the teaching profession to meet the unique challenges and capitalize on the unique opportunities for teaching in these challenging settings. Strong recruitment strategies can help these districts compete for teachers in shortage areas. Approaches such as grow-your-own strategies, financial incentives, and alternative licensure can assist a district and school in being competitive in the job market and luring students interested in teaching.

Recommendations

- (1) Develop an Educator Mentoring Program to support new educators in their first 3 years.
- (2) Form longitudinal Partnerships with Institutions of Higher Education and Create High-Quality Alternative Routes to Certification.
- (3) Offer Incentives to Attract High-Quality Math, Science, and Special Education Teachers to Urban and Rural Districts with National Board Certified Teachers.
- (4) Streamline the Hiring Process.

- (5) Improve Working Conditions in school building so teachers have a collaborative environment
- (6) Support Professional Development efforts beyond school districts so teachers meet peers across the state.

TEACHER EFFECTIVENESS SUPPORT SYSTEM (TESS)

AEA has been involved with TESS since its conception. We continue to support teachers in understanding how to use TESS to support their work in the classroom to ensure student success. TESS is not being implemented with fidelity. Educators value the frameworks for clarity as guidance for good teaching. This process should provide objective conversations between the teacher and administrator. TESS should be implemented with fidelity and uniformity across the state. This process should be viewed as a support system not one that is punitive.

Recommendations:

- (1) Streamline the documentation of artifacts. Teachers are spending too much time uploading artifacts into Bloomboard.
- (2) Provide high quality for PD to support teachers.
- (3) More consistent training for teachers and administrators with guidelines to effectively implement TESS.
- (4) Further study of the TESS process and requirements to align with Every Student Succeeds Act and clearly define the expectation at the district level.

NSLA

In 2015 the Southern Education Foundation (SEF) released a report finding that for the first time in over 5 decades, a majority of public school students come from low-income families. According to the new SEF report, using data collected by the National Center for Education Statistics, 61 percent of students in Arkansas's public schools were low income students in 2013.

This new research coupled with the growing body of research has repeatedly found a significant achievement gap between low income students and students from households living above the Federal poverty line. These statistics should move us to a renewed effort to heed the findings by school finance consultants Odden & Piccus that calls for additional resources to be distributed to high poverty schools. However, simply sending these additional dollars to districts does not narrow the

gap. It is critical that these resources are spent in a manner supported by evidence-based outcomes that improve educational outcomes for low-income students.

Odden and Piccus in their 2003 and 2006 reports recommended additional funding for teacher tutors, pupil support personnel, as well as programs to afterschool and summer programs. Importantly, they recommended funding these programs through the matrix if the tutoring provided with NSLA dollars was not enough. AEA supports directing these dollars to evidence-based interventions and programs such as these that have increased educational outcomes for low-income students for whom NSLA dollars were intended.

NATIONAL BOARD CERTIFIED TEACHERS (NBCT)

Research suggests that the single most important factor in increasing student educational outcomes is teacher quality. The AEA is pleased to recognize National Board Certification as the gold standard in teacher certification, and joins with the National Board in believing that higher standards for teachers means better learning for students.

National Board Certification is a voluntary, advanced professional certification for PreK-12 educators that identifies teaching expertise through a performance-based, peer-reviewed assessment.

The founding mission of the National Board for Professional Teaching Standards is to advance the quality of teaching and learning by:

- Maintaining high and rigorous standards for what accomplished teachers should know and be able to do;
- Providing a national voluntary system certifying teachers who meet these standards;
- Advocating related education reforms to integrate National Board Certification in American education and to capitalize on the expertise of National Board Certified Teachers.

Research supports the concept that NBCT increases student educational outcomes

- Board-certified teachers are more effective than non-certified teachers with similar experiences (Cowan & Goldhaber, 2015). Their findings suggest **NBCTs produce gains of up to “nearly 1.5 months of additional learning.”**

- Board Certification is an effective **signal of teacher quality, based on student test scores**, across locales (urban and rural), test types and subject areas (CNA Corporation, 2015).
- **NBCTs are significantly more effective** than their non-NBCT counterparts in several EOC exams: Algebra II, Biology, Civics and Economics, Chemistry, and Geometry (Salvador & Baxter, 2010).
- Robust evidence that National Board Certification is an **effective indicator of teacher quality** (Cavalluzzo, 2004, National Research Council, 2008, Chingos & Peterson, 2011).
- Because Board certification is voluntary. Teachers need compelling reasons to pursue this rigorous process. State leaders must create the conditions for Board Certification to become the norm, not the exception, by supporting teachers to pursue Board Certification and rewarding those teachers who achieve it.

Recommendations

- (1) Use Board certification as a qualification or preference for clinical faculty at teacher preparation programs, cooperating teachers who work with student teachers, and mentors who work with novice teachers.
- (2) Continue to support the National Board Certified Teacher annual retention stipend provided by Arkansas Department of Education funding. Double stipend amount to NBCT who teach in academic distressed or priority schools.
- (3) Continue to support the National Board candidate support system funded by the Arkansas Department of Education.

TEACHER SALARY FUNDING AND THE MINIMUM TEACHER COMPENSATION SCHEDULE

The Arkansas Education Association (AEA) believes there is sufficient evidence for the House Interim Committee on Education and the Senate Interim Committee on Education (Education Committees) to increase the teacher salary and benefits amount in the educational adequacy funding matrix by two per cent (2%) in each of

the fiscal years '18 and '19. In its "Budget and Economic Outlook: 2014-2024" report, the U.S. Congressional Budget Office projects several inflation indexes to increase from 1.9% to 2.4% in calendar year 2018, and it projects the employment cost index for wages and salaries of workers in private industry to grow by 3.9% for the same year. For calendar year 2019, the report shows the inflation indexes increasing by 2.0% to 2.4% while the same employment cost index rises by 3.8%. * [Table G-1 is attached.] A 2% improvement will ensure that teacher salaries will remain adequate through the next biennium. The FY'17 matrix amount of \$64,196 for teacher salaries and benefits would increase to \$65,480 for FY'18 and to \$66,789 for FY'19.

Additionally, Arkansas' average teacher salary in fiscal year 2014 ranked forty-first (41st) out of the fifty states and the District of Columbia. In fiscal year 2014, Arkansas ranked fifth (5th) when compared to the six surrounding states. Also in that same year, Arkansas' average teacher salary ranked twelfth (12th) out of the sixteen SREB states which is just above the bottom quartile. **

The AEA also believes that there is sufficient evidence to warrant that the Minimum Teacher Compensation Schedule [Arkansas Code 6-17-2403 (b)(1) and (b)(2)] be amended to reflect the 2% increases outlined above. For the six (6) fiscal years beginning with 2010 through 2015, there were no changes in the minimum teacher compensation schedule. In four (4) of these six (6) years, the average teacher salary in the state excluding fringe benefits was less than the classroom teacher salary amount used in the matrix. This condition was recognized by the House and Senate Education Committees, and each took decisive action to improve the minimum schedule for fiscal years 2016 and 2017. In order to ensure that Arkansas teachers receive the adequate salaries contained in the matrix, the minimum teacher compensation schedules must be amended for each year of the next biennium.

* "Budget and Economic Outlook: 2014-2024," Table G-1, Page 152; Congress of the U.S., Congressional Budget Office; February 2014

** "Rankings and Estimates: Rankings of the States 2014 and Estimates of School Statistics 2015," National Education Association Research, March 2015; Table C-11, p. 19

DECLINING ENROLLMENT FUNDING AND EXPENDITURES

The Arkansas Education Association (AEA) recognizes and supports the necessity of some additional funding for school districts that experience declining enrollment. The AEA recognizes that school districts may not be able to immediately reduce the number of employees when a loss of students occurs. The AEA has reviewed the Bureau of Legislative Research's report that reviewed the State's support for these schools. The AEA is concerned about some of the report's findings including the fact that, only "five" (5) of the twenty-four school districts receiving declining enrollment funding for each of the last four (4) years have "consistently reduced the number of FTE's (Full-Time Equivalent Employees) they employed over the four-year period." In light of this finding, the AEA recommends that school districts that receive declining enrollment funding for two or more consecutive years must demonstrate a reduction in the number of FTE's as a condition of receiving these funds.

ACKNOWLEDGMENTS

<http://www.21csf.org/csf-home/publications/modelpolicies/PlanningSectionMay2005.pdf>

<http://www.gtlcenter.org/sites/default/files/docs/NCCTQRecruitQuality.pdf>

<http://www.aradvocates.org/wp-content/uploads/Wealth-Education-and-the-Opportunity-Gap.pdf>

<http://www.southerneducation.org/getattachment/4ac62e27-5260-47a5-9d02-14896ec3a531/A-New-Majority-2015-Update-Low-Income-Students-Now.aspx>

<http://www.gtlcenter.org/sites/default/files/docs/NCCTQRecruitQuality.pdf>

Arkansas Public School Resource Center (APSRC)



December 28, 2015

Dear Senator English and Representative Cozart:

My name is Scott Smith, and I am the Executive Director of the Arkansas Public School Resource Center (APSRC). APSRC is a service-oriented, nonprofit membership organization that provides support, technical assistance and training to benefit public schools in Arkansas. We are an advocate for quality public education. I ask that you please include this written testimony within the documents you consider as part of your educational adequacy review.

The purpose of this written testimony is to urge you to consider the inequity in the financing of educational facilities for open-enrollment public charter schools as part of your adequacy review.

I. Student Focused Education

Arkansas is facing a shortage of quality teachers and candidates seeking to enter the teaching profession. At this same time, Arkansas public schools are facing multiple accountability mandates, some of which are counter-intuitive in their academic focus and reporting. In addition, the former "one-size-fits-all" academic performance model of No Child Left Behind is no longer the relevant base academic accountability measure in Arkansas. Also, the expanse and efficiencies of technology (broadband capacity, internet access, individual educational software capabilities) and digital learning is diminishing the relevance and necessity of the "Carnegie Unit" as the common denominator in the educational delivery model in Arkansas. Furthermore, the flexibility of the charter school models is forcing public policy conversations concerning the relevance of some of our previous "college and career ready" educational delivery systems and institutions. Despite these fundamental changes and concerns, the Arkansas Standards of Accreditation have not been systemically reviewed and rewritten since 1983. All of this change or lack thereof has likely had an impact on the fundamental elements of adequacy and equity under *Lake View*¹. Therefore, while the state very likely has a good measure on the bottom performing schools and districts in Arkansas, this downward myopic focus raises concern as to whether the state is keeping pace with academic adequacy and equity. The way the state can keep pace is by ensuring the state education model does more than just measure poor school performance, but that it also provides greater educational opportunity, and flexibility for all Arkansas public school students. This limited focus is especially relevant on how and where public schools are allowed to obtain quality educational instruction and teachers as well as what type of flexible educational delivery models are being approved.

This embrace of change is required so as to continually allow public schools the necessary flexibility to reorient and re-focus a greater and greater percentage of existing educational resources to more relevant, changing educational delivery models that are tied to more accurate academic performance around individual student growth as well as performance so that students are truly college or career ready. The recent rewrite and reauthorization of the Elementary and Secondary Education Act of 1965 through the passage of the Every Student Succeeds Act²; Act 1272 of 2015³ and Act 1240 of 2015⁴, along with the state charter school laws should be given their maximum application so as to help the re-orientation to a more accurate and well-focused academic accountability system for public schools which will help ensure even greater educational adequacy and equity for individual students. These efforts should greatly assist in the key area of student focused education and will benefit all public schools of Arkansas, especially rural public schools.

II. Facilities Funding for Open-Enrollment Public Charter Schools

The lack of adequacy and equity in the financing of educational facilities for open-enrollment public charter schools is an area of continuing concern for us. We believe in adequate and equitable opportunities for state educational facilities assistance for both open-enrollment public charter schools and traditional school districts.

Open-enrollment public charter schools (hereinafter “charter schools”) do not qualify under Ark. Code Ann. §6-20-2501 et seq.⁵ for access to state financial assistance for academic facilities through the Arkansas Division of Public School Facilities and Transportation’s Partnership Program. Charter schools are the only K-12 public schools in the state not provided a school facility through state law (e.g., school districts, juvenile detention, Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Department of Correction schools, etc.).

Besides being unable to access state partnership financial assistance, charter schools are unable to raise funds in their local communities by way of property tax millages as school districts can. The inability of charter schools to generate funds through property tax millages or through the Partnership Program means that a disproportionate amount of a charter school’s operating funds must go toward the acquisition, lease or purchase, operation and maintenance of academic facilities.

The General Assembly has taken positive steps toward providing financial assistance for charter school facilities with Act 739 of 2015⁶ (Open-Enrollment Public Charter School Facilities Funding Aid Program), which provided \$5,000,000.00 in per pupil funding for the current 2015-2016 school year. A copy of Act 739 is attached.

It is important to note that Act 739 establishes several “gatekeeping” provisions in order for a charter school to qualify for the funds and sets out criteria for the use of funds. Funds can only be used for the lease, purchase, renovation, repair, construction, installation, alteration, modification, or operation and maintenance of an approved facility. The Act further requires the cessation of the payment of the funds should the charter school

become identified as an academic or fiscal distress school, become a priority school or an "F" status school, or be placed in probationary status by the State Charter Authorizer, pursuant to Ark. Code Ann. §6-23-105⁷. Finally, any improper use of the funds may require the repayment of said funds to the Arkansas Department of Education (ADE). Furthermore, it is important to note these funds are provided to qualified charter schools on a spending model approach rather than a funding model (i.e., dollars are earmarked for specific areas of expenditure, and if not so used, the funds must be returned to the state).

Act 739's funding provided one-time assistance that is being shared among fourteen (14) charter schools statewide. There is great need for this funding to continue, and I would urge that this matter be addressed in upcoming legislative sessions.

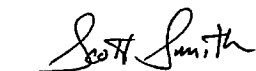
III. Use of Former School District Facilities

As open-enrollment public charter schools are the only public schools in Arkansas not receiving some form of non-debt obligated facilities funding assistance from the state or receiving public facilities actually provided for use as public schools, I would urge that the General Assembly consider the continued viability of mandating the repurpose and continued use of closed, vacant, or unused school district facilities or other state facilities for public education use as charter schools through legislation providing a right of access to such facilities.

IV. Conclusion

In closing, based upon the adequacy and equity points raised, I would ask that you consider this written testimony in helping the State provide an adequate education for all of its public school students.

Sincerely,



Scott Smith
Executive Director
Arkansas Public School Resource Center

Cited Authorities

1. *Lake View School District No. 25 v. Huckabee*, 364 Ark. 398, 220 S.W. 3d 645 (2005).
2. Every Student Succeeds Act.
3. Act 1272 of 2015.
4. Act 1240 of 2015.
5. Ark. Code Ann. § 6-20-2501 et seq.
6. Act 739 of 2015 (copy attached).
7. Ark. Code Ann. § 6-23-105.

1 State of Arkansas
2 90th General Assembly
3 Regular Session, 2015

A Bill

SENATE BILL 789

4
5 By: Senator J. Hendren
6

For An Act To Be Entitled

7
8 AN ACT TO ESTABLISH THE OPEN-ENROLLMENT PUBLIC
9 CHARTER SCHOOL FACILITIES FUNDING AID PROGRAM; AND
10 FOR OTHER PURPOSES.
11

Subtitle

12
13 TO ESTABLISH THE OPEN-ENROLLMENT PUBLIC
14 CHARTER SCHOOL FACILITIES FUNDING AID
15 PROGRAM.
16
17
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code Title 6, Chapter 23, Subchapter 9, is amended
22 to add an additional section to read as follows:

23 6-23-908. Open-enrollment Public Charter School Facilities Funding Aid
24 Program.

25 (a) There is created the Open-Enrollment Public Charter School
26 Facilities Funding Aid Program.

27 (b)(1) An open-enrollment public charter school that meets the
28 criteria under subsection (c) of this section is eligible to receive funding
29 from the program on a pro rata distribution of available funding per student,
30 based upon the open-enrollment public charter school's previous year three-
31 quarter average daily membership.

32 (2) For an open-enrollment public charter school in its first
33 year of operation or for an open-enrollment public charter school that adds a
34 new grade, the funding from the program shall be determined using the method
35 under § 6-23-501(a)(2)(A).

36 (c) In addition to the open-enrollment public charter school's



1 successful completion of the charter application review and approval process,
2 the open-enrollment public charter school shall meet all of the following
3 criteria in order to receive funding under the program:

4 (1) Virtual technology is not the primary method of delivering
5 instruction;

6 (2) The facility meets all applicable health, fire, and safety
7 codes and all accessibility requirements under the Americans with
8 Disabilities Act, 42 U.S.C. § 12101 et seq., and the Individuals with
9 Disabilities Education Act, 20 U.S.C. § 1400 et seq., as reviewed by the
10 Division of Public School Academic Facilities and Transportation or another
11 appropriate state agency; and

12 (3) The open-enrollment public charter school is not:

13 (A) Classified as in academic distress under § 6-15-428 or
14 fiscal distress under § 6-20-1901 et seq., and the corresponding rules
15 adopted by the State Board of Education;

16 (B) Classified as a priority school under the Arkansas
17 Comprehensive Testing, Assessment, and Accountability Program, § 6-15-401 et
18 seq., nor received a rating of "F" under § 6-15-2105; or

19 (C) Placed in probationary status by the state charter
20 school authorizer under § 6-23-105.

21 (d) The funds received by an open-enrollment public charter school
22 under this section shall be used only for the lease, purchase, renovation,
23 repair, construction, installation, restoration, alteration, modification, or
24 operation and maintenance of an approved facility that meets the requirements
25 of subsection (c) of this section.

26 (e)(1) If an open-enrollment public charter school fails to use funds
27 received under this section as provided under subsection (d) of this section
28 or no longer has the need for the funds, the division shall certify and
29 recoup the funds from the operating funds designated to the open-enrollment
30 public charter school through the Department of Education and remitted
31 directly by the department.

32 (2) The operating funds from which the division may recoup funds
33 from an open-enrollment public charter school are limited to:

34 (A) State funding distributed under § 6-20-2305, including
35 without limitation state foundation funding and state categorical funding;

36 (B) Federal funding to the extent allowed under federal

1 law; and

2 (C) The net assets of an open-enrollment public charter
3 school deemed property of the state upon revocation or nonrenewal of the
4 charter after all legal debts owed to third parties are satisfied.

5 (3) The state shall hold a preferred security interest in the
6 funds received under this section as provided under subsection (d) of this
7 section or the amount of funds no longer needed.

8 (f) This section does not entitle or subject an open-enrollment public
9 charter school to the Arkansas Public School Academic Facilities Funding Act,
10 § 6-20-2501 et seq., or the Arkansas Public School Academic Facilities
11 Program Act, § 6-21-801 et seq.

12 (g) The Commission for Arkansas Public School Academic Facilities and
13 Transportation may promulgate rules to implement this section.

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APPROVED: 03/27/2015

Arkansas School Boards Association (ASBA)

Thoughts, Concerns and Recommendations Regarding Funding Public Education in Arkansas

**A Report for the Interim House and Senate Education
Committees**

Submitted by the Arkansas School Boards Association



January 12, 2016

Preface

The Arkansas School Boards Association appreciates the opportunity to submit this testimony to the House and Senate Interim Education Committees. We recognize the magnitude of the responsibility shouldered by those committees and the recommendations that you must eventually make to the General Assembly regarding the adequacy and equity of public education in Arkansas. The following information is offered as our thoughts, concerns and recommendations as you consider how to best move forward with the progress Arkansas has made in public education over the past decade or more.

First and foremost, ASBA would like to recognize the dedication of the General Assembly for its efforts in the areas of broadband and career education. The General Assembly, spearheaded by the Education Committees, has worked diligently to provide an avenue for suitable and affordable broadband to be provided to all schools in Arkansas and has taken the initiative to change school culture so that students are directed towards a career path, which may include college, rather than solely being directed toward a four year higher education degree. We commend the General Assembly for its efforts but ask that they continue to focus on these areas in order to maintain an up-to-date broadband system and promote the continuation of the culture change.

