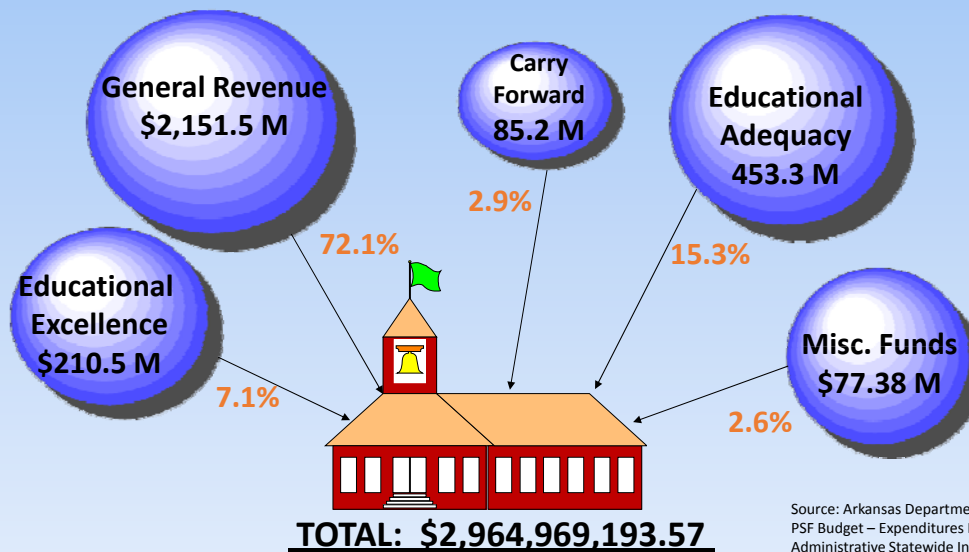


# Education Fund Balance Carry Forward Report FY2012-FY2017

Prepared by the Arkansas Bureau of Legislative Research  
December 19, 2017

## Public School Fund Revenue Sources 2017



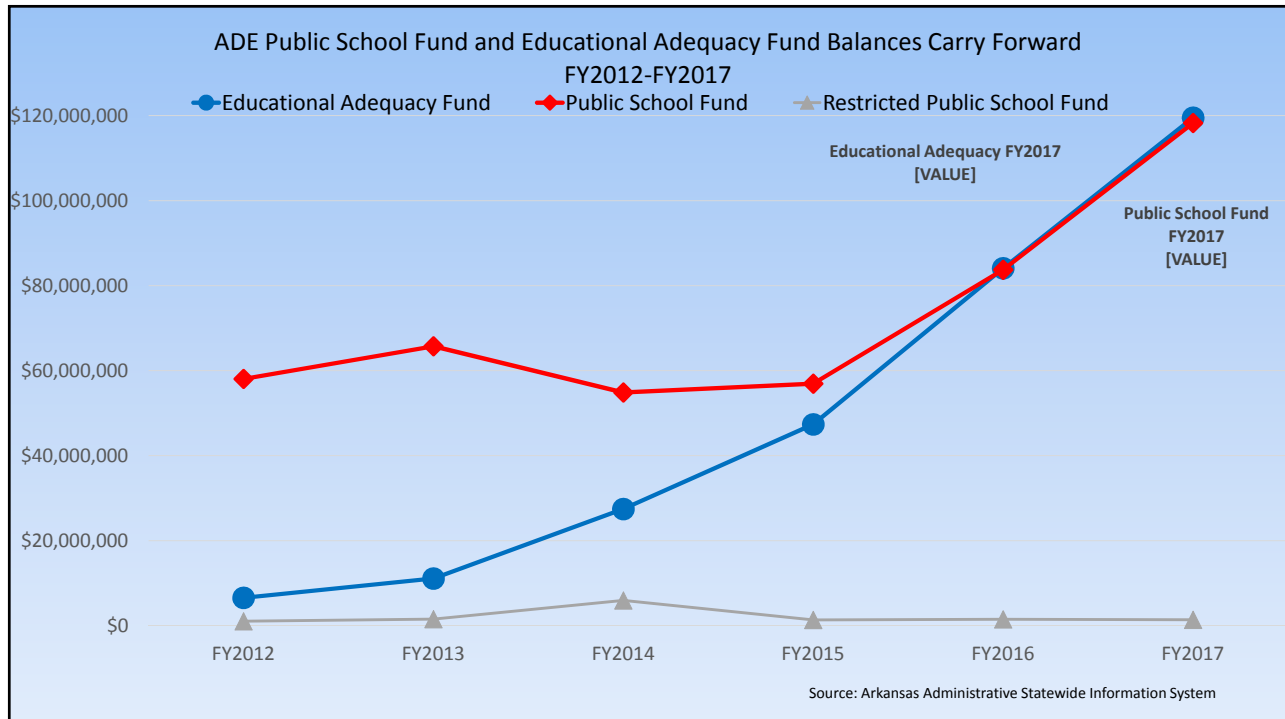
Source: Arkansas Department of Education –  
PSF Budget – Expenditures Report and Arkansas  
Administrative Statewide Information System

# Fund Balance Carry Forward

## YEAR END FUND BALANCE COMPARISON PUBLIC SCHOOL FUND AND EDUCATIONAL ADEQUACY FUND ACTUAL FY2012 THROUGH FY2017

PUBLIC SCHOOL FUND		FY2017/1	FY2016/1	FY2015/1	FY2014/1	FY2013/1	FY2012/1
<b>Unrestricted</b>							
Subtotal Unrestricted Fund Balance		118,282,178.79	83,736,874.58	56,943,755.43	54,876,506.07	65,746,055.71	58,065,349.58
<b>Restricted</b>							
Subtotal Restricted Fund Balance		1,388,310.67	1,487,321.10	1,357,197.62	5,952,217.41	1,539,888.21	1,032,484.14
<b>Total Public School Fund Ending Balance</b>		<b>\$ 119,670,489.46</b>	<b>\$ 85,224,195.68</b>	<b>\$ 58,300,953.05</b>	<b>\$ 60,828,723.48</b>	<b>\$ 67,285,943.92</b>	<b>\$ 59,097,833.72</b>
<b>EDUCATIONAL ADEQUACY FUND</b>		<b>\$119,516,428.95</b>	<b>\$84,097,408.75</b>	<b>\$47,365,760.03</b>	<b>\$27,441,762.92</b>	<b>\$11,092,346.68</b>	<b>\$6,557,479.19</b>
<b>Total Year-End Balances (PSF + Adequacy Fund) \$</b>		<b>239,186,918.41 \$</b>	<b>169,321,604.43 \$</b>	<b>105,666,713.08 \$</b>	<b>88,270,486.40 \$</b>	<b>78,378,290.60 \$</b>	<b>65,655,312.91 \$</b>
<b>Total Year-End Balances (Unrestricted PSF + Adequacy Fund)</b>		<b>\$ 237,798,607.74</b>	<b>\$ 167,834,283.33</b>	<b>\$104,309,515.46</b>	<b>\$ 82,318,268.99</b>	<b>\$ 76,838,402.39</b>	<b>\$ 64,622,828.77</b>

Source: Arkansas Administrative Statewide Information System



Source: Arkansas Administrative Statewide Information System

## Question: What is causing the growth in fund balances from year to year?

We Will Review:

Funding Sources for the Public School Fund  
Funded Budget Balances for Specific Line Items  
Department Budget Requests and Budget Adjustments  
Student Counts and Department Estimations for Revenues

## **Funding Sources of Public School Fund (State)**

- 1) General Revenue
- 2) Educational Adequacy Funding
- 3) Educational Excellence Trust Funding