To say that the world is changing is certainly an understatement. We are in a very different world today than even a decade ago when the Arkansas General Assembly was tasked with funding public education in a manner that was both adequate and equitable. In that respect, we must forever look for ways to provide an education to our children that is not only adequate and equitable but timely and appropriate in today's world. Whenever children graduate from our high schools, they should have received educational experiences that provide every opportunity to ensure future success. Our educational system must always strive to stay aligned with our societal needs. That takes constant review and adjustment as noted by the Special Masters in their testimony submitted to the Arkansas Supreme Court on the Lakeview case. As those adjustments are made, the funding needs of education in Arkansas must be recalibrated in order to continue to maintain the adequacy and equity constitutional requirements as determined by the Supreme Court in the Lakeview case.

In a presentation to the Joint Education Committee on September 9, 2014, Allen Odden told the committee members that if they were satisfied with the current level of student performance, they could just not implement any of the recommendations. However, Picus and Odden presented other recommendations based on evidence that could improve student performance. At ASBA, we believe that there is still much work to be done and that the members of the education committees along with the General Assembly are strongly committed to the improvement of education in Arkansas. With that in mind, please consider the following as our observations, concerns and recommendations regarding the adequate and equitable funding of the public education system in Arkansas:

Class size – In their evidence based approach, Picus and Odden reference studies that support the positive effects of small class size, especially in the lower grades. The original 2003 Picus and Odden study contained the following evidence based recommendation which was echoed in both their 2006 recalibration study and most recently in their 2014 Desk Audit:

Grades K-3	15:1
Grades 4-12	25:1

Picus and Odden recognized that the General Assembly deferred to the existing state standards regarding class size, and, therefore, the formula for the prototypical school was developed based on that standard. However, in the interest of optimizing student performance, it is important to mention the impact of class size on student performance outcomes. In their 2014 Desk Audit, Picus and Odden referenced data derived from the Tennessee STAR study, which used a randomized controlled experiment of class sizes of approximately fifteen (15) compared to a control group of classes with approximately twenty-four (24) students in kindergarten through grade three. The study revealed that students from the smaller classes performed at a significantly higher level than those in the larger class sizes.

In what could be considered an even more significant finding for Arkansas in its efforts to lower the achievement gap, the study found the higher level of performance of the students in the smaller class size was magnified (actually doubled) for low income and minority students. Although the Arkansas Supreme Court approved the current class size distribution in the matrix, ASBA believes that reducing class sizes in the early grades would be worth a closer look. An addition of 3.33 teachers to the matrix would be required to achieve the ratios mentioned for K-3 teachers.

Teacher staffing - As we have done in previous testimonies about adequacy, ASBA once again urges the General Assembly to initiate a study of actual school staffing to determine the relationship between the number of teachers funded through the matrix and the number of staff positions required to meet the Standards for Accreditation. The complexities of teacher licensure, coupled with the challenges of developing class schedules, strongly suggest that the study should be guided by education professionals who have expertise in this area.

ASBA believes a conflict may exist between the number of staff allotted in the matrix and the number of staff required by the Standards for Accreditation. Before looking at the prototypical school actually contained in the matrix, we begin by considering, for ease of apportioning numbers, a K-4 elementary school of 500 students. With five grades in the school, each grade would have 100 students. The Standards for Accreditation permit:

- Kindergarten classes no larger than 20 students (or 22 with one half-time instructional aide). Our model school would require five kindergarten teachers.
- Grades 1-3 classes averaging no more than 23 students per classroom. Our model school would require five classrooms per grade for a total of 15 teachers.

- Fourth grade classes averaging no more than 25 students per classroom. Our model school would require a total of 4 teachers.

In sum, a district would have to hire 24 teachers to meet the requirements of the Standards for Accreditation. The matrix allocates 20.8 core teachers for every 500 students. This means a school district with a total enrollment of 1300 (100 per grade) would be underfunded by 3.2 teachers for their 500 student K-4 elementary school in order to be in compliance with the Standards for Accreditation's requirements.

The Standards require districts to average no more than a specified number of students per classroom in any grade. This means that when a school's fourth grade enrollment exceeds 25 students, the school must have two fourth grade classes to avoid violating section 24.02 of the Standards. This section of the Standards places districts in Probationary Status for improper ratios and class sizes not caused by unexpected population shifts. A.C.A. § 6-15-207(a) reads, "The State Board of Education may take any number of the actions listed in subsection (c) of this section to address a school or school district failure to meet standards for accreditation any time after the school or school district has received notice of being placed on probationary status pursuant to §§ 6-15-202 and 6-15-203." The options available to the State Board include annexation and consolidation.

On paper, the student-to-teacher ratios in the matrix correctly mirror the Standards' requirements. However, the number of students per grade in the matrix doesn't accurately correlate with the staff schools are required to provide. One way of looking at the core subject staffing allocations contained in the matrix is to examine their derivation. The matrix is based on a K-12 school with an enrollment of 500 students. The matrix assumes the student body is comprised of 8% kindergarten students, for a total of 40 students; 23% in grades 1-3, for a total of 115 students; and 69% in grades 4-12, for a total of 345 students.

With 20 students permitted in each classroom, 40 kindergarten students neatly correlate to two staffing positions; the same as provided in the matrix. With 23 students permitted in grades 1-3 classrooms, 115 grades 1-3 students neatly correlate to five staffing positions; the same as provided in the matrix. The problems are with staffing for the nine grades of 4-12. The 345 students allocated in the matrix for grades 4-12 equate to 38.3 students per grade. For the purpose of this example, we structure grades 4-6 as single teacher grades. Because the Standards permit no more than an average of 25 students per classroom, each grade will require two teachers to meet the Standards for a total of six teachers out of the 13.8 allotted for grades 4-12 in the matrix. That leaves only 7.8 matrix funded teachers to teach all of the core subjects in grades 7-12. While the Standards permit 30 students per classroom, the matrix school has 38.3 students per grade, which requires schools to have two classes per grade per course. Separate from the required courses in grades 7- 8 is the required 38 units that must be taught each year in grades 9-12.

As was stated in the beginning of this section of our testimony, determining the number of teachers necessary to deliver the required courses is difficult, but for discussion purposes, let's

look at English as an example. English for grades 7-12 in a school with the matrix's student enrollment will require two class periods per grade for a total of 12 class periods. An English teacher, who is certified to teach grades 7-12 and works in a school using an 8-period day, could teach seven of those classes. That would leave two periods for the second English teacher (assuming the teacher has the necessary licensure) to teach the requirements of oral communications, drama, and journalism. So, other than the required AP English course, it is theoretically possible for two English teachers to teach all of the required courses for grades 7-12. However, even utilizing an 8-period schedule would require an additional teacher or portion thereof due to the required AP course, for a total of two plus English teachers for grades 7-12.

Assuming teacher licensure for science, math, and social studies requirements for grades 7-12 work out similarly to our English example (and the only reliable way of knowing is by conducting a study of actual staffing) each subject area would require 2 plus teachers. The total staffing necessary would total at least 8.5 positions but the matrix only provides 7.8 teachers after factoring in the six teachers necessary for grades 4-6.

The shortage of core staff positions in the matrix is compounded by an insufficient allotment of PAM teachers. Our understanding is that, in the original derivation of the matrix, PAM stood for physical education, art, and music. Apparently, the PAM definition changed to also include "all non-core classroom teachers" in the 2008 re-calibration (page 43 Volume 1, Report on Legislative Hearings for the 2008 Interim Study on Educational Adequacy, 12/30/2008). This change is significant. From a scheduling perspective, the PAM teachers were originally intended to enable elementary teachers to have their daily planning periods. Expanding PAM teachers to include all non-core classroom teachers makes the current matrix staffing and funding situation untenable.

The matrix apportions PAM teachers at the rate of 20% of the core teacher allocation which originally resulted in 4.2 teachers; this was recalibrated to 4.14 teachers in fiscal year 2008. If, in fact, 4.14 PAM teachers have to teach all the non-core K-12 subjects, we believe 4.14 is insufficient. Consider that, just for grades 9-12, the Standards require the following:

- 9.03.4.4 – 1 unit of computer science;
- 9.03.4.5 – 2 units of the same foreign language
- 9.03.4.6 – 3 ½ units of Fine Arts;
- 9.03.4.7 – 1 unit computer applications;
- 9.03.4.9 – ½ unit of economics;
- 9.03.4.10– 1 ½ units of health, safety, and physical education;
- 9.03.4.11 – 9 units of career and technical education representing three occupational areas.

Given the number of certifications these requirements cover, we don't believe 4.14 positions are sufficient to meet these requirements, especially when the requirements for grades K-8 are added. Again, however, we believe the most reliable way to determine the actual number of

necessary positions is for expert practitioners to create a class schedule that considers the various scheduling options coupled with teacher licensure considerations.

The BLR Resource Allocation of Foundation Funding from July 2014 shows that actual staffing averages per 500 students varied depending on district size. Districts with 750 students or fewer (87 districts statewide) employed on average 5.38 more teachers than were funded with foundation funding through the matrix than districts with a student enrollment of 5001 or more (15 districts statewide). Although the reason for this difference is undetermined, BLR stated on page 13 of the above referenced report that the lower number of teachers employed with foundation funds in larger districts, "... may result from larger districts' ability to gain greater efficiencies with more students." If that is the reason, smaller districts would seem to be at a disadvantage in regard to staffing through the matrix.

To the extent that an examination of the actual staffing necessary to meet the requirements of the Standards for Accreditation determines there is an insufficient number of staffing positions allocated in the matrix, the only viable solutions we can see would be to increase the staffing in the matrix.

Transportation – Free transportation to and from school is a critical component of public education in Arkansas. That fact is supported by its inclusion for funding in the matrix. Therefore, we believe it is important that all traditional and open-enrollment charter schools in the state provide transportation that meets the needs of the students within their boundaries.

A student cannot be taught unless the student is capable of reaching the lessons, regardless of whether the lessons are provided through traditional or digital means. For those districts where it is necessary to spend well above the amount provided in the matrix on transportation, each extra dollar spent on getting a student to and from school is a dollar that cannot be spent on a program the student may need to succeed.

The matrix includes an established per ADM funding amount for transportation. Unfortunately, that method of distribution does not take into account all factors involved in transporting our children to the school sites. There are those districts, whether it is due to a very low student per square mile ratio or the terrain district buses have to travel, where the cost to transport students to and from school is much higher than others. Picus and Odden recommended in their 2006 study that the General Assembly collect data on the transportation costs and develop a funding formula based on density, mileage or hours of operation. With the exception of a \$500,000 supplemental transportation appropriation shared by 44 districts in 2011-12 that had actual expenses totaling more than 120% of the matrix transportation funding, the method of distribution for transportation funding has not been changed.

ASBA asks that the committee continue the recommendation from the 2014 Adequacy Report, as included in the original filing of House Bill 1663, for the need for enhanced high-cost transportation funding. That funding schedule can be found at <ftp://www.arkleg.state.ar.us/bills/2015/Public/hb1663/>.

Professional Development - ASBA would like to reaffirm its belief in and support of the need for high quality professional development for all Arkansas educators. In their 2014 Desk Audit, Picus, Odden, and Associates included the need for educators to receive a high number of quality professional development hours over the course of the year. The research Picus and Odden cited in support recommended that educators should receive a minimum of one hundred (100) hours and should, if possible, receive closer to two hundred (200) hours annually. Picus and Odden believe research demonstrates that educators should receive the majority of those professional development hours by being part of a collaborative teacher team with time for such collaboration during the school day; the 2014 Adequacy Report appears to have agreed with this professional development method as it cited research calling for the use of "Professional Learning Communities." ASBA sees two issues preventing districts from implementing these researched best practices:

First, while Ark. Code Ann. § 6-17-114 provides for teachers to receive a minimum of two hundred (200) minutes a week of planning time, the Arkansas Attorney General opined in 2005-299 that the provided time must be individually driven and may not be counted for the required number of minutes if the use is directed by district or school administration. ASBA asks that this be modified to allow a building principal to use a portion of these minutes to assign teachers to collaborative professional development groups. While this will not be enough to reach the recommended number of hours, if this is combined with a restoration in the mandatory minimum number of professional development days, this will at least put Arkansas in the right direction when it comes to professional development hours.

Second, the funding for professional development is inadequate. In the 2014 Adequacy Report, it was shown that districts were required to transfer approximately two million dollars (\$2,000,000) from their NSL fund in order to cover all of the professional development costs. The need for districts to transfer these funds was prior to the forty percent (40%) reduction in the per student professional development fund. We believe the need for districts to have transferred funds from NSL to cover professional development has continued since the 2014 Adequacy Report; this includes following the reduction in the mandatory number of professional development days from ten (10) to six (6) by Act 44 of 2015.

As an example: If a district was required to pay two dollars (\$2) to cover the cost of one hour of professional development, then ten (10) hours cost the district twenty dollars (\$20). If a district received ten dollars (\$10) specifically for professional development, then the district had to pull ten dollars (\$10) from somewhere else to cover the remainder. Now, since both the number of hours and the funding received have been equally reduced by forty percent (40%), then the district will have six (6) hours of professional development, at a total cost of twelve dollars (\$12), but will have only received six dollars (\$6) specifically to pay for professional development. Therefore, the reduction in mandatory professional development to match the reduction in funding will decrease the amount of funding districts will have to pull from another fund but will not eliminate it entirely.

Moreover, the 2014 Adequacy Report states that the rationale for both not restoring the sixteen million (\$16,000,000) that was transferred from the professional development fund to the public school employee health insurance fund and for not providing a COLA was because districts were able to cover the difference between what was received and spent for professional development with NSL funds; however, immediately following the rationale for the denial to recommend a change in professional development funding, the Report states that the rationale behind the recommendation of a two percent (2%) increase each year to both English Language Learner and Alternative Learning Environment funds was because districts had been required to transfer funds from NSL to cover costs for both programs.

Therefore, ASBA recommends that the legislature amend Ark. Code Ann. § 6-17-114 to allow for the assignment of the use of a portion of the weekly planning minutes and either restore both the mandatory number of professional development hours and the associated funding or provide enough additional funding that districts can return NSL funds to being used for students.

National School Lunch Act (NSL) - This categorical funding was first distributed to districts in the 2004-05 school year. Since Act 59 of the second extraordinary session of 2003, the funding level rates have increased five times. Over the years, districts have developed programs supported by those funds that are consistent with state statute and Arkansas Department of Education (ADE) Rules and Regulations. Those programs are now woven into school and district improvement plans and they rely heavily on those funds to provide all the programs needed by their students.

Over the years, the allowable use for NSL funds has been broadened significantly. A.C.A. 6-20-2305 now lists eighteen (18) allowable uses. Section 6.07 of the ADE Rules and Regulations further clarifies that list to thirty-two (32) allowable uses. Some believe the allowable uses to be too broad and that a greater emphasis should be put on narrowing the use of those funds to research proven programs that have the highest potential for positively impacting the academic performance for struggling students.

ASBA sees some merit for the position of narrowing the acceptable uses for NSL funds; however, there are risks involved if that is done. It is likely that programs leading to the improvement of instruction in one situation may fail or not be as effective in another. Therefore, if the allowable uses for NSL funds are reduced, districts that have effective programs in place funded with current allowable use of NSL funds should be allowed to continue those effective programs.

Facilities - The Arkansas Division of Public School Academic Facilities and Transportation testified during the 2014 Adequacy Study that if General Revenue remained at routine levels there would be at least \$65 Million in facility needs through 2017 that would go unfunded. Through a variety of actions during the 2015 legislative session, the General Assembly provided the necessary funding to meet those needs. The Partnership Program, collectively with local school district matching funds, has committed over \$2 Billion to construct or renovate public

school facilities since the Partnership Program began. That has made a tremendous difference in the condition of school facilities across the state. However, the level of annual demand has historically far exceeded the annual revenues for the program and there is now no carryover left from the initial \$455M placed in the program almost ten years ago, which leaves the future of the program uncertain.

It has been approximately ten years since the last full assessment of public school facilities in Arkansas was conducted. ASBA recommends that another facility assessment take place prior to the next biennium. In addition, a full review and recalibration of the \$175 Funding Factor cap on square footage costs (Section 6.03 of Academic Facilities Partnership Rules) should be considered based on actual current construction costs. The former director of the Division of Public School Academic Facilities and Transportation, Dr. Charles Stein, stated in Public Comment dated 10/23/15, "The \$175 per square foot maximum Funding Factor was established in March 2008 and has not been increased since that time. A review of national construction cost increases and construction cost increases around all Arkansas regions indicates that construction costs have escalated approximately 14% from 2008 to 2015. Additional escalation should occur between 2015 and the next Partnership Program project funding cycle in 2017-2019. Based on actual cost increases the maximum Funding Factor in Section 6.03 should be increased to $\$175 \times 114\% = \200 per square foot." Only with a full and current estimate of facility needs and costs going forward can the General Assembly develop a long range plan for funding the program. Once the results are compiled and analyzed, an adequate and stable funding stream should be established to meet those needs.

ASBA believes that it is the state's obligation to ensure appropriate public school academic facilities are provided for the public school children in Arkansas. The children attending our open enrollment public charter schools are public school children and should enjoy substantially equal facilities as the children in traditional public schools. In that context, open enrollment charter schools should be granted access to the Partnership Program the same as traditional school districts. Realizing that there are many issues to consider and resolve in order for that to happen, the result certainly should not have a negative impact on the current facilities program that has done so much to improve K-12 educational facilities statewide. The University of Arkansas's Office of Education Policy published a Policy Brief entitled "Charter School Facilities Funding" in October of 2014 that explored the issue and referenced data from several sources in that publication.

Cost of Living Adjustment (COLA) – The original 2003 Picus and Odden study provided the basis for the funding matrix, which was sufficient to satisfy the Arkansas Supreme Court and has stood for over a decade as the cornerstone for guiding the finances distributed to the K-12 public education institutions in Arkansas. With the exception of the 2006 recalibration, the matrix funding formula was only altered to provide for a cost of living adjustment from 2009 through June of 2015. Although the COLA increases were certainly needed and appreciated, that process did little to address actual recalibration of the various components of the matrix.

Then at the conclusion of the 2014 interim study of adequacy, which included a Picus and Odden Desk Audit of the Arkansas Public School Funding Matrix, the Joint Education Committees approved recommendations to present to the General Assembly that addressed the matrix in a line item manner rather than the traditional fixed annual two percent (2%) COLA increase that had been added each year since 2009. Most of those recommendations were enacted by the General Assembly; however, the overall funding percentage increase through the matrix for the 2015-17 biennium was only approximately half of the two percent (2%) inflationary factor.

This action left some K-12 school districts not receiving enough additional funding to cover their increased costs. In addition to inflation, the combination of a much needed increase to the minimum teacher salary by Act 1087 and the requirements of Ark. Code Ann. § 6-17-2403 regarding salary step increases for licensed staff and Ark. Code Ann. § 6-17-2203 regarding increases for the minimum hourly wage of classified staff based on the consumer price index left some districts struggling to cover expenses.

ASBA recommends that, at a minimum, districts be given enough new funding through the matrix to keep up with inflation and any new requirements placed upon them by the General Assembly.

Again, we would like to acknowledge the attention and hard work the House and Senate Education Committees and sub-committees have put into providing the methods and necessary funding to ensure an adequate and equitable education for the children of Arkansas. We believe your efforts have made a positive difference in education in Arkansas. However, we must continue to ask ourselves if adequacy is enough. Will adequacy meet the education requirements to allow the economic goals for Arkansas to be reached?

At ASBA, we strive to provide student focused leadership. We realize that school boards are in a unique position representing the children in their communities. Their actions, or lack of, influence the opportunities for the success of the children in their districts. Responsibilities at the local level include the generation of local funding to complement state efforts. We stand ready to be part of the solution to see that all children in Arkansas have their best opportunity for success. Thank you for your consideration of our thoughts, concerns and recommendations. We look forward to working with you to further advance public education in Arkansas.

Arkansas State Teachers Association (ASTA)

DRAFT



Dr. Michele Ballentine-Linch Testimony
Arkansas State Teachers Association (ASTA)
House and Senate Interim Committee on Education
January 12, 2016
Continuing Adequacy Evaluation Act of 2004

Mr. Chairman and members of the Committee, my name is Dr. Michele Ballentine-Linch, executive director of the Arkansas State Teachers Association (ASTA). I am submitting this written testimony outlining members' perceptions and insights into the State's current funding for its public education system. ASTA members are composed of school employees. While a vast majority of our members are teachers serving in traditional public schools, members also include administrators, charter school educators and other education professionals.

ASTA's contribution to education policy and advocacy is driven by its members. We are committed to serving as an authentic voice for education professionals and have recently polled members on several issues related to the impact of current funding for public education. While our members tend to be aware of court cases involving adequacy issues as well as the nature of the funding matrix, it does not appear to be a matter many have explored in depth. However, they have strong opinions about how they view spending in their individual districts and are able to provide valuable frontline accounts of the impact national, state and local decisions make in Arkansas classrooms. As several teachers expressed in a variety of ways, "Legislators and policy makers need to talk to teachers." The most recent ASTA poll revealed several clear, concise themes and opinions regarding funding of public schools as well as discrepancies that exist in terms of leadership capacity, resource alignment and implementation issues.

SUMMARY

- While 22% were unsure, 59% of participants reported regularly observing areas where districts could align funds to retain high quality teachers. Thematic synopses that emerged from open-ended questions include:
 - The need for adequately funded and quality health insurance benefits. Over 94% of those polled felt was "critical" to recruiting and retaining quality school employees. While 73% felt their own districts could contribute more to premiums, over 90% believe the state should contribute more toward health care premiums.
 - Approximately 81% were not confident in Employment Benefits Division's (EBD) ability to effectively represent their health care plan needs or manage the Public School Employ (PSE) programs.
 - The desire to have more relevant and helpful professional development resources was notably a more prevalent theme than previous surveys.
 - The Teacher Excellence Support System (TESS) was repeatedly identified as a time consuming process that interfered with teachers' and administrators' abilities to adequately manage time and serve students. However, there were a small number of respondents who indicated TESS was effective and not huge burden. This implementation gap is something we observe on a regular basis and why adequacy issues can be difficult to speak to unless one understands a district's leadership capacity and how the district aligns its resources.
 - While increase pay is always a theme, it's important to note that a majority of those listing pay raises for teachers as a need were from districts that had not had raises in four to ten years.
- When asked if they observed specific areas where their districts allocate excessive funds, 49% responded they were unsure while 34% responded "yes" and explained perceptions they held. Clear themes emerged from comments made:
 - There is the opinion that resources and benefits applied to various administrative positions, depicted as excessive in number and pay and further described several times as "undefined" or "We do not know what they do", could be better spent to meet learning needs of students and support teachers.

- Athletics was the other most mentioned area of perceived excessive expenditures. One comment stated, “Athletics receives a large share of funds, while we have ten-year-old texts for Science and none for History.”
- Anecdotal comments included opinions of excessive spending on unused software, technology resources that are unavailable to students and teachers, extravagant buildings and facilities and ineffective professional development.
- Adequacy in terms of sufficient classroom resources is one of the most critical issues education professionals face. ASTA members were asked, “What type of classroom support is needed in your school to improve instruction and student learning?” The overwhelming needs members spoke to related to the need for:
 - Sufficient technology resources including equipment that is operational and accessible, internet speed and more broadband. One comment stated his school had no WiFi and no computers for student use. However a vast majority of technology needs spoke to efficiency, professional development and accessibility.
 - *Effective and qualified* instructional coaches and interventionists. This was a new and very strong theme that emerged in this most recent survey.
 - Resources to collaborate on and develop curriculum and instruction aligned to standards.
 - Training and resources to work effectively with students who struggle behaviorally.
 - More support staff to assist in classrooms and staff alternative learning environments (ALE) and in-school suspension (ISS) programs.
 - Time arranged to allow for more collaboration with colleagues.
- When asked what was working, comments reflected the implementation and leadership capacity issues we regularly observe in surveys. While initiatives like ALE, ISS, Response to Intervention (RTI), teacher-paid after school tutoring, and readily available instructional coaches and interventionists were reported as effective, these same initiatives were also reported as “inconsistent” and unsuccessful. Several comments stated, “Nothing we try works.”

Three things are clear from ASTA members’ feedback. 1) Serious discrepancies related to funding issues still exist. 2) Teachers and other education professionals must have a stronger voice with regard to adequacy decisions. 3) Arkansas has serious leadership capacity and implementation issues that warrant a deep exploration of exactly how districts are aligning resources, spending funds and staffing leadership, instructional coach and interventionist positions. These discrepancies and issues make it difficult to determine where many funding inadequacies exist versus alignment issues. We continue to recommend a rigorous study into how districts spend and align resources be conducted in order to begin to identify effective practices. A reliable and valid study would build an understanding of where we need additional funding versus where poor spending practices need to be addressed. Finally, funding systems should be transparent and shared with the professionals on the frontlines as they will be some of the most qualified to assist districts in more effectively aligning resources.

ASTA members are forward-thinking professionals who put students first. We support efforts that ensure equitable and adequate allocation of resources, regardless of zip code or public school type. We look forward to working with the state in providing insight into the impact of funding issues and decision-making.

Thank you for this opportunity. We look forward to working with policy makers in their efforts to improve education in Arkansas.

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DRAFT

*The Arkansas State Teachers Association (ASTA) is the fastest growing education association in Arkansas. ASTA is a **non-union** professional association that provides benefits and services to educators such as liability insurance, professional development, scholarships and a voice on education policy both statewide and nationally. ASTA is a state chapter of the Association of American Educators.*

The Walton Family Foundation (WFF)

December 29, 2015

Senator English, Representative Cozart, and Members of the Joint Interim Education Committee:

Thank you for the opportunity to submit comments regarding funding adequacy. The topic of my testimony is to propose the Committee consider both inputs and outcomes when thinking about resourcing for adequacy. For citations of points made in this testimony, I have forwarded two documents: The *Arkansas Education Report*, Volume 12, Issue 3, dated November 11, 2015; and a Policy Brief, entitled *Education Funding Equity in Arkansas*, Volume 12 Issue 12, November 2015, both prepared by the University of Arkansas Fayetteville Office for Education Policy.

In the *Arkansas Education Report* on page 11 you will find two tables which indicate lawmakers have made significant gains in regard to resourcing our schools with high poverty student populations. In the first table (Table 7), entitled "Nominal Net Current Per Pupil Expenditures by State, 2000-2012," you will find Arkansas spending compared to surrounding states, the region and the nation. In the 2000-2001 school year, Arkansas trailed the regional average by \$688 and the nation by \$1,890 in per pupil spending; however, in the 2011-12 school year, led the region by \$972 while still trailing the national average by \$1,154. In Table 8, when these numbers are adjusted for the cost of living index, you see that we went in 2000-01 trailing the region by \$857 and the national average by \$1,341 to leading the regional average by \$928, and trailing the national average by only \$214 per pupil.

In addition to significant improvement on funding obligations as a state, the *Policy Brief*, or second document, confirms that the increased funding has gone to assist the schools with the highest need student populations. On page 2, you'll see that Table 3, entitled "Average Net current Per Pupil Expenditures by Percent of Poverty, 2000-2014," shows schools with high Free and Reduced Lunch (FRL) populations in 2000-2001 spent only \$687 more per pupil than schools with the lowest percentage of FRL, but by the 2013-14 school year, this amount increased to \$2,464 more per pupil than low FRL schools. Similarly, in Table 4, when the expenditure is applied to students of color, the gap between those of highest color and those of least color in 2000-01 was \$773, and increased in 2013-14 to \$1,781. And finally, as shown in Table 5 at the bottom of that page, when expenditures are applied to the least percent proficient schools versus the most percent proficient schools, in the 2005-06 school year, the least proficient schools were spending \$1,545 per pupil more than the most percent proficient; in the 2013-14 school year this grew to \$2,678 more.

While the state has made substantial gains on the "input" side of the equation, or targeting funding to high FRL schools to assure resources are adequate to provide a quality education, we haven't yet made significant progress on the "outcome" side, or closing the achievement gap, the ultimate goal in providing these additional resources. Again referencing the *Arkansas Education Report*, on page 27 Tables 18 and 19 show the achievement gap between FRL and non-FRL students on the Benchmark Math and Literacy exams from 2005 through 2014. Other than a reduction of 6 percentage points in Math and 5 in Literacy from the 2005-06 school year to the 2008-09 school year, we have not seen sustainable drop in the size of the achievement gap, despite the larger investment over these years, and in fact the gap has grown slightly in both Math and Literacy in the 2013-14 school year.

We aren't suggesting additional funding should not be provided to high percentage FRL schools, but that there should be incentives to use these resources for programs and interventions that will close the achievement gap, giving equal attention to outcomes as there is on inputs. One strategy that has been implemented in the past is to limit the interventions that receive FRL funding, but in an era where we as a state are rightfully encouraging innovation and customization of programming to better fit students' needs, this type of restriction likely would exclude some interventions that would be effective. We instead suggest that at least a portion of the FRL funding be performance-based, to create incentives to use these most effectively.

Following is our recommendation:

By the 2020-21 school year, 20% of the FRL funding will be performance-based. The initial "80%" payment would be paid as it is currently to use for interventions focused on FRL students; the remaining 20% would be determined by meeting achievement goals, as set by the state's accountability system, for FRL students in Math and Literacy (10% each). In order for schools to make adjustments and become familiar with the new testing protocol, we suggest the phase-in approach below -

For the 2016-17 school year, make the performance-based funds equal to the percent increase from the 2015-16 to the 2016-17 school year. In this way, schools don't experience any reduction in real dollars to spend up front on interventions from the 2015-16 school year, but do have an opportunity to receive additional funds if they meet goals for FRL student academic gains.

For the 2017-18 school year, make the performance-based funds 5% of the total allocation.

For the 2018-19 school year, make these 10%

For the 2019-20 school year, make these 15%

For the 2020-2021 school year, make these 20%

At current FRL funding levels of roughly \$200 million annually, the performance component ranges from \$10 million at the 5% level in year two to \$40 million at the 20% level by year five. Although we would hope that all schools meet all performance marks annually, some will fall short, leaving some funds to be used for other programming focused on FRL populations, such as high quality preschool access via the Arkansas Better Chance Program, without increasing the budget in this area.

Thank you again for inviting this testimony, and I'd be happy to discuss this and other ideas regarding performance-based funding if Committee Members have interest.



Kathy Smith
Senior Program Officer
The Walton Family Foundation



ARKANSAS EDUCATION REPORT
Volume 12, Issue 3

**THE STATE OF EDUCATION IN ARKANSAS 2015:
HOW MUCH ARE ARKANSAS SCHOOLS SPENDING?**

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November 11, 2015

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EXECUTIVE SUMMARY

In 2007, the Arkansas Supreme Court relinquished the oversight of the state's school funding system that had resulted from the landmark *Lake View* case. In 2008, the Office for Education Policy at the University of Arkansas examined the adequacy and equity of Arkansas' K-12 education funding. The report found that since 2001, when the *Lake View* was decided, Arkansas had substantially increased per pupil spending to provide school districts with adequate and equitable resources, regardless of the characteristics of the district. Are resources still adequate and equitable after seven years without judicial oversight? In this report, the Office for Education Policy re-examines the question of school funding adequacy and equity.

To obtain a comprehensive, long-term understanding of the trends in school funding and per pupil expenditures in Arkansas' K-12 public education system, this report begins with the 2000-01 school year. Traditional public districts and public charter districts are included in the analyses, as both receive funds from the state. Our new findings are similar to what we found in 2008: the school funding system in Arkansas continues to allocate above-average levels of overall funding to districts serving traditionally under-served students. We find that districts serving greater proportions of students eligible for free or reduced lunch, serving greater proportions of students of color, and demonstrating lower achievement on state assessments spend more per pupil than do other districts across the state. In addition, the smallest traditional districts are spending more per pupil than larger districts.

The following key findings result from this analysis:

Adequacy

- Net current expenditures per pupil, which include all current expenditures other than capital, debt service, and land expenditures, have risen from \$5,531 in the 2000-01 school year to \$9,429 in the 2013-14 school year.
- In the 2000-01 school year, Arkansas spent less than all of its neighboring states except Mississippi; by the 2011-12 school year, Arkansas outspent all of its neighbors.
- Arkansas has been spending more per pupil than the regional average since the 2005-06 school year (without adjusting for cost-of-living).

- After adjusting for cost-of-living, Arkansas spends more per pupil than its neighbors. Furthermore, in recent years, Arkansas spending has caught up to the national average.

Equity

- The smallest districts in the state spent roughly \$10,000 per pupil in net current expenditures in 2013-14; this was roughly \$1,000 more than was spent on the average student in Arkansas.
- Districts with the most students of color annually spend roughly \$2,000 more per pupil than the districts with the fewest students of color
- Districts with the highest poverty annually spend roughly \$2,500 more per pupil than districts with the least poverty.
- The lowest-achieving districts in literacy annually spend roughly \$2,500 more per pupil than the highest-achieving districts.
- The lowest-achieving districts in math annually spend almost \$3,000 more per pupil than the highest achieving districts.
- Districts with the highest local property values spent roughly \$1,000 more per pupil than districts with the least wealth in 2013-14.

Efficiency

- Arkansas districts have consistently dedicated roughly half of all expenditures on instructional expenses; districts spend the most on instruction-related expenses, although non-instructional expenditures have been rising as well.
- Arkansas students perform below the national average on standardized assessments, and demonstrates persistent achievement gaps between student groups.
- Thus far, we can find no strong evidence that suggests achievement gaps are decreasing despite the fact that additional resources are being allocated to disadvantaged districts.

I. INTRODUCTION

When considering the quality of an education system, it is important to understand the resources available to students. Without proper resources, schools are unable to provide a quality educational experience, and students leave school unprepared to be fulfilled, productive members of society. School funding is therefore an important, and often controversial, topic in education policy. Arkansas' public education system first ran into constitutional trouble over school funding in 1983 when the Supreme Court decided in *Dupree v. Alma* that the school funding formula was unconstitutional because it was based on valuations of the local tax base, not on the needs of the districts, thereby violating the equal protection clause of the Constitution.

In 1995 a successful ballot initiative approved the 74th Amendment to the Arkansas Constitution, which required the state to provide 25 mills of property tax for each district. The adoption of the Amendment, however, did not mark the end of Arkansas' struggle to bring its education system up to par. In 1992 Lake View School District sued the state, arguing that disparities between wealthy and poor school districts were unconstitutional; the ruling in their favor was upheld by the Arkansas Supreme Court in 1996. In 1998, the suit was again brought against the state, with the state Supreme Court ruling Arkansas' education system was unconstitutional in 2002. To respond to the call from the Supreme Court, the Arkansas General Assembly held its longest special session to date from December through March 2004. During the 61-day session, the General Assembly passed 73 bills related to education, increasing revenue through \$400 million in new taxes, writing a new funding formula, and eliminating districts with less than 350 students. In 2007, the General Assembly passed Act 1202, which requires the state to fund education before all other expenses, meaning even if revenues decrease and the state needs to lower its spending, education will be fully funded at the expense of other agencies.

From 2004 until 2007, the school finance formula and funding allocations received a great deal of attention from school leaders and the public. Indeed, very soon after the special session, when the funding levels were not increased after the first year of the new formula, several districts again brought forth a court challenge. In response, the Supreme Court appointed two retired judges to serve as "Special Masters" to ensure that the system remained in constitutional compliance. These Special Masters submitted their last report in 2007 and declared that the state's education system was constitutional.

On the heels of the Lakeview ruling, the legislative response, and the declaration by the Court that the school funding system was indeed constitutionally compliant, many analyses of the school funding levels in Arkansas were conducted by various groups. The Office for Education Policy published multiple reports on the topic during that time period.¹ Now that the state is under less scrutiny, the question naturally arises of whether the state is continuing to fulfill its obligation to provide an adequate and equitable education to all students, or whether the urgency of such efforts departed with the acceptance of the final ruling of the Special Masters in 2007.

¹Barnett, Joshua, Ritter, Gary, and Riffel, Brent (2008). [The State of Education in Arkansas 2008: How Much Are Arkansas Schools Spending?](#) Office for Education Policy; Barnett, Joshua (2005). [Placing Arkansas School Funding Data In the National Context](#). Office for Education Policy; and Greenwood, Reed (2012). [Educational Adequacy in Arkansas: Funding](#). Office for Education Policy.

II. RESEARCH QUESTIONS AND STUDY DESIGN

The rest of this brief will examine each of the following questions in turn before providing an overall summary of our findings to give a clear picture of educational funding in Arkansas.

A. Research Questions

1. *Questions on Adequacy of Education Spending*

- How much is spent per pupil in Arkansas, and how has this changed since 2000?
- How much is spent on K-12 education as a percentage of the state budget?
- How much in revenue is collected from various sources?
- How does Arkansas education spending compare to that of other states?

2. *Questions on Equity of Resource Distribution*

- Are resources targeted to smaller districts?
- Are resources targeted to districts with low property values?
- Are resources targeted to districts serving low-income students?
- Are resources targeted to districts serving students of color?
- Are resources targeted to districts serving low-performing students?

3. *Questions on Efficiency of Education Spending*

- How do districts allocate their funds?
- Has performance changed for the better?
 - Overall in the state
 - Equitably across students

B. Data Sources

1. *Indicators of Revenue and Spending*

We focus on the following indicators of school district fiscal resources:

- Local revenue
- State revenue for the foundation program
- State revenue for categorical aid
- Unrestricted state revenue
- Federal revenue

We focus on the following indicators of school district expenditures:

- Total expenditures per pupil
- Net current expenditures (excluding expenditures for debt service and facilities)

- Expenditures by function (instruction, maintenance and operations, transportation, and other)

This report will most heavily use net current expenditures per pupil (NCPP) to assess the adequacy and equity of resource distribution around the state. Net current expenditures per pupil is the spending most relevant to the average student's experience in schools and allows for a common comparison of spending levels within and between states.

Arkansas financial data is taken from the state Annual Statistical Reports, which detail annual district-level revenue and expenditures. For between-state and national data, figures are taken from the National Center for Education Statistics.

2. *Characteristics of Districts*

This analysis initially focused on statewide average revenues and expenditures. However, an important aspect of the study is the "subgroup" analysis, or the study of the overall revenues/expenditures and change in expenditures by various characteristics of districts. Characteristics examined are district size, percentage of low-income students, percentage of minority students, property wealth per pupil, and student performance on the state test. For each characteristic, districts are grouped into quintiles, where one-fifth of districts are in each category. Grouping into quintiles yearly accommodated relative fluctuations, and descriptive information regarding quintile value ranges for each year can be found in the appendix. Demographic and achievement data are from the Office for Education Policy's Arkansas School Databases.

C. **Definitions**

Below is a list of definitions necessary for understanding the questions and results in the report.

Educational Adequacy: According to the Bureau of Legislative Research in a 2013 brief on legal adequacy in education, "educational adequacy is a dynamic, not a static concept. Recognizing this, the subcommittee previously used the following working definition of "educational adequacy" to serve as a basis for identifying the resources required for adequate funding:

1. The standards included in the state's curriculum frameworks, which define what all Arkansas students are to be taught, including specific grade-level curriculum and a mandatory thirty eight (38) Carnegie units defined by the Arkansas Standards of Accreditation to be taught at the high school level;
2. The standards included in the state's testing system. The goal is to have all, or all but the most severely disabled, students perform at or above proficiency on these tests; and
3. Sufficient funding to provide adequate resources as identified by the General Assembly."²

²Bureau of Legislative Research (2013). [Legal Adequacy Overview](#).

Educational Equity: In this paper, educational equity refers to vertical equity in education, whereby all students, regardless of community size, race, socioeconomic status, or prior achievement, have access to the resources and opportunities necessary for them to reach the same levels of educational attainment as any other student with any other background. In simpler terms, we address the concept of equity by assessing the extent to which resource allocations vary related to district characteristics.

Foundation Amount³: Like many states, Arkansas uses a foundation formula for education funding. Foundation formulas were developed to address differences in local property wealth, and subsequent ability to generate local revenue for schools. These formulas provide the state a method for ensuring that all districts have access to the base amount needed to provide an adequate education. Using the foundation formula, Arkansas considers the funds able to be raised from local sources, then adds whatever funding is needed to make up the difference between local funds and a pre-determined minimum funding amount. This minimum amount is specified by the General Assembly each school year and generally called the *foundation amount per pupil*.

Prior to 2004-05, the foundation amount per pupil was based on whatever the state could afford. As seen in Table 1, this value was \$4,752 in 2003-04. Since the *Lake View* decision, however, school adequacy is a funding priority, and a matrix that quantifies the cost of an adequate education is used to determine the foundation amount. Based on the matrix, the foundation amount jumped to \$5,400 in 2004-05.

Since the *Lake View* decision, the term “\$5,400” was publicly discussed as a measure of how much the state allocates for the education of each Arkansas student. While this accurately reflected the foundation amount, it led to some misconceptions regarding how much money is actually spent on each pupil. Indeed, \$5,400 referred explicitly to the 2004-05 foundation formula expenditure per pupil amount; however, this amount was not the total per pupil dollar amount allocated for education in Arkansas. Rather, \$5,400 was the *minimum* amount of local and state money to be spent on each student. Students in Arkansas actually had \$8,902 provided for their education in 2004-05.

There are two main reasons why districts receive more funds than the foundation amount. Primarily, the state contributes resources above the foundation amount for categorical needs (detailed in Table 2), and the federal government contributes resources for certain needs for education. In addition, the minimum amount of funding for students is generated by the uniform rate of taxation on assessed property at the local level (25 mills), but in 2013-14 all traditional districts charge more than the minimum number of mills, with average statewide of 37.46 mills. Some portion of revenue generated over 25 mills are retained by the local district. Note that charter schools receive the foundation funding as state and federal funding, but not any resources generated by additional millage, as those funds remains with the student’s resident district.

³Bureau of Legislative Research (2012). [The Resource Allocation of Foundation Funding For Arkansas School Districts](#). Little Rock.

From this brief millage examination we learn that districts are consistently charging more than the minimum mills this explains the discrepancy between foundation amounts and actual revenue. Yearly foundation amounts are provided in Table 1⁴.

Table 1: Yearly Foundation Amount, 2000-2014⁵

Year	Foundation Amount Per Pupil
2000-01	\$4,562
2001-02	\$4,596
2002-03	\$4,781
2003-04	\$4,752
2004-05	\$5,400
2005-06	\$5,528
2006-07	\$5,662
2007-08	\$5,770
2008-09	\$5,876
2009-10	\$5,940
2010-11	\$6,023
2011-12	\$6,144
2012-13	\$6,267
2013-14	\$6,393

Categorical Funding: Districts also receive categorical funding for students with additional needs. Specifically, districts receive categorical funding for Alternative Learning Environment (ALE), English Language Learners (ELL), National School Lunch Act (NSL), and Professional Development (PD). Per pupil categorical funding amounts for 2013-14 are presented in Table 2.

Table 2: Categorical Funding Amount, 2013-2014⁶

Special Category	Per Pupil Funding
ALE	\$4,228
ELL	\$311
<70%	\$517
NSL 70%-<90%	\$1,033
90%+	\$1,549
PD	\$44

Total Expenditures: Total expenditures include all of the same costs included in current expenditures, but also include expenditures for capital and debt service. Researchers generally

⁴ Foundation amounts are released by the Legislature, and can be found at arkleg.state.ar.us or [here](#), [here](#), and [here](#).

⁵ Foundation amounts reported by the Arkansas Legislature, found at arkleg.state.ar.us or [here](#), [here](#), and [here](#); net current and total expenditures taken from the state Annual Statistical Reports, found at arkansased.gov or [here](#)

⁶ Foundation amounts reported by the Arkansas Legislature, found at arkleg.state.ar.us or [here](#), [here](#), and [here](#); net current and total expenditures taken from the state Annual Statistical Reports, found at arkansased.gov or [here](#)

use current expenditures instead of total expenditures when comparing education spending between states or across time because current expenditures exclude expenditures for capital outlay, which tend to change dramatically each year. Also, the current expenditures commonly reported are for public elementary and secondary education only. Many school districts also support community services, adult education, private education, and other programs, which are included in total expenditures. These programs and the extent to which they are funded by school districts vary greatly both across and within states.

Total Per Pupil Expenditures: Total expenditures divided by a district's ADA.

Current Expenditures: Total current expenditures represent the amount of funds spent for the day-to-day operation of schools and school districts, including instruction costs, district level support, school level support, non-instructional services, payments to other LEAs, and other non-programmed costs. In Arkansas, the majority of current expenditures are allocated for instruction (primarily for teacher salaries). Expenditures for debt service, school facility acquisition and construction, as well as other capital outlays are *not* included in this tally.

Current Per Pupil Expenditures: Current expenditures divided by a district's average daily attendance, or ADA.

Net Current Expenditures: Yearly expenses incurred by school districts excluding fixed expenses such as debt service, land expenditures, and buildings and equipment.

Net Current Expenditures Per Pupil: Per pupil measure of spending that excludes fixed expenditures such as debt service, land expenditures, and buildings and equipment.

III. RESULTS

A. Adequacy of Education Funding

1. How much is spent per pupil in Arkansas and how has this changed since 2000?

There are many ways to calculate the amount dedicated to education on a per pupil basis. The state foundation amount sets the ground floor of what must be available to each district to spend on a per pupil basis. The foundation amount for each year analyzed in this report is listed in the first column of Table 3. While the state only guarantees the per pupil foundation amount to all districts, the actual amount spent per pupil is greater than the foundation amount. Net current expenditures encompass the day-to-day costs of running a district and educating students. Net current expenditures do not include costs such as capital and debt service, but do give an accurate picture of the investment districts make on a per pupil basis in a given year. Net current per pupil figures are given in column 2 of Table 3. Finally, total expenditures per pupil represent all costs incurred by a district, including capital expenditures and debt service. The total expenditures per pupil for each year analyzed in this report are listed in column 3 of Table 3. All figures presented in Table 3 include expenditures in both traditional public districts and charter districts. Averages are weighted based on the average daily attendance (ADA) of each district.

Table 3: Yearly Per Pupil Expenditures, 2000-2014⁷

Year	Foundation Amount Per Pupil	Net Current Expenditures Per Pupil	Total Expenditures Per Pupil
2000-01	\$4,562	\$5,531	\$6,945
2001-02	\$4,596	\$5,867	\$7,311
2002-03	\$4,781	\$6,168	\$7,672
2003-04	\$4,752	\$6,474	\$8,248
2004-05	\$5,400	\$6,474	\$8,248
2005-06	\$5,528	\$7,684	\$9,978
2006-07	\$5,662	\$7,989	\$10,440
2007-08	\$5,770	\$8,247	\$10,729
2008-09	\$5,876	\$8,294	\$10,801
2009-10	\$5,940	\$9,094	\$11,660
2010-11	\$6,023	\$9,292	\$11,876
2011-12	\$6,144	\$9,356	\$11,944
2012-13	\$6,267	\$9,299	\$11,609
2013-14	\$6,393	\$9,429	\$11,598

Per pupil spending has increased over the past fourteen years on all measures described in Table 3. The foundation amount has increased from \$4,562 in the 2000-01 school year to \$6,393 in 2013-14, an increase of \$1,831. Net current expenditures per pupil (NCPP) have increased

⁷ Foundation amounts reported by the Arkansas Legislature, found [here](#), [here](#), and [here](#); net current and total expenditures taken from the state Annual Statistical Reports, found [here](#)

\$3,898 since 2000-01, from \$5,531 in 2000-01 to \$9,429 in 2013-14. Finally, total expenditures per pupil have risen \$4,653 in the past 14 years, from \$6,945 in 2000-01 to \$11,598 in 2013-14. This report focuses on NCPP expenditures, as these represent the costs most applicable to a student’s educational experience and the day-to-day operation of a school district.

2. *How much in revenue is collected from various sources?*

It is also informative to look at per pupil revenue in the state. District revenue comes from three main sources: the local, state, and federal government. Some charter districts also raise money outside of these traditional sources of revenue, but this report will not delve into fundraising efforts by districts. Locally, districts take in revenue directly from property mills, can receive special grants, and can hold a referendum to raise additional revenue for a single year or multiple years. Arkansas’ funding formula calls for the state to equalize funding across districts, so districts first levy at least 25 mills for the uniform tax rate, then the state makes up the difference between that amount and the state-mandated minimum funding level. Table 4 presents the amount of revenue available to students in Arkansas from the 2000-01 school year to 2013-14, both from state and local sources and from federal, state, and local sources.

Table 4: Per Pupil Revenue by Source, 2000-2014

Year	State and Local Revenue	All Revenue
2000-01	\$5,990	\$6,642
2001-02	\$6,304	\$7,072
2002-03	\$6,453	\$7,353
2003-04	\$6,550	\$7,532
2004-05	\$8,384	\$9,420
2005-06	\$8,909	\$9,976
2006-07	\$9,261	\$10,309
2007-08	\$9,827	\$10,885
2008-09	\$9,962	\$11,128
2009-10	\$9,926	\$11,717
2010-11	\$10,324	\$12,218
2011-12	\$10,227	\$11,728
2012-13	\$10,037	\$11,327
2013-14	\$10,808	\$12,057

Although some analyses of education funding adequacy will look specifically at the funding provided by local and state sources to ask whether the state is meeting its constitutional obligations, this report is interested in whether the resources that are actually available to students are adequate. For this reason, the report looks at the total resources available to students, from federal, state, and local sources. In order to further focus on the resources being used to directly improve students’ educational experiences, this report uses NCPP figures for expenditures, rather than total expenditures per pupil. Net current per pupil expenditures more accurately reflect what is spent on the day-to-day operations of a district and of educating students.

3. *How much is spent on education as a percentage of the state budget?*

The state’s funded budget shows exactly how much was allocated to each governmental function, including education, from each source of funds in the budget. The funded budget represents the estimated expenditures for the year that have been approved by the Legislature. Table 5 presents the percent of the funded general budget dedicated to each major area of government spending: general education through the Department of Education; Higher Education through the state’s universities; Health and Human Services through the Department of Health and Human Services; Criminal Justice through the judicial offices, state police, community corrections department, department of corrections, crime information center, crime lab, law enforcement training and standards commission, parole board, and county jail aid; and remaining government functions.

Table 5 shows Arkansas’ clear commitment to education, as K-12 education spending comprises the largest percent of the state’s general funded budget. Although the share of the general budget going towards education has decreased slightly since fiscal year 2002, the state is still contributing almost half of its budget to K-12 education in the state.

Table 5: Percent of K-12 Funding within Arkansas State Funded Budget⁸, Fiscal Year 2002-2015

Fiscal Year	2002-03	2006-07	2010-11	2013-14	Diff 2002-2014
General Education	49%	44%	43%	43%	-6%
Higher Education	16%	16%	16%	15%	-1%
Health/Human Services	19%	24%	23%	25%	+6%
Criminal Justice	7%	10%	9%	10%	+3%
Remaining Government	9%	6%	9%	8%	-1%

While Table 5 looked at spending on the state level, Table 6 looks at funding sources on the district level. Table 6 explores what percentage of district funding comes from local, state, and federal sources between 2000 and 2012, the years for which national comparison data was available.

Table 6: Total Per Pupil Revenue by Source in Arkansas and the United States, 2000-2012⁹

Category	2000-01		2006-07		2009-10		2011-12	
	AR	USA	AR	USA	AR	USA	AR	USA
Per Pupil Rev	\$6,642	\$8,415	\$9,510	\$11,417	\$10,950	\$12,690	\$10,939	\$12,818
% Local	31%	43%	32%	43%	33%	42%	35%	43%
% State	59%	50%	57%	48%	52%	45%	52%	46%
% Federal	10%	8%	11%	9%	16%	13%	13%	10%

⁸Data retrieved from [Funded Budgets](#) archived by the Department of Finance and Administration.

⁹ Data from [National Center for Education Statistics](#).

Table 6 illustrates how state support for school districts has remained roughly constant, providing over half of all revenue received by districts over the 12 years examined. In 2000-01, districts received 59% of their revenue from the state government; in 2011-12, they received 52% of their total revenue from the state. As expected, when districts raise more revenue locally, state contributions decrease. Local contributions to districts rose from 31% in the 2000-01 school year to 32% in the 2006-07 school year; state contributions to districts fell from 59% to 57% over the same time period. Over the 12 years examined, local contributions to education have risen from 31% to 34% of total district revenue, while state contributions have correspondingly decreased from 59% to 56%. State funding is also sensitive to federal contributions to local districts. In the 2009-10 school year, for example, revenue received by Arkansan districts from the federal government increased to 16% of their total revenue, an increase of 5% from the 2006-07 school year. Over the same period, revenue received from the state fell from 57% in 2006-07 to 52% in 2009-10. Thus, the state's commitment to education has remained constant, with the exact amount fluctuating in response to local changes. It is important to note that Table 6 displays how Arkansas contributes more to education than does the country as a whole, where districts typically draw a greater share of their revenue from local sources.

4. How does education spending in Arkansas compare to that of other states?

This section of the report aims at contextualizing Arkansas education spending by comparing levels in Arkansas to spending levels across the country and in neighboring states. This section draws data from the National Center for Education Statistics, rather than the state Annual Statistical Reports, and the numbers are slightly different. Weighted averages were computed using state level data, rather than district-level information. Net current expenditures per pupil are reported, as that measure most accurately reflects what is spent on the average student for the day-to-day operation of the school system. As seen in Table 7, Arkansas has consistently had lower levels of revenue per pupil compared to the national average. It is therefore illustrative to compare expenditures in Arkansas both to the national average and neighboring states, where costs of living and budgetary restrictions are similar. Table 7 compares net current per pupil expenditures (NCPP) in Arkansas, five contiguous neighbors, and the national average. These figures are taken from the National Center for Education Statistics, and is only available through the 2011-12 school year. Average daily attendance for each state was used to create weighted averages.

While it is illustrative to see NCPP expenditures in raw dollars, doing so does not reveal the whole story. It does not cost the same to operate a school in Arkansas as it does in Manhattan or in Tupelo. In order to take these differences into account, it is helpful to adjust NCPP figures for cost-of-living. This allows us to see how much Arkansas, its contiguous neighbors, and the country are spending on education once the value of the dollar has been equalized for all locations. Table 8 presents adjusted net current per pupil expenditures for 2000-01 through 2011-12. All values have been adjusted for the cost-of-living in each state, using a state-level composite cost-of-living index.

Table 7: Nominal Net Current Per Pupil Expenditures by State, 2000-2012

State	2000-01	2005-06	2008-09	2011-12
Arkansas	\$5,615	\$8,143	\$9,006	\$9,618
Louisiana	\$6,188	\$8,115	\$10,744	\$10,741
Mississippi	\$5,046	\$6,999	\$7,867	\$7,790
Missouri	\$5,929	\$6,786	\$7,771	\$7,565
Oklahoma	\$5,929	\$6,786	\$7,771	\$7,565
Tennessee	\$5,698	\$6,754	\$7,836	\$8,447
Texas	\$6,644	\$7,554	\$8,722	\$8,341
Regional Avg	\$6,303	\$7,526	\$8,780	\$8,646
National Avg	\$7,505	\$9,239	\$10,673	\$10,772
Diff AR-Nat'l	-\$1,890	-\$1,096	-\$1,667	-\$1,154
Diff AR-Reg	-\$688	+\$617	+\$226	+\$972

Table 8: Adjusted¹⁰ Net Current Per Pupil Expenditures, Arkansas and Neighboring States¹¹, 2000-2012

Location	Cost-of-living	2000-01	2005-06	2008-09	2011-12
Arkansas	91.1	\$6,164	\$8,939	\$9,886	\$10,558
Louisiana	93.0	\$6,654	\$8,726	\$11,553	\$11,549
Mississippi	83.4	\$6,050	\$8,392	\$9,433	\$9,341
Missouri	89.5	\$6,625	\$7,582	\$8,683	\$8,453
Oklahoma	89.5	\$6,625	\$7,582	\$8,683	\$8,453
Tennessee	90.1	\$6,324	\$7,496	\$8,697	\$9,375
Texas	91.6	\$7,253	\$8,247	\$9,522	\$9,106
Regional Avg.	89.8	\$7,020	\$8,382	\$9,779	\$9,630
National Avg.	100	\$7,505	\$9,239	\$10,673	\$10,772
Diff AR - National	-0.09	-\$1,341	-\$300	-\$787	-\$214
Diff AR - Region	0.01	-\$857	+\$556	+\$107	+\$928

In the 2000-01 school year, Arkansas was outspent by both the nation and the region in nominal and adjusted dollars. According to the National Center for Education Statistics, only two states spent less than Arkansas on net current per pupil expenditures in nominal dollars in the entire country in the 2000-01 school year. Arkansas' net current per pupil spending in the 2000-01 school year was \$1,341 less than the national average and \$617 less than the regional average in adjusted dollars. In the 2005-06 school year, when the reforms caused by the *Lake View* case were implemented, Arkansas surpassed the regional average in adjusted dollars by \$556. In 2011-12 Arkansas outspent the regional average by \$928 per pupil in adjusted dollars. The national average was \$214 greater than the Arkansas average in 2011-12 in adjusted dollars,

¹⁰ 2015 third quarter [cost of living index](#) for each state

¹¹ Data from the [National Center for Education Statistics](#).

reflecting an overall trend of a decrease in the gap between K-12 education spending in Arkansas and the nation. By the 2011-12 school year, only 31 states outspent Arkansas in nominal dollars, putting Arkansas in the middle of the country in terms of unadjusted net current per pupil spending. Thus, although Arkansas appears to spend less than the national average when looking at unadjusted figures, cost-of-living adjustments show that Arkansas outspends its neighbors and is fast approaching the national average. Relative to the rest of the nation, more of K-12 education funding in Arkansas comes from the state level rather than the local level, indicating that Arkansas' increasing net current per pupil expenditures come directly from the state's commitment to adequately funding public education.

Arkansas has made huge strides in ensuring adequate levels of funding for education in the state. In 2000-01, 48 states outspent Arkansas on net current per pupil expenditures for education. In 2011-12, Arkansas was about \$200 below the national average. In contrast, in 1970, Arkansas' total (not net current) per pupil expenditures was \$568, compared to the national average of \$816. By this metric, the state has truly come a long way. Arkansas has reached an adequate level of funding for K-12 education in the state.

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B. Equity of Resource Distribution

Beyond knowing whether Arkansas has enough resources available for education, it is also important to know whether those resources are distributed equitably throughout the state. Looking into equity means asking whether districts are getting the appropriate funds given their specific needs. Equity does not necessarily mean that every district has the same revenue or expenditures, but rather that districts are receiving resources in accordance with their needs.

1. Are resources targeted to smaller districts?

Are districts able to spend comparable amounts on each student, regardless of their size? Previous research suggests that larger districts typically spend less per pupil because they enjoy economies of scale, particularly with regards to costs for facilities and specialized teachers.¹² The question here is whether this trend is observed in Arkansas. Table 9 and Figure 1 present per pupil net current expenditures as related to district size. Districts with the lowest average daily attendance in each year are in quintile 1, and districts with the highest average daily attendance in each year are in quintile 5. The districts in each quintile can change from year to year, to show spending patterns in each type of the district, rather than the districts that were a specific size in 2000-01. From 2000-01 to 2004-05, quintile 1 schools had roughly 200-350 students, while quintile 5 schools had roughly 1,500 to 22,000 students. In 2005-06 and after (following the push

¹² Stiefel et al (2009). [Mission matters: the cost of small high schools revisited](#). In *Economics of Education Review*, 28, p. 585-599.

for district consolidation), quintile 1 schools had roughly 400 to 500 students, and quintile 5 districts had 2,200 to 22,000 students. For this analysis, charters are separated from the traditional public districts, as most charter districts are made up of one school with fewer students than a typical traditional district. Weighted average net current per pupil expenditure (NCPP) figures were calculated for each quintile using each district's average daily attendance (ADA) to obtain a clear estimate of the average amount spent per pupil in each district type. Weighted average NCPP expenditures are also shown for the state as a whole.

As expected, smaller districts spent more per pupil than larger districts. Quintile 1 districts spent more per pupil than did districts in all other quintiles in every year examined. In 2000-01, there was a \$700 gap in favor of the smaller districts between the districts with the lowest enrollment and those with the highest enrollment. The changes in education finance laws passed by the General Assembly went into effect in the 2004-05 school year. In that year, the gap between quintile 1 and quintile 5 districts dropped dramatically, from \$1,135 in 2003-04 to \$772 in 2004-05. By 2005-06, the gap had virtually disappeared, when districts with the fewest students were spending \$74 more per pupil than the districts with the most students. This virtual equality of net current per pupil expenditures lasted until the 2008-09 school year, when the difference widened to about \$500 in favor of the smaller districts. In 2013-14, that difference had grown to \$900.

Table 9: Average Net Current Per Pupil Expenditures by District Enrollment, 2000-2014¹³

Category	Description ¹⁴	2000-01	2005-06	2010-11	2012-13	2013-14
Charters	All charters		\$7,167	\$7,618	\$7,862	\$8,136
Quintile 1	Fewest students	\$6,324	\$7,891	\$10,224	\$10,296	\$10,456
Quintile 2		\$5,551	\$7,625	\$9,415	\$9,434	\$9,139
Quintile 3		\$5,267	\$7,450	\$9,126	\$9,034	\$9,121
Quintile 4		\$5,182	\$7,340	\$8,907	\$8,983	\$8,920
Quintile 5	Most students	\$5,626	\$7,817	\$9,381	\$9,378	\$9,548
<i>Diff Q1-Q5</i>		<i>+\$698</i>	<i>+\$74</i>	<i>+\$843</i>	<i>+\$918</i>	<i>+\$908</i>
Arkansas	All districts	\$5,531	\$7,684	\$9,292	\$9,299	\$9,429

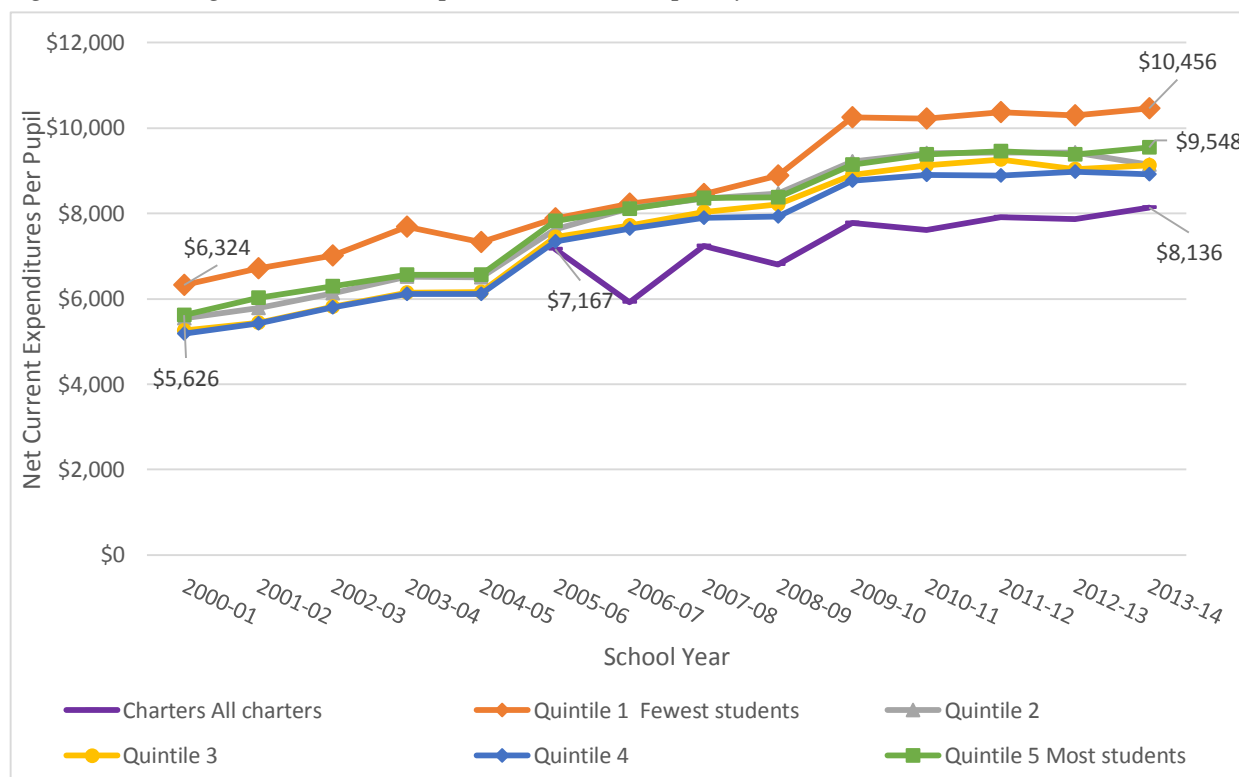
One might expect that NCPP expenditures would correlate exactly with quintile, with quintile 1 spending the most per pupil, followed by quintile 2, and so on until quintile 5 with the lowest NCPP expenditures. This is not the case. The districts with the fewest students, in quintile 1, have the highest NCPP averages, followed by the districts with the most students, in quintile 5. The districts in the middle, with neither the most nor the fewest students, typically have the lowest NCPP expenditures. In fact, in most years, the highest-spending districts are the smallest and largest districts. This is consistent with the U-shaped spending curve predicted by economic

¹³ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014. Weighted averages calculated using ADA.

¹⁴ Values in each quintile varied between years; see appendix A for year-by-year descriptions.

theories of economies and diseconomies of scale, and of empirical evidence that many school finance researchers have observed.¹⁵

Figure 1: Average Net Current Expenditures Per Pupil By District Enrollment, 2000-2014



Charter districts have the lowest NCPP expenditures in all years examined. In 2005-06, charter districts on average spent \$7,167 per pupil in net current expenses. In 2013-14, that figure rose to \$8,136. NCPP expenditures varied considerably from 2005-06 to 2008-09, as more charters with different access to outside resources were authorized and began operating in the state. Beginning in the 2008-09 school year, charter spending has run roughly parallel to spending in traditional districts, increasing from 2008-09 and then staying relatively stable through 2013-14.

2. Are resources targeted to districts with low property values?

Do students have access to equitable educational inputs regardless of their socioeconomic backgrounds? In the original *Lake View* case, the Arkansas Supreme Court found that the answer to this question was no, in violation of the Constitution. The first step of addressing the question is determining the socioeconomic composition of the district. Two methods for gauging the socioeconomic status of students are looking at whether districts with higher proportions of students eligible for free or reduced lunch spend more or less per pupil, and whether districts in areas with higher assessed property values (and, therefore, a larger local tax base to provide

¹⁵ For a review of the literature, see for example Illinois State University, Center for the Study of Education Policy (2009). [County School Districts: Research and Policy Considerations](#). See also Bard, Gardener, and Wieland (2006). [Rural School Consolidation: History, Research Summary, Conclusions, and Recommendations](#). *The Rural Educator*, 27(2).

funds to local districts) spend more per pupil. Table 10 and Figure 2 show trends in the relationship between net current per pupil (NCP) expenditures and local assessed property values. Charters and traditional districts are examined together in this analysis because charters are not overly represented in any one quintile. The districts in each quintile can change from year to year, to show spending patterns in each type of the district, rather than the specific districts sorted into each quintile in 2000-01. Quintile 1 districts were in areas assessed at roughly \$0 to \$30,000,000, while districts in quintile 5 were in areas assessed at roughly \$85,000,000 to \$3,350,000,000. Weighted average net current per pupil expenditure (NCP) figures were calculated using each district's average daily attendance (ADA) to obtain a clear estimate of the average amount spent per pupil in each district type. Weighted average NCP expenditures are also shown for the state as a whole.

As presented in Table 10 and Figure 2, districts in areas with the lowest assessed property value were spending slightly more per pupil than their wealthier counterparts in the 2000-01 school year. Districts in quintile 1 had an average NCP of \$6,709, while districts in quintile 5 had an average NCP of \$5,664. For the majority of the 14 years considered, there was no meaningful difference between NCP based on the wealth of the community the district was located in. Districts with the least local assessed property value actually outspent those with the greatest local assessed property value by a few hundred dollars from the 2001-02 to the 2012-13 school years. In the 2013-14 school year, however, districts with the largest local tax base outspent districts with the least local property wealth by over \$1,000. Discrepancies in NCP expenditures associated with district wealth warrant continued scrutiny moving forward.

Table 10: Average Net Current Per Pupil Expenditures by Local Property Values, 2000-2014¹⁷

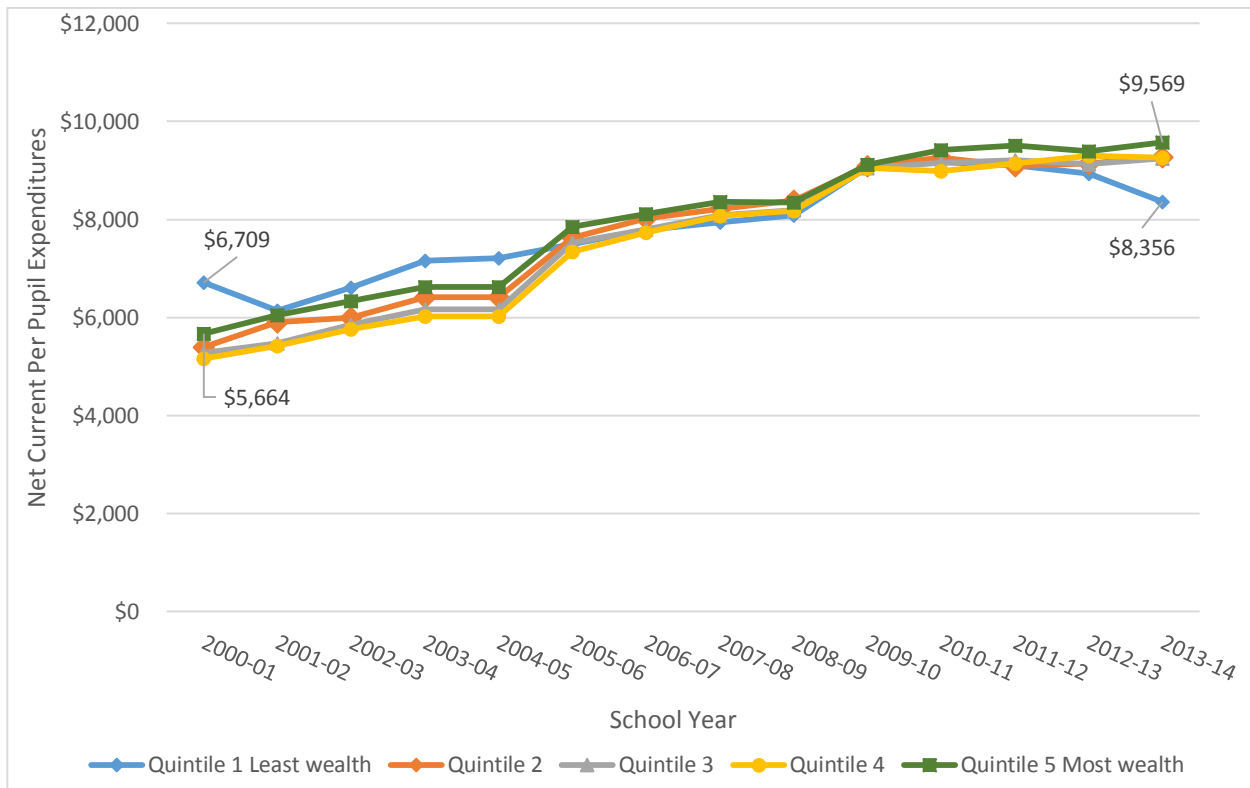
Category	Description ¹⁶	2000-01	2005-06	2010-11	2012-13	2013-14
Quintile 1	Least wealth	\$6,709	\$7,502	\$9,176	\$8,936	\$8,356
Quintile 2		\$5,395	\$7,625	\$9,257	\$9,139	\$9,268
Quintile 3		\$5,279	\$7,520	\$9,161	\$9,127	\$9,250
Quintile 4		\$5,160	\$7,343	\$8,993	\$9,297	\$9,264
Quintile 5	Most wealth	\$5,664	\$7,850	\$9,424	\$9,386	\$9,569
<i>Diff Q1-Q5</i>		<i>+\$1,045</i>	<i>-\$348</i>	<i>-\$248</i>	<i>-\$450</i>	<i>-\$1,213</i>
Arkansas	All districts	\$5,531	\$7,684	\$9,292	\$9,299	\$9,429

In general, Arkansas districts have been equitably funded when looking at local property values over the past 14 years. Data from the 2013-14 school year caution that this equity should not be taken for granted and needs to be actively monitored and maintained.

¹⁶ Values in each quintile varied year to year; see appendix for full description of each year. Charters included.

¹⁷ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014.

Figure 2: Average Net Current Per Pupil Expenditures by Local Property Values, 2000-2014



3. Are resources targeted to districts serving low-income students?

The second method for gauging the socioeconomic composition of a district is to consider the percent of students in the district who qualify for free or reduced lunch. Students eligible for free or reduced price lunch may come from disadvantaged backgrounds and may need greater support to excel in school. These supports, whether nutritional or instructional, require additional resources. Districts with greater proportions of economically disadvantaged students would then be expected to spend more per pupil. Table 11 and Figure 3 show average NCPP expenditures for districts based on the percent of students eligible for free or reduced lunch. Charters and traditional districts are kept together in this analysis because charters are not overly represented in any one quintile. The districts in each quintile can change from year to year; thus, our results show spending patterns in each type of the district. Zero to 50% of students enrolled in districts in quintile 1 were eligible for free or reduced lunch, while roughly 70% to 100% of students in districts in quintile 5 were eligible for free or reduced lunch. Weighted average net current per pupil expenditure (NCPP) figures were calculated using each district's average daily attendance (ADA) to obtain a clear estimate of the average amount spent per pupil in each quintile. Weighted average NCPP expenditures are also shown for the state as a whole.

Table 11: Average Net Current Per Pupil Expenditures by Percent of FRL-Eligible Students Enrolled, 2000-2014¹⁸

Category	Description ¹⁹	2000-01	2005-06	2010-11	2012-13	2013-14
Quintile 1	Lowest % FRL	\$5,208	\$8,212	\$8,131	\$8,284	\$8,350
Quintile 2		\$5,433	\$7,468	\$9,038	\$9,036	\$9,080
Quintile 3		\$5,874	\$7,354	\$8,745	\$8,923	\$9,974
Quintile 4		\$5,482	\$7,523	\$10,354	\$10,506	\$9,598
Quintile 5	Highest % FRL	\$5,895	\$7,715	\$10,904	\$10,693	\$10,814
<i>Diff Q1-Q5</i>		-\$687	+\$497	-\$2,773	-\$2,409	-\$2,464
Arkansas	All districts	\$5,531	\$7,684	\$9,292	\$9,299	\$9,429

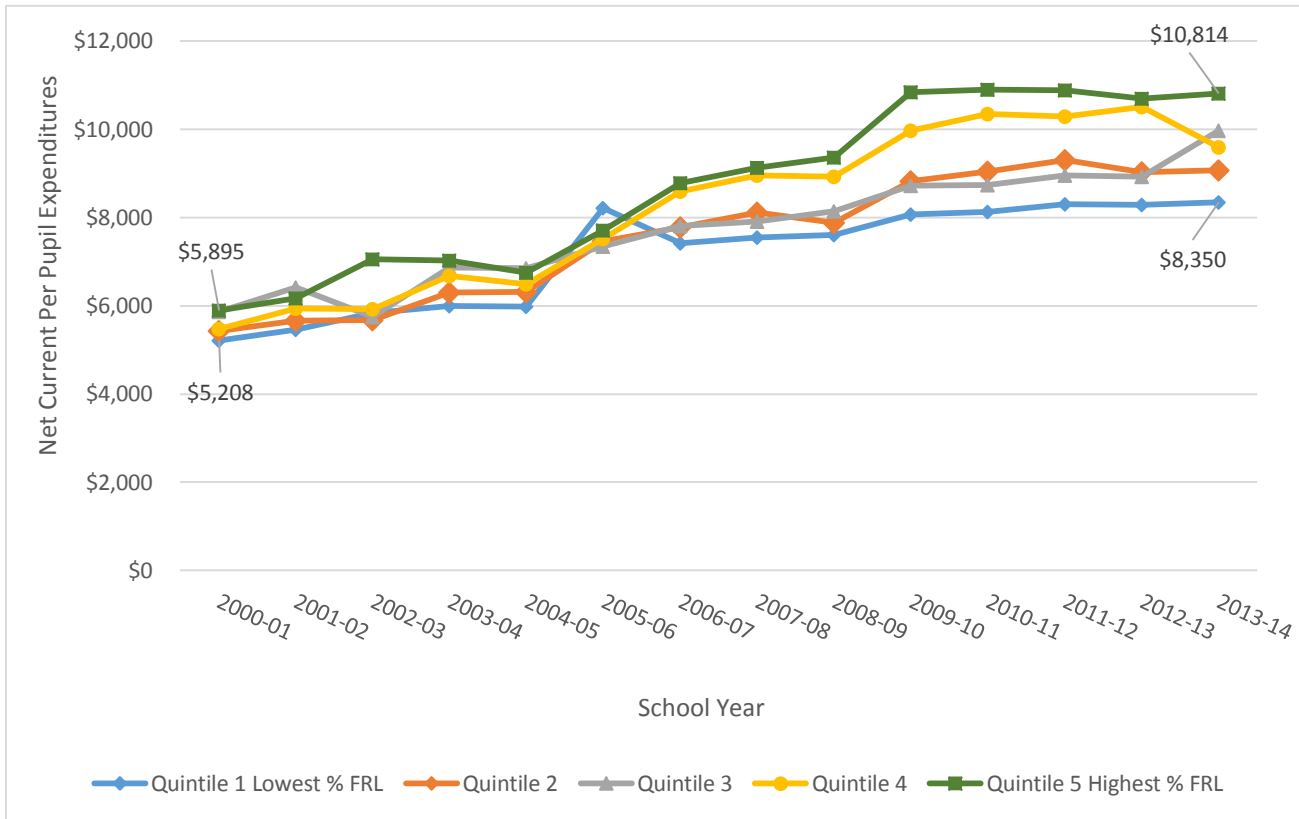
As shown in Table 11, districts with higher proportions of economically disadvantaged students have higher NCPP expenditures for all of the 14 years examined. This pattern of resource allocation is consistent with the concept of vertical equity, which assesses the extent to which students with equal needs are provided equal resources. Thus, these “inequities” that we observe in favor of the neediest students may well be equitable according to the concept of vertical equity. Most of this differential spending in the most economically disadvantaged districts is due to the categorical funding described in section II above.

Quintile 5 in Figure 3 represents average NCPP in districts with the highest proportion of students eligible for free or reduced lunch in any given year; it is apparent that districts with students with the greatest need have access to funding intended to equalize opportunity gaps between students with different socioeconomic backgrounds. The state is making a clear commitment to providing equitable resources to districts given the needs of their students. While financial inputs are an important part of Arkansas’ educational system, it is also important to look at the outcomes of the system. In the final section of this report, we will look at the extent to which achievement scores have changed across the state.

¹⁸ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014. Averages weighted by ADA. Charters included.

¹⁹ Values in each quintile varied year to year; see appendix for full description.

Figure 3: Average Net Current Per Pupil Expenditures by Percent of FRL-Eligible Students Enrolled, 2000-2014



4. Are resources targeted to districts serving students of color?

It is also important for policymakers to consider how education funding is allocated among districts enrolling higher percentages of students of color. Table 12 and Figure 4 show average NCPP expenditures for districts with different proportions of students of color. Charters and traditional districts are kept together in this analysis because charters are not overly represented in any one quintile. The districts in each quintile can change from year to year, to show spending patterns in each type of the district, rather relying on the percent of students of color in each district in 2000-01. Districts in quintile 1 enrolled roughly 0-5% students of color, while districts in quintile 5 enrolled roughly 40%-100% students of color. Weighted average net current per pupil expenditure (NCPP) figures were calculated using each district’s average daily attendance (ADA) to obtain a clear estimate of the average amount spent per pupil in each district type. Weighted average NCPP expenditures are also shown for the state as a whole.

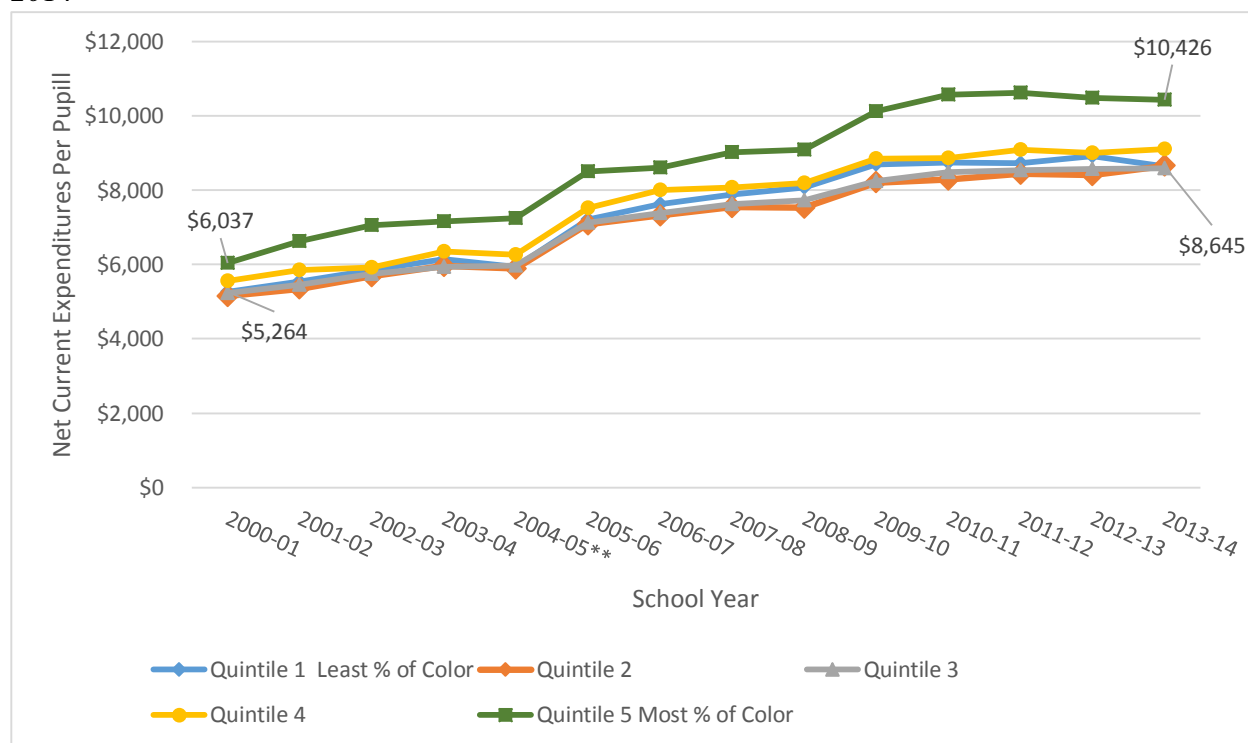
Districts with the highest percentages of students who identify as African American, Asian-Pacific Islander, Native American, multiracial, or Hispanic spend more per pupil than those who have a greater proportion of students who identify as white. This difference is most pronounced only for those districts whose enrollments of students of color are in top quintile. In 2000-01 the districts with the highest percent of students of color spent \$6,037 per pupil, while districts with the lowest percent of students of color spent \$5,264 per pupil. By 2013-14, districts serving the

greatest numbers of students of color spent \$10,426 per pupil on average, while districts serving the fewest students of color spent \$8,645 per pupil on average. All quintiles follow parallel paths of increasing NCPP expenditures throughout the 14 years analyzed here, with quintile 5 (the districts serving the greatest number of students of color) sitting well above the other four quintiles in NCPP expenditures.

Table 12: Average Net Current Per Pupil Expenditures by Percent of Students of Color, 2000-2014²⁰

Category	Description ²¹	2000-01	2005-06	2010-11	2012-13	2013-14
Quintile 1	Least % of color	\$5,264	\$7,205	\$8,749	\$8,919	\$8,645
Quintile 2		\$5,146	\$7,075	\$8,278	\$8,405	\$8,650
Quintile 3		\$5,236	\$7,121	\$8,493	\$8,563	\$8,588
Quintile 4		\$5,554	\$7,513	\$8,867	\$8,996	\$9,104
Quintile 5	Most % of color	\$6,037	\$8,510	\$10,571	\$10,474	\$10,426
<i>Diff Q1-Q5</i>		-\$773	-\$1,305	-\$1,822	-\$1,555	-\$1,781
Arkansas	All districts	\$5,531	\$7,684	\$9,292	\$9,299	\$9,429

Figure 4: Average Net Current Per Pupil Expenditures by Percent of Students of Color, 2000-2014



²⁰ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014. Averages weighted by ADA. Charters included.

²¹ Values in each quintile varied year to year; see appendix for full description.

In sum, we find that districts that enroll very high ratios of students of color spend significantly more per pupil than districts with high proportions of white students and districts with middling ratios of each. The end result of the Arkansas school funding formula is that educational expenditures are heavily targeted to districts serving students of color.

5. *Are resources targeted to districts serving low-performing students?*

Is funding allocated to districts with the greatest proportion of struggling students? Table 13 and Figure 5 explore how funding varies between districts based on the ratio of students scoring at least proficient on state Benchmark math exams to those not proficient. Districts in quintile 5 had the highest percent of students scoring at least proficient in each year, while those in quintile 1 had the lowest percent of students scoring at least proficient each year. Charters and traditional districts are kept together in this analysis because charters are not overly represented in any one quintile. The districts in each quintile can change from year to year, to show spending patterns in each type of the district, rather relying on the percent of students proficient or advanced on the math benchmark in 2005-06. Districts in quintile 1 typically had under 70% of students score at least proficient on the math exam, while districts in quintile 5 typically had at least 80% of students score at least proficient on the math benchmark. Weighted average net current per pupil expenditure (NCPPE) figures were calculated using each district’s average daily attendance (ADA) to obtain a clear estimate of the average amount spent per pupil in each district type. Weighted average NCPPE expenditures are also shown for the state as a whole.

Table 13: Average Net Current Per Pupil by Student Math Performance²², 2005-2014

Category	Description ²³	2005-06	2008-09	2010-11	2012-13	2013-14
Quintile 1	Least % P/A	\$8,778	\$9,571	\$11,366	\$11,450	\$11,249
Quintile 2		\$7,835	\$8,449	\$9,641	\$9,557	\$9,378
Quintile 3		\$7,280	\$7,981	\$8,711	\$8,835	\$9,217
Quintile 4		\$7,134	\$7,866	\$8,851	\$8,744	\$8,998
Quintile 5	Most % P/A	\$7,233	\$7,717	\$8,249	\$8,496	\$8,571
<i>Diff Q1-Q5</i>		<i>+\$1,545</i>	<i>+\$1,854</i>	<i>+\$3,117</i>	<i>+\$2,954</i>	<i>+\$2,678</i>
Arkansas	All districts	\$5,531	\$7,684	\$9,292	\$9,299	\$9,429

Figure 5 demonstrates that districts in which students were less likely to score proficient or advanced on state benchmark exams actually spent the most per pupil over the analyzed years. In 2005-06, the lowest performing quintile of districts spent \$8,778 per pupil, while the highest scoring districts spent \$7,233 per pupil on average. This difference was smallest in the 2008-09 school year, when quintile 1 districts spent an average of \$9,571 per pupil and quintile 5 districts spent an average of \$7,717 per pupil. Beginning in the 2009-10 school year, the difference remained relatively flat at around \$3,000. It is unclear whether districts received more money after seeing a higher percentage of students failing to achieve at least proficient on state exams,

²² Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014. Averages weighted by ADA. Charters included.

²³ Values in each quintile varied year to year; see appendix for full description.

or whether these elevated funding levels were placed before the poor recorded performance. It is, however, more likely that the increased spending followed low performance, which could motivate districts to increase expenditures for turnaround programs, tutors, and other interventions.

Figure 5: Average Net Current Per Pupil Expenditures by Student Math Performance, 2005-2014

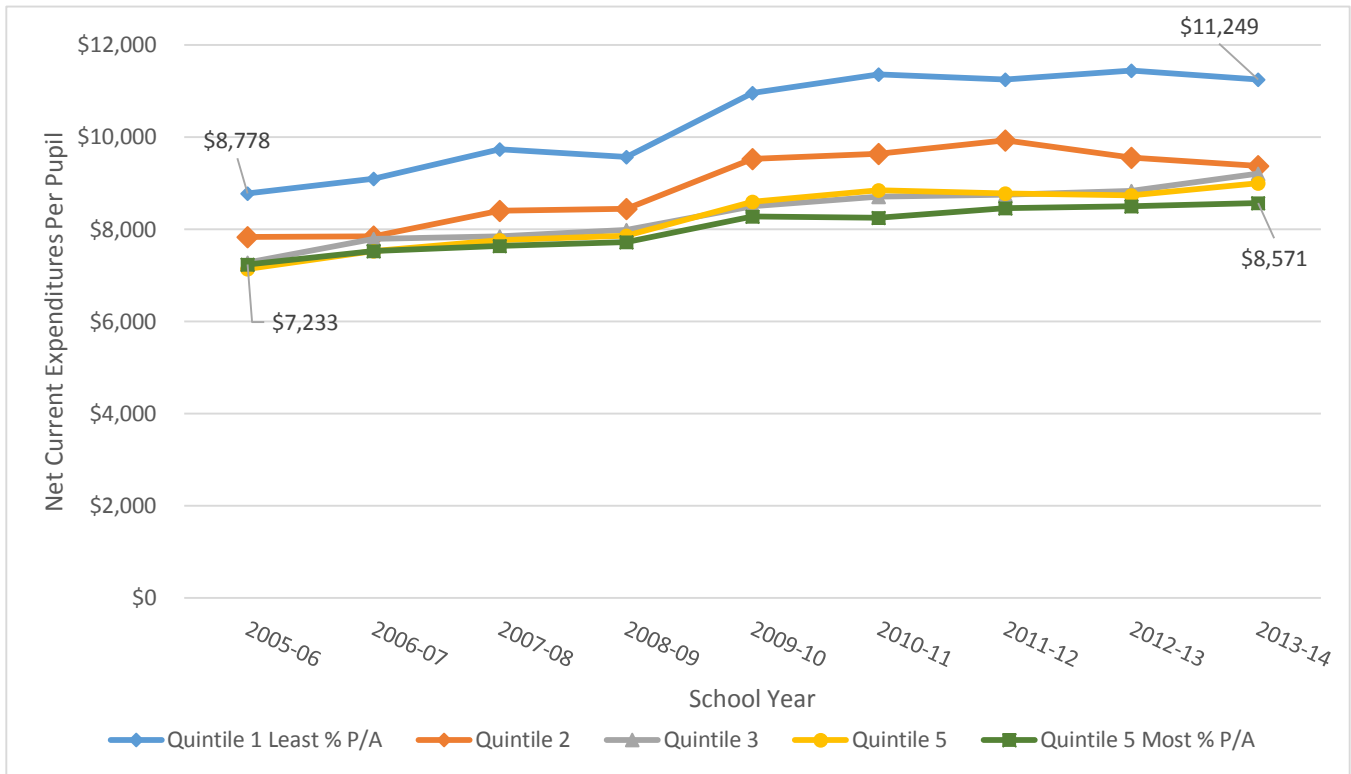
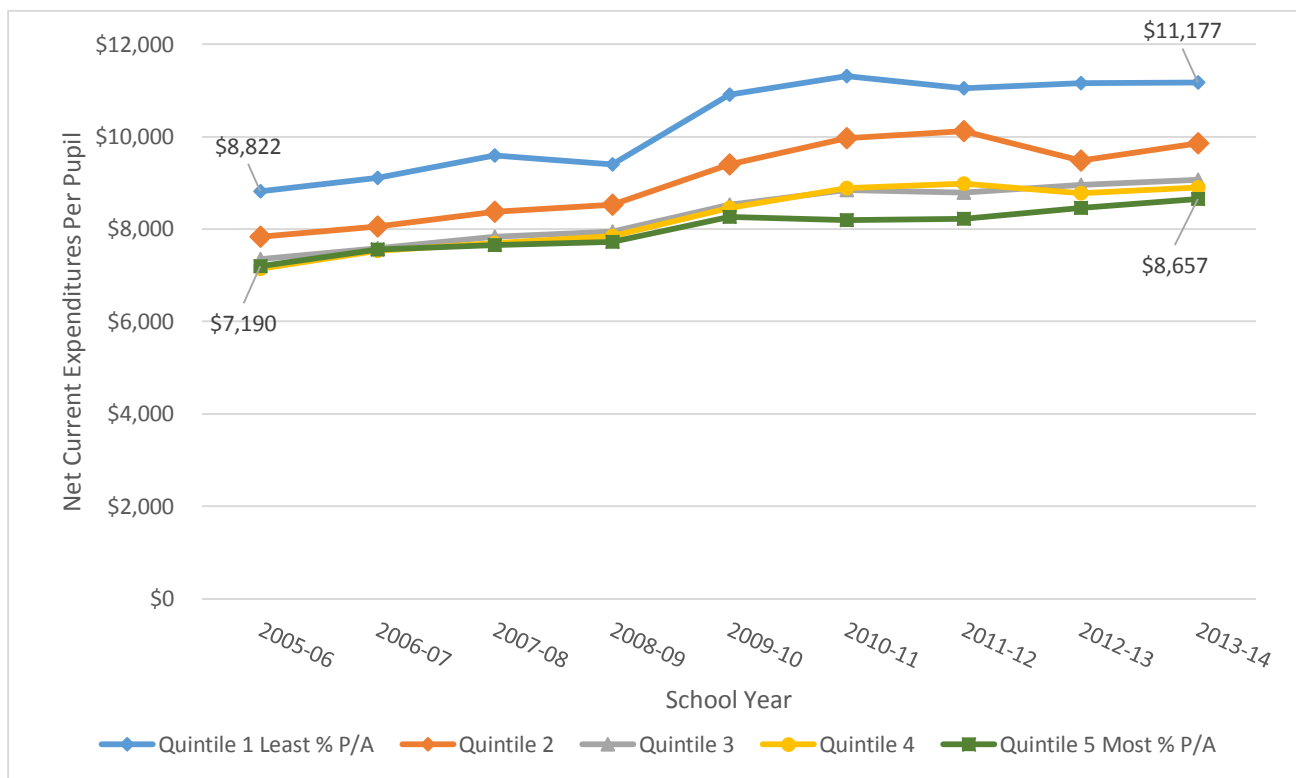


Table 14 and Figure 6 display average NCPP expenditures in districts based on the proportion of students who scored proficient or advanced on their literacy Benchmark Exam. Charters and traditional districts are again kept together in this analysis because charters are not overly represented in any one quintile. Districts in quintile 1 had the lowest percentage of students score proficient or advanced on the literacy Benchmark Exam, while districts in quintile 5 had the highest percentage of students score proficient or advanced on the literacy Benchmark Exam. The districts in each quintile can change from year to year, to show spending patterns in each type of the district, rather than relying on the percent of students proficient or advanced on the literacy benchmark in 2005-06. Districts in quintile 1 typically had under 70% of students score proficient or advanced on the literacy benchmark exam, while districts in quintile 5 typically had at least 80% of students score proficient or advanced on the literacy exam. Weighted average net current per pupil expenditure (NCPP) figures were calculated using each district’s average daily attendance (ADA) to obtain a clear estimate of the average amount spent per pupil in each district type. Weighted average NCPP expenditures are also shown for the state as a whole

Table 14: Average Net Current Per Pupil by Student Literacy Performance²⁴, 2005-2014

Category	Description ²⁵	2005-06	2008-09	2010-11	2012-13	2013-14
Quintile 1	Least % P/A	\$8,822	\$9,399	\$11,313	\$11,154	\$11,177
Quintile 2		\$7,832	\$8,532	\$9,962	\$9,485	\$9,858
Quintile 3		\$7,353	\$7,951	\$8,839	\$8,954	\$9,071
Quintile 4		\$7,148	\$7,841	\$8,889	\$8,778	\$8,907
Quintile 5	Most % P/A	\$7,190	\$7,729	\$8,198	\$8,456	\$8,657
<i>Diff Q1-Q5</i>		+\$1,632	+\$1,670	+\$3,115	+\$2,698	+\$2,520
Arkansas	All districts	\$5,531	\$7,684	\$9,292	\$9,299	\$9,429

Figure 6: Average Net Current Per Pupil Expenditures by Student Literacy Performance, 2005-2014



Again, the lowest performing districts spent more per pupil than the highest-performing districts over the analyzed period. In 2005-06, quintile 1 districts outspent quintile 5 districts by \$1,632. In 2013-14 the gap had grown to \$2,520. The difference was the smallest in 2008-09, with quintile 1 districts spending \$9,399 and quintile 5 districts spending \$7,729 per pupil. Again, these data are descriptive, and do not show which is the lagging variable, but it seems likely that

²⁴ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014. Averages weighted by ADA. Charters included.

²⁵ Values in each quintile varied year to year; see appendix for full description.

the heightened spending follows underperformance. This trend indicates that the state is again directing funds at districts and students in greatest need of assistance—in this case, students who are not being well-served by the status quo are getting new resources to better meet their needs.

After examining average NCPP expenditures for districts grouped by size, local property values, percent of students eligible for free or reduced lunch, percent of students of color, and percent of students scoring proficient or advanced on benchmark exams, it is clear that resources are distributed equitably around the state. Where average net current per pupil expenditures are not equal across districts, it is because resources are targeted at the districts and students needing the most assistance. Arkansas school funding is equitable on the measures explored in this report.

C. Efficiency of Education Spending

It is important to note that ‘efficiency’ in education does not imply spending less, but rather improving outcomes. This report is not a definitive examination of the impact of increased funding, but rather a ‘quick look’ at how money is being spent and if there are trends reflected in achievement.

1. How do districts allocate their funds and how has this changed since 2000?

This section examines the categories to which districts allocate their money. Districts receive restricted and unrestricted revenue from both the state and federal government, as well as unrestricted funds from local government. Restricted funds are given to districts for a particular purpose, such as Special Education, Plant Maintenance, and Professional Development. Districts have discretion in how to spend unrestricted funds, meaning the amount spent on different areas varies between districts and over time. As charters and traditional public districts receive funding in different ways, expenditures in traditional public districts and charter districts are considered separately. In both analyses, averages are weighted by district average daily attendance, giving a more accurate picture of the average expenditure for the average student enrolled in an Arkansas school district. Table 15 examines patterns of resource allocation in traditional public districts across the state from 2005-2014, the years for which detailed enough accounts of district-level spending were available for analysis. Expenses in Table 15 are broken down into instruction, maintenance and operation of facilities (M & O), student transportation, general and school administration, and other costs. Expenses such as food service, support services, facilities construction and acquisition, debt services, and non-programmed costs are included in the other category.

Expenditures have risen in all areas over the past decade, for an overall increase in per pupil expenditures of almost \$2,000 in traditional public districts. Instructional expenditures are the largest single-line item expense incurred by districts between the 2005-06 and 2013-14 school years. In 2005-06, districts spent an average of \$5,162 per pupil on instruction. The next highest expense was maintenance and operations, on which districts spent an average of \$814 per pupil. In 2013-14, districts spent an average of \$5,708 per pupil on instruction, and \$1,030 on maintenance and operations. Although the percent of the budget that districts spend on instruction has decreased over the past decade, districts spend more dollars per pupil now than in the past. There was a large increase in per pupil expenditures in the 2009-10 school year

stemming from other costs, which decreased after 2009-10, but not to pre 2009-10 levels. There was a substantial overall increase in non-instructional expenditures over the past ten years.

Table 15: Per Pupil Expenditures by Function in Traditional Public Districts, 2005-2014²⁶

Category	2005-06		2009-10		2013-14		Total Change	
	\$	%	\$	%	\$	%	\$	%
<i>Instruction</i>	\$5,162	67%	\$5,742	49%	\$5,708	60%	+\$546	-7 pts
<i>M & O</i>	\$814	11%	\$949	8%	\$1,030	11%	+\$216	0 pts
<i>Transportation</i>	\$354	5%	\$417	4%	\$463	5%	+\$109	0 pts
<i>Administration</i>	\$638	8%	\$708	6%	\$491	5%	-\$147	-3 pts
<i>Other</i>	\$718	9%	\$3,875	33%	\$1,765	19%	+\$1,047	+10 pts
<i>Total</i>	\$7,686	100%	\$11,691	100%	\$9,457	100%	+\$1,771	

Table 16 examines per pupil expenditures in public charter districts in Arkansas over the past decade. The story is similar, but with relatively smaller changes in expenditures. Averages are weighted by district average daily attendance, so that expenditures from larger districts do not dominate the calculations, giving a more accurate picture of the average expenditure for the average student enrolled in an Arkansas school district.

Table 16: Per Pupil Expenditures by Function in Charter Districts, 2005-2014²⁷

Category	2005-06		2009-10		2013-14		Total Change	
	\$	%	\$	%	\$	%	\$	%
<i>Instruction</i>	\$4,301	49%	\$4,459	49%	\$4,268	53%	-\$33	+4 pts
<i>M & O</i>	\$1,050	12%	\$928	10%	\$1,154	14%	+\$104	+2 pts
<i>Transportation</i>	\$123	1%	\$125	1%	\$139	2%	+\$16	+1 pt
<i>Administration</i>	\$950	11%	\$1,170	13%	\$1,067	13%	+\$117	+2 pts
<i>Other</i>	\$2,405	27%	\$2,360	26%	\$1,428	18%	-\$977	-9 pts
<i>Total</i>	\$8,829	100%	\$9,042	100%	\$8,056	100%	-\$773	

Charters receive less funding than traditional public districts, because they cannot access local mills dedicated to education, among other restrictions. For this reason, charters would be expected to have lower per pupil expenditures, and that is indeed the case when comparing raw numbers between charters and traditional public districts. Again, instruction is the greatest line item expense, as was the case with traditional public districts. In 2005-06, charter districts spent an average \$4,301 per pupil on instruction; that figure rose to \$4,268 in the 2013-14 school year. Charters, which can apply for an exemption from providing transportation for all students, spend much less on transportation costs than traditional public districts. In 2013-14, charter districts

²⁶ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014; averages weighted by district ADA.

²⁷ Data from [Annual Statistical Reports](#), 2000-2001 to 2013-2014; averages weighted by district ADA.

spent an average of \$139 per pupil on transportation, while traditional public districts spent \$463 per pupil on transportation. Costs for administration, however, are much greater in charters than in traditional public districts. In 2013-14, charters spent an average \$1,067 per pupil on administration costs, while traditional districts spent \$491. Overall per pupil costs at charters have decreased slightly over the 10-year period considered. This could be a reflection of a greater stability of charters in 2013-14 than in 2005-06, when more charters were starting and therefore spending more on facilities construction and acquisition, which is included in the other category of expenditures.

All districts in Arkansas, charter and traditional, are prioritizing instructional spending over all other expense categories. Is the investment showing returns?

2. *Has performance changed for the better?*

Standardized assessment results indicate that Arkansas continues to fall behind the nation in student performance and that there are great disparities in student performance across students throughout the state. This section explores the extent of the problem and its distribution across the state.

Overall in the state?

Arkansas students scored below the national average²⁸ on the 2015 National Assessment for Educational Progress (NAEP) reading and math assessments. These assessments are given every two years to 4th and 8th grade students throughout the county, and serve as a common metric for student performance. Arkansas students have scored below national average performance since the assessment was first administered in 1992, with one exception in 2005 when 4th grade reading scores matched the national average. Although 4th grade reading scores have declined some, they remain near the national average. Math scores for 4th graders had been close to the national average since 2005, but declined significantly in 2015. Unfortunately, 8th grade scores are well below the national average in both reading and math. Performance below the national average, however, is not unexpected as Arkansas enrolls a greater percentage of students who are eligible for free and reduced price lunch (a proxy for poverty) than the national average. Since poverty and academic success are related, it is meaningful to compare Arkansas' NAEP performance to states with similar students.

Compared to neighbor states, Arkansas students score similarly to Oklahoma, which has the same percentage of students eligible for free or reduced lunch. As shown in Table 17, Oklahoma 4th graders were more likely to score proficient in math than Arkansas students, but students from both states scored similarly on 4th grade reading. In 8th grade, Arkansas students were slightly more likely to be proficient in math, and slightly less likely to be proficient in reading. It is important to keep in mind earlier findings, however, that Arkansas is spending about \$2,000 more per pupil than Oklahoma, but getting similar academic outcomes.

Although Arkansas has drastically improved the amount of resources available to districts in the state, students are still not doing as well as would be hoped on standardized measures of academic achievement. Stubbornly low levels of achievement on standardized assessments

²⁸ National Center for Education Statistics (2015). [Summary of NAEP results for Arkansas](#). *NAEP State Profiles*.

should remain a major concern and point of focus for the state until all students in Arkansas are demonstrating proficiency.

Table 17: Percent of Students Scoring Proficient or Higher on the NAEP, Arkansas and Neighboring States²⁹, 2015

Location	Percent Eligible FRL	4 th Grade		8 th Grade	
		Math	Reading	Math	Reading
Arkansas	60.5	32%	32%	25%	27%
Louisiana	66.2	30%	29%	18%	23%
Mississippi	70.6	30%	26%	22%	20%
Missouri	45.0	38%	36%	31%	36%
Oklahoma	60.5	37%	33%	23%	29%
Tennessee	55.0	40%	33%	29%	33%
Texas	50.3	44%	31%	32%	28%
National Avg	48.1	39%	35%	32%	33%

Have improvements been equitable across students?

Arkansas students are not performing as well as their out-of-state peers on nation-wide standardized assessments. The question then becomes whether different groups of students within the state are performing similarly, or if different groups are exhibiting similar growth patterns. To explore this question, Tables 18 and 19 presents the percent of students scoring proficient or advanced on the Arkansas Benchmark Exams in math and literacy, respectively. Results are presented by student eligibility for free and reduced lunch. These are the latest achievement data available, until PARCC results are released in November, 2015.

As outlined in Tables 18 and 19, there are clear and not unexpected differences in achievement between Arkansas’ students who are eligible for free/reduced lunch and those who are not. The interesting point, however, is that while resources are more equitably distributed between districts across the state now than they were in 2000-01, the state is not yet seeing continuous closure of this achievement gap. This inequity is a cause of concern in and of itself, as are the results of previous analyses in Arkansas showing that the districts with the highest proportion of students of color have the lowest achievement rates in the state.³⁰ The state cannot become complacent with the finding that inputs to the K-12 education system are seemingly adequate and equitable while discrepancies in achievement persist.

²⁹ Data from the [National Center for Education Statistics](#).

³⁰ Burks, S. and Ritter, G. (2014). [Performance of All Student Subgroups in Arkansas: Moving Beyond Achievement Gaps](#). *Arkansas Education Report*, 11(4).

Table 18: Percent of Arkansas Students Scoring Proficient or Advanced on Benchmark Math, by Free/Reduced Lunch Eligibility, 2005-2014

	2005-06	2008-09	2010-11	2011-12	2012-13	2013-14
Non- FRL	69%	84%	89%	89%	88%	86%
FRL	43%	64%	70%	70%	68%	65%
FRL Gap	26 pts	20 pts	19 pts	19 pts	20 pts	21 pts

Table 19: Percent of Arkansas Students Scoring Proficient or Advanced on Benchmark Literacy, by Free/Reduced Lunch Eligibility, 2005-2014

	2005-06	2008-09	2010-11	2011-12	2012-13	2013-14
Non- FRL	74%	81%	89%	91%	90%	90%
FRL	46%	58%	28%	74%	72%	70%
FRL Gap	28 pts	23 pts	21 pts	17 pts	18 pts	20 pts

IV. CONCLUSIONS

A. Adequacy

In 1979, Arkansas was spending less than \$2,000 per pupil, after adjusting for the cost-of-living. Today, that figure has more than quintupled. This represents a significant increase in the resources available for Arkansas schools and students, and the Legislature should be recognized for this considerable financial commitment to education. While Arkansas has still not achieved the Legislature's goal of having "all but the most severely disabled perform at or above proficiency on these [state standardized] tests", it has reached the Legislature's goal of "sufficient funding to provide adequate resources." The last remaining piece of the definition of adequacy is the state's curriculum standards, which are currently under review in the Legislature. An important component of ensuring an adequate education for every Arkansan student moving forward, then, is determining the fate of Common Core in Arkansas and deciding whether and how to revise the standards in a way that allows for their full implementation across the state so all students receive a rigorous educational experience. The key findings on adequacy are:

- Net current expenditures per pupil have risen from \$5,531 in the 2000-01 school year to \$9,429 in the 2013-14 school year.
- Education spending has consistently accounted for half of Arkansas' funded budget.
- In the 2000-01 school year, Arkansas spent less than all of its neighboring states except Mississippi; in 2011-12, Arkansas outspent all of its neighboring states.
- Arkansas has been spending more per pupil than the regional average since the 2005-06 school year without accounting for cost-of-living.
- After accounting for cost-of-living, Arkansas spends more per pupil than its neighbors, and in recent years has caught up to national average.

B. Equity

Arkansas' per pupil spending has consistently increased over the past 14 years, with funds targeted towards districts with higher percentages of students from low socioeconomic backgrounds, students of color, and students who do not meet proficiency expectations on standardized assessments. These spending patterns help create vertical equity in the state. For 13 of the 14 years considered in this report, there was virtually no gap between districts based on the level of local property wealth. In the 2013-14 school year, there was a difference of over \$1,000 between the districts with the highest assessed local property wealth and the lowest. If this gap closes again, there will be an equitable distribution of resources in the state again. The key findings on equity are:

- The smallest districts in the state spent roughly \$10,000 per pupil in net current expenditures in 2013-14; this was roughly \$1,000 more than was spent on the average student in Arkansas.
- Districts with the most students of color spend roughly \$2,000 more per pupil than the districts with the fewest students of color.

- Districts with the highest poverty spend roughly \$2,500 more per pupil than districts with the least poverty.
- The lowest-achieving districts in literacy spend roughly \$2,500 more per pupil than the highest-achieving districts.
- The lowest-achieving districts in math spend almost \$3,000 more per pupil than the highest achieving districts.
- Districts with the most wealth spent roughly \$1,000 more per pupil than districts with the least wealth in 2013-14.

C. Efficiency

The vast majority of education funding in Arkansas goes directly to instructional expenditures, the majority of which is teacher salaries and therefore an uncontroversial prioritization. While non-instructional costs have also risen over the past decade and a half, those expenses do not come close to matching the investment in direct instructional expenses. It is important to note that ‘efficiency’ is not considered as a goal of spending less, but rather of improving outcomes. This report is not a definitive examination of the impact of increased funding, but rather a ‘quick look’. The key findings on efficiency are:

- Districts spend the most on instruction-related expenses, although non-instructional expenditures have been rising as well.
- Arkansas students perform below the national average on standardized assessments, and demonstrates persistent achievement gaps between student groups.
- Thus far, we can find no strong evidence that suggests achievement gaps are decreasing despite the fact that additional resources are being allocated to disadvantaged districts.

This does not mean that we should no longer strive to attain vertical equity and allocate additional resources to districts with particular needs. It may mean, however, that we need to be more innovative and vigilant when using the additional resources. The resources should be used to implement strategies that begin to close achievement gaps between high and low performing districts.

D. Moving Forward

Arkansas has made great strides in ensuring that every student has access to adequate education funding and equitable resources, but the work is not yet done. Not enough students are demonstrating proficiency on state assessments, and there are gaps between students of different socioeconomic and demographic backgrounds. The resources are in place, but districts need to continue seeking methods that effectively use the resources to ensure every student in Arkansas graduates from the K-12 education system with the knowledge and skills needed to be successful in the future. The commitment the Legislature has demonstrated to enhancing the quality of education received by all students over the past decade and a half, if maintained, will continue to benefit the students of the state.

APPENDIX A

Table A1: Details of District Size Quintiles: Average Daily Attendance, 2000-2014

2000-01			2001-02		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	4195	1652-21762	5	4220	1599-21729
4	1178	866-1585	4	1183	876-1581
3	692	548-860	3	693	539-860
2	453	350-547	2	445	354-535
1	238	67-348	1	233	59-344

2002-03			2003-04		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	4170	1603-19947	5	4264	1583-22864
4	1178	862-1586	4	1173	866-1575
3	687	544-851	3	678	530-859
2	439	342-536	2	423	316-530
1	229	63-333	1	215	44-315

2004-05			2005-06 ³¹		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	4307	1599-22864	5	5075	2100-24053
4	1184	874-1853	4	1510	1091-2085
3	683	536-866	3	904	760-1089
2	428	322-530	2	623	522-736
1	223	81-316	1	418	234-521

2006-07			2007-08		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	5263	2331-24181	5	5289	2350-23701
4	1571	1171-2219	4	1552	1163-2155
3	936	787-1164	3	928	770-1163
2	643	525-784	2	622	513-768
1	444	304-524	1	431	307-511

Table A1 (cont) Details of District Size Quintiles: Average Daily Attendance, 2000-2014

³¹ 28 school districts were ordered to close or consolidate in the 2004-05 and 2005-06 school years, leading to significant change in district size in the 2005-06 school year.

2008-09			2009-10		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	5311	2295-23356	5	5352	2186-23013
4	1554	1162-2150	4	1553	1155-2155
3	921	746-1149	3	914	754-1134
2	615	502-735	2	608	498-738
1	420	220-497	1	413	243-488

2010-11			2011-12		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	5477	2265-22995	5	5483	2248-22609
4	1591	1220-2223	4	1579	1198-2179
3	946	774-1218	3	939	769-1197
2	629	518-770	2	627	524-766
1	431	314-516	1	425	303-524

2012-13			2013-14		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	5565	2272-21997	5	5671	2305-22098
4	1575	1205-2189	4	1603	1198-2271
3	930	753-1202	3	952	778-1180
2	619	525-751	2	630	527-776
1	419	315-523	1	418	303-521

Table A2: Details of Local Property Value Quintiles (tens of millions), 2000-2014

2000-01			2001-02		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	27.3	8.06-218	5	28.9	8.49-224
4	5.45	3.88-7.88	4	5.72	4.05-8.16
3	3.02	2.49-3.66	3	3.17	2.54-3.93
2	1.86	1.45-2.44	2	1.96	1.56-2.53
1	1.01	0.35-1.45	1	1.05	0.37-1.54

2002-03			2003-04		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	30.2	8.99-225	5	31.9	9.34-237
4	5.92	4.07-8.93	4	6.21	4.22-9.27
3	3.28	2.57-4.04	3	3.45	2.67-4.18
2	2.02	1.61-2.56	2	2.1	1.69-2.65
1	1.08	0.40-1.6	1	1.12	0.46-1.63

2004-05			2005-06		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	31.9	9.34-237	5	41.6	13-262
4	6.21	4.22-9.27	4	8.88	5.77-12.5
3	3.45	2.67-4.18	3	4.77	3.99-5.72
2	2.1	1.69-2.65	2	3.23	2.49-3.96
1	1.12	0.46-1.63	1	1.71	0-2.46

2006-07			2007-08		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	44.7	13.6-278	5	48.5	14.3-296
4	9.7	6.19-13.3	4	10.1	6.48-14.2
3	5.14	4.43-6.18	3	5.33	4.45-6.47
2	3.47	2.76-4.27	2	3.58	2.91-4.41
1	2.2	0.97-2.71	1	2.31	1.01-2.89

Table A2 (cont): Details of Local Property Value Quintiles (tens of millions), 2000-2014

2008-09			2009-10		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	51.7	15.4-320	5	52	15-321
4	10.5	6.93-15.3	4	10.7	7.11-15
3	5.57	4.67-6.78	3	5.68	4.77-7.1
2	3.77	3.05-4.6	2	3.9	3.13-4.75
1	2.41	1.1-3.01	1	2.52	1.11-3.12

2010-11			2011-12		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	54.9	16.5-318	5	56.3	17.7-329
4	11.7	7.83-16.4	4	12.5	8.75-17.5
3	6.13	5.11-7.66	3	6.69	5.55-8.74
2	4.17	3.31-5.06	2	4.54	3.58-5.54
1	2.74	1.14-3.29	1	2.95	1.14-3.51

2012-13			2013-14		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	57.1	17.7-335	5	57.1	17.7-335
4	12.6	8.55-17.2	4	12.6	8.55-17.2
3	6.77	5.45-8.51	3	6.77	5.45-8.51
2	4.41	3.4-5.43	2	4.41	3.4-5.43
1	1.62	0-3.37	1	1.62	0-3.37

Table A3: Details of % of FRL- eligible Quintiles, 2000-2014

2000-01			2001-02		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	76%	64-97%	5	77%	64-97%
4	57%	53-63%	4	59%	55-64%
3	50%	47-53%	3	51%	48-55%
2	42%	37-46%	2	44%	39-48%
1	30%	13-37%	1	32%	17-39%

2002-03			2003-04		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	70%	40-100%	5	85%	71-100%
4	28%	16-40%	4	66%	61-70%
3	9%	4-16%	3	58%	55-61%
2	3%	2-4%	2	50%	46-55%
1	1%	0-2%	1	36%	0-45%

2004-05			2005-06		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	94%	77-100%	5	83%	71-100%
4	69%	64-77%	4	65%	60-71%
3	60%	55-63%	3	56%	52-60%
2	51%	48-55%	2	49%	45-52%
1	37%	0-47%	1	35%	0-45%

2006-07			2007-08		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	83%	71-100%	5	83%	72-100%
4	65%	60-71%	4	66%	61-72%
3	56%	53-60%	3	57%	53-61%
2	49%	45-53%	2	49%	44-53%
1	34%	0-45%	1	33%	0-44%

Table A3 (cont): Details of % of FRL- eligible Quintiles, 2000-2014

2008-09			2009-10		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	85%	73-100%	5	87%	76-100%
4	68%	62-73%	4	70%	65-76%
3	59%	55-62%	3	62%	58-65%
2	51%	47-55%	2	54%	49-58%
1	34%	0-47%	1	38%	0-49%

2010-11			2011-12		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	89%	76-100%	5	89%	77-100%
4	71%	67-76%	4	73%	68-77%
3	63%	59-67%	3	65%	61-68%
2	55%	51-59%	2	57%	52-61%
1	38%	0-50%	1	40%	0-52%

2012-13			2013-04		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	88%	77-100%	5	87%	76-100%
4	73%	70-77%	4	73%	70-76%
3	65%	61-70%	3	65%	61-69%
2	58%	54-61%	2	57%	51-61%
1	42%	1-54%	1	40%	1-50%

Table A4: Details of % of Students of Color Quintiles, 2000-2014

2000-01			2001-02		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	69%	39-100%	5	69%	40-100%
4	26%	14-39%	4	27%	15-40%
3	7%	3-14%	3	8%	4-14%
2	2%	1-3%	2	3%	2-4%
1	1%	0-1%	1	1%	0-2%

2002-03			2003-04		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	70%	40-100%	5	70%	40-100%
4	28%	16-40%	4	28%	17-39%
3	9%	4-16%	3	9%	5-16%
2	3%	2-4%	2	3%	2-5%
1	1%	0-2%	1	1%	0-2%

2004-05			2005-06		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	70%	43-100%	5	69%	44-100%
4	31%	19-42%	4	31%	21-43%
3	11%	6-19%	3	11%	6-20%
2	4%	3-5%	2	4%	3-6%
1	1%	0-3%	1	2%	0-3%

2006-07			2007-08		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	66%	40-97%	5	67%	43-97%
4	30%	20-40%	4	30%	18-42%
3	11%	7-19%	3	11%	7-18%
2	5%	3-7%	2	5%	3-6%
1	2%	0-3%	1	2%	0-3%

Table A4 (cont): Details of % of Students of Color Quintiles, 2000-2014

2008-09			2009-10		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	70%	44-98%	5	71%	46-99%
4	32%	22-44%	4	34%	23-46%
3	12%	7-21%	3	14%	9-23%
2	5%	4-7%	2	6%	4-9%
1	2%	0-4%	1	3%	0-4%

2010-11			2011-12		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	73%	49-99%	5	74%	50-99%
4	35%	25-48%	4	36%	26-49%
3	15%	10-24%	3	16%	10-25%
2	7%	5-10%	2	7%	5-10%
1	3%	0-5%	1	4%	0-5%

2012-13			2013-14		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	71%	49-100%	5	74%	48-100%
4	35%	22-48%	4	34%	23-48%
3	14%	9-22%	3	15%	10-23%
2	6%	4-9%	2	7%	5-9%
1	3%	1-4%	1	3%	0-5%

Table A5: Details of % of Students Pro/Adv on Math Benchmarks Quintiles, 2005-2014

2005-06			2006-07		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	69%	64-78%	5	76%	71-83%
4	61%	59-64%	4	69%	66-71%
3	56%	53-58%	3	63%	61-65%
2	50%	46-53%	2	57%	53-60%
1	33%	8-45%	1	42%	8-53%

2007-08			2008-09		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	81%	76-92%	5	84%	80-90%
4	74%	72-76%	4	79%	77-80%
3	69%	66-72%	3	74%	71-77%
2	63%	59-66%	2	67%	64-71%
1	49%	21-59%	1	52%	0-63%

2009-10			2010-11		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	86%	82-91%	5	87%	84-93%
4	80%	78-82%	4	81%	80-84%
3	76%	73-78%	3	78%	75-80%
2	70%	66-73%	2	72%	69-75%
1	54%	15-66%	1	57%	9-69%

2011-12			2012-13		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	87%	84-100%	5	85%	82-100%
4	83%	81-84%	4	80%	78-82%
3	79%	76-81%	3	76%	73-78%
2	73%	69-76%	2	69%	66-73%
1	59%	24-69%	1	57%	40-65%

2013-14		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	83%	80-98%
4	77%	74-80%
3	72%	69-74%
2	66%	62-69%
1	50%	16-62%

Table A6: Details of % of Students Pro/Adv on Literacy Benchmarks Quintiles, 2005-2014

2005-06			2006-07		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	72%	67-83%	5	72%	67-86%
4	64%	62-67%	4	66%	64-67%
3	60%	57-62%	3	60%	58-64%
2	53%	49-57%	2	55%	50-58%
1	39%	1-49%	1	41%	24-50%

2007-08			2008-09		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	77%	72-86%	5	80%	76-93%
4	69%	67-72%	4	74%	72-76%
3	65%	62-67%	3	70%	67-72%
2	59%	54-62%	2	63%	58-67%
1	45%	19-54%	1	47%	0-58%

2009-10			2010-11		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	84%	80-97%	5	85%	81-98%
4	77%	76-80%	4	79%	78-81%
3	74%	72-75%	3	75%	73-77%
2	69%	65-71%	2	70%	66-73%
1	56%	32-65%	1	58%	24-66%

2011-12			2012-13		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>	<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	89%	87-100%	5	88%	85-100%
4	82%	84-87%	4	83%	82-85%
3	82%	81-84%	3	80%	78-82%
2	78%	75-81%	2	75%	72-78%
1	69%	49-75%	1	66%	51-72%

2013-14		
<i>Quintile</i>	<i>Mean</i>	<i>Range</i>
5	87%	84-100%
4	81%	80-84%
3	78%	76-79%
2	73%	68-76%
1	59%	26-68%

Summary Points

- **Size:** The smallest districts spend ~ \$1,000 more per pupil than largest districts
- **Race:** Districts with the most students of color spend ~\$2,000 more per pupil than districts enrolling the fewest students of color
- **Poverty:** Districts with the most FRLP students spend ~ \$2,500 more per pupil than the lowest FRLP districts
- **Achievement:** Lowest-achieving districts spend ~\$2,500 to \$3,000 more per pupil than highest-achieving districts
- **Wealth:** In a reversal of earlier findings, the wealthiest districts spent ~\$1,000 more per pupil than poorest districts in 2013-14

Education Funding Equity in Arkansas

Thanks to the landmark Lake View case, Arkansas has doubled-down on its commitment to ensuring an equitable education to all students. This brief examines the equity of current education spending in Arkansas.

What Is An “Equitable” Education?

There is no statewide definition of equity, but it is understood here as the guarantee that ALL students have access to the resources and opportunities they need to reach the same levels of educational attainment. **Since all students have different needs, equity doesn’t mean giving everyone the same thing. It means ensuring that every student has an equal shot at success.**

How Do We Measure Equity?

Do all students have access to the resources they need in order to be successful? In order to answer this question, we look at net current per pupil (NCPP) expenditures across groups of districts. Net current expenditures most accurately convey what is spent on a per-pupil basis for the day-to-day operation of a school district. This value excludes certain costs, such as debt service, facility acquisition, and construction.

Does Size Matter?

Yes. Smaller districts spend more per pupil than larger districts. In 2013-14, the smallest districts spent \$908 more per pupil than the largest districts. The gap was greatest in the 2003-04 school year, when the smallest districts outspent the largest districts by \$1,135.

This Brief

What Is An “Equitable” Education? **P.1**
 How Do We Measure Equity? **P.1**
 Does Size Matter? **P.2**
 Does Wealth Matter? **P.2**
 Do Student Demographics Matter? **P.3**
 Does Achievement Matter? **P.3**
 Is Achievement Equitable? **P.3**
 Conclusion **P.3**

By contrast, **charters consistently spent less than traditional public districts.** In 2013-14, charters spent an average of \$8,136 per pupil, while the smallest traditional districts spent \$10,456, and the largest traditional districts spent \$9,548.

Table 1 shows spending patterns in the smallest and largest districts, as well as all charters.

Table 1: Average Net Current Per Pupil Expenditures by District Size, 2000-2014

	2000-01	2010-11	2013-14
All Charters	NA	\$7,618	\$8,136
Smallest Districts	\$6,324	\$10,224	\$10,456
Largest Districts	\$5,626	\$9,381	\$9,548
State	\$5,531	\$9,292	\$9,429

Does Wealth Matter?

Yes— but not always in the way you would think. In the 2000-01 school year, the poorest districts spent over \$1,000 more per pupil than the wealthiest districts in the state. By the 2013-14 school year, however, that relationship was flipped, with the wealthiest districts spending over

\$1,000 more than the poorest districts. From 2001-02 to 2012-13, the difference was less than \$500. The gap in spending between

wealthy and less-wealthy districts needs to close again to ensure equity.

Table 2 shows spending patterns in the wealthiest and poorest districts in the state.

Table 2: Average Net Current Per Pupil Expenditures by District Wealth, 2000-2014

	2000-01	2010-11	2013-14
Poorest Districts	\$6,709	\$9,176	\$8,356
Wealthiest Districts	\$5,664	\$9,424	\$9,569
State	\$5,531	\$9,292	\$9,429

Do Student Demographics Matter?

Yes— and that’s a good thing. In 2013-14, districts with the highest percent of enrolled students eligible for free / reduced lunch (FRL) spent \$2,464 more per pupil than districts with the lowest percent FRL. Since 2000-01, districts with higher FRL populations have spent increasingly more per pupil compared to lower FRL districts. Part of this increased spending can be attributed to **a statewide commitment to spending more on the students with the greatest needs.**

Table 3 shows district-level net current expenditures per pupil based on the proportion of enrolled students eligible for free or reduced price lunch.

Table 3: Average Net Current Per Pupil Expenditures by Percent of Poverty, 2000-2014

	2000-01	2010-11	2013-14
Least % FRL	\$5,208	\$8,131	\$8,350
Highest % FRL	\$5,895	\$10,904	\$10,814
State	\$5,531	\$9,292	\$9,429

Similarly, districts with the highest percent of students of color consistently spend more per pupil than districts with the fewest students of color. In 2000-01, the difference was \$773, and by 2013-14 the difference had grown to \$1,781.

Table 4 shows district-level net current expenditures per pupil based on the proportion of enrolled students of color.

Table 4: Average Net Current Per Pupil Expenditures by Percent of Students of Color, 2000-2014

	2000-01	2010-11	2013-14
Least % of color	\$5,264	\$8,749	\$8,645
Highest % of color	\$6,037	\$10,571	\$10,426
State	\$5,531	\$9,292	\$9,429

The pattern of spending seen when looking at student demographics is consistent with the concept of vertical equity, which assesses the extent to which students with equal needs are provided equal resources. Thus, the differences we see between districts with different demographics can be chalked up to the state trying to ensure that every student gets what they need to succeed.

Does Achievement Matter?

Unsurprisingly, yes. Districts with lower proportions of students scoring proficient spend more per pupil than districts with higher proportions of students scoring proficient in both math and literacy. In 2013-14, districts with the lowest percent of students scoring at least proficient on math Benchmark exams spent \$2,678 more than the districts with the highest percent of students scoring proficient or advanced.

Table 5: Average Net Current Per Pupil Expenditures by Student Math Performance 2005-2014

	2005-06	2010-11	2013-14
Least % Proficient/ Advanced	\$8,778	\$11,366	\$11,249
Most % Proficient/ Advanced	\$7,233	\$8,249	\$8,571
State	\$5,531	\$9,292	\$9,429

For more information about this policy brief and other education issues in Arkansas, contact us:

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Table 5 shows district-level net current expenditures per pupil based on the percent of students scoring at least proficient on the Math Benchmark Exam.

We can ask the same question for literacy performance as we did for math performance. We find that the lowest performing districts in literacy outspent the top performing districts by \$2,520.

Table 6 presents district-level net current per pupil spending based on the percent of students scoring at least proficient on the Literacy Benchmark Exam.

Table 6: Average Net Current Per Pupil Expenditures by Student Literacy Performance 2005-2014

	2005-06	2010-11	2013-14
Least % Proficient/Advanced	\$8,822	\$11,313	\$11,177
Most % Proficient/Advanced	\$7,190	\$8,198	\$8,657
State	\$5,531	\$9,292	\$9,429

The question then becomes one of which came first—elevated spending or lower achievement? Our analysis doesn’t speak directly to that question, but it seems likely that lower achievement precedes additional spending. **When a district realizes that students are struggling academically, school and district leaders will invest in additional support for students**—tutors, remediation programs, instructional coaches, or even a school turnaround leader. These resources increase per pupil expenditures.

Is Achievement Equitable?

This report is not a definitive examination of the impact of increased funding, but rather a ‘quick look’ at student performance trends.

Although Arkansas has drastically improved the amount of resources available to districts in the state, students are still not doing as

well as would be hoped on standardized measures of academic achievement. Performance has increased, but continued improvement and persistent achievement gaps should remain a major concern and point of focus for the state until all students in Arkansas are demonstrating proficiency.

Conclusion

Arkansas has consistently increased per pupil spending over the past decade and a half, with funds targeted towards students from low socioeconomic backgrounds, students of color, and students who underperform on standardized assessments.

From this, it seems like the state is working to ensure that resources are equitably distributed around the state in order to meet the needs of students. In the 2013-14 school year, there was a gap in spending between districts in communities with the most wealth and districts in communities with the least wealth. This gap needs to close again, as it was for the prior 13 years, to achieve equity on this measure.

Arkansas has made great strides in ensuring that every student in the state has access to the appropriate resources to support their learning. The work, however, is not yet complete. Not all students leave school ready for college and careers, and there are achievement gaps between students from different geographic, racial, and socioeconomic backgrounds. **The resources are in place, but we all need to continue searching for ways to ensure that those resources are being used effectively to empower every student with the skills they need to be successful in the future.**

Sources and Resources

For more details, read the complete [Arkansas Education Report](#).

Arkansas financial data is taken from the state [Annual Statistical Reports](#).

Demographic and achievement data are from the Office for Education Policy’s [Arkansas School Databases](#).



The Winthrop Rockefeller Foundation (WRF)

**Written Testimony Submitted to
Arkansas State General Assembly
House and Senate Education Committee**

January 12, 2016 at 9 a.m.

By

The Winthrop Rockefeller Foundation

Introduction

Good morning. My name is Sherece West-Scantlebury and I am the president and CEO of the Winthrop Rockefeller Foundation. Building on the legacy of Governor Rockefeller, the Winthrop Rockefeller Foundation is a champion for a public education system that supports all Arkansas children. For more than forty years, WRF has invested in research and systems change that seeks to improve educational outcomes for our students.

During the era of *Lake View*, WRF provided important data and leadership around solutions to increase revenue for the state's K – 12 system. Today, the Foundation continues to use its time and resources to move Arkansas from among the nation's lowest performing in economic and education indicators to become one of the nation's highest ranking in measures of child and family well-being. We believe that all Arkansans fare better when our children have equitable access to high-quality educational opportunities.

In that light, we appreciate the opportunity to share our perspective on the need to *expect more* from our state's public education system. We can and we should work to ensure that all Arkansas schools provide an "adequate education," but today we urge the Committee to expect more. Expect *excellence for all schools*. Expect *opportunity for all students*. Expect *prosperity for all Arkansans*.

We should note that ***this testimony does not reflect a position on any pending legislation***. Instead, with this testimony, we will share several recommendations that emerge from the Foundation's statewide grantmaking and research:

- Arkansans must commit to **a common vision** for a stronger education system.
- The state needs to **invest early** to ensure all students start school ready to succeed.
- We must address barriers that prevent **opportunity for all students**.

A Common Vision: ***ForwARd Arkansas***

If we are to expect more from our state's public education system, policymakers, business leaders, educational institutions, communities, parents, and students must commit to the vision that all Arkansas students graduate high school prepared for success in college and the workplace. To support the dramatic improvements and enhanced student outcomes necessary for that vision, the Winthrop Rockefeller Foundation launched *ForwARd Arkansas (ForwARd)* in partnership with the Walton Family Foundation and the Arkansas State Board of Education. *ForwARd* is led by a statewide steering committee of parents, educators, policymakers, business leaders, and engaged residents.

In 2015, *ForwARd* engaged more than 7,000 residents across the state through town halls, focus groups, and electronic surveys to gather local strategies and feedback on how to move the needle on public education in Arkansas. Based on that data, *ForwARd* crafted the 95 bold recommendations contained in the 2015 report [*ForwARd Arkansas: A New Vision for Arkansas Education*](#). The recommendations address:

- Pre-K: All students have access to high-quality early childhood learning opportunities so they arrive at kindergarten ready to learn
- Teaching and Learning: Each student is supported in developing the full range of knowledge and skills she/he needs to be successful in college and career
- Teacher Pipeline: All schools, especially those in high-need areas, have access to talented educators who have been rigorously prepared.
- Support Beyond the Classroom: All students and families, starting with those in highest need, have access to and support in accessing the nutritional and health resources needed to come to school ready to learn
- Leadership: All education leaders put students at the center of their decisions, work tirelessly to build and support a team, deploy resources effectively, and hold themselves and their team accountable for enabling all children to be successful
- Academic Distress: All schools in academic distress and pre-academic distress receive support and interventions that enable them to transform their school cultures, dramatically improve student achievement, and sustain their improvement over time
- Systems and Policies: All school districts have sufficient funding and use resources in a way that most effectively supports student success

By way of reference, we would like to include the entire *ForwARd* vision document as a part of the official record of these hearings.

ForwARd provides a comprehensive roadmap to excellence in education in our state, as well as dedication to the ideal that educational quality should not be determined by ethnicity, geography, or economic status. We encourage this Committee to join the vision of *ForwARd* that all Arkansas students graduate high school prepared for success in college and the workplace.

Invest Early: Early Education and K-12 Success

If we are to expect more from our state's public education system, we must make the early investments needed to ensure that all students enter the K-12 system equipped with the skills to succeed. That is why the Foundation invested significant resources in the *Arkansas Campaign for Grade-Level Reading* with the goal that by 2020, every Arkansas student will read proficiently by the end of third grade. Our 2012 report, [The Arkansas Campaign for Grade-Level Reading: A Call to Action](#), makes the case that third grade reading proficiency is one of the most important indicators of future academic and career success.

It also makes some simple recommendations for improving third grade reading proficiency in Arkansas:

- Strengthen parent and community engagement by providing caregivers with the support and resources needed to be their child's first and most important advocates
- Improve school readiness by expanding access to quality pre-K and evidence-based home visiting programs
- Reduce summer learning loss by investing in high-quality summer and youth development programs
- Decrease chronic absence by ensuring our children are in the classroom every day and able to learn

By way of reference, we would like to include the entire *Arkansas Campaign for Grade-Level Reading* document as a part of the official record of these hearings.

If we want to ensure that all students can benefit from our K-12 system, we must make sure that all students arrive at school ready to learn. That starts by investing in early education and addressing barriers to reading proficiency in the early grades.

Opportunity for all students

Finally, if we are to expect more from our state's public education system, we must ensure it benefits all children regardless of race, income level, geography, or any other factor. Based on research produced by the Schott Foundation for Public Education, Arkansas's economy loses \$142 million annually because of inequity in our education system. WRF supports the *Arkansas Opportunity to Learn Campaign* – a coalition of statewide organizations, community leaders, parents, students, educators, and policymakers that are committed to strengthening public education in Arkansas. This diverse coalition has identified some key ways to expand opportunity:

- Build stronger parent, community, student, and school partnerships
- Increase accountability for how schools spend NSLA funding
- Create fairer systems of discipline that reduce suspensions and out-of-class time
- Make career and technical education opportunities more accessible for students

In addition to the recommendations above, to increase equity, we must ensure that our tax system is fair and create better parity in how school districts are funded. Since the Foundation funded [Tax Options for Arkansas: Funding Education After the Lake View Case](#) in 2003, the state has taken significant steps to improve the adequacy and equity of our schools but a regressive tax system in Arkansas continues to contribute to inequitable school funding. The public school system and its funding mechanism needs to be fair to create opportunity for all students in our state.

Equity and excellence are inextricably linked. To achieve excellence, we must address inequities and create opportunity.

Conclusion

Strategic investments in education today are key to the long-term future of Arkansas. The Winthrop Rockefeller Foundation continues to use its resources to identify and lift up best practices. Ultimately, it will require state investment to scale these best practices and make certain that all of our state's students are successful. But first, it requires a commitment to *expect more* from our state's public education system. We can and we should:

- Expect excellence for all schools
- Expect opportunity for all students
- Expect prosperity for all Arkansans

We will make the resources referenced in this testimony available electronically and in hard copy for inclusion in the official record of these proceedings. Thank you again to the Education Committee for providing this opportunity.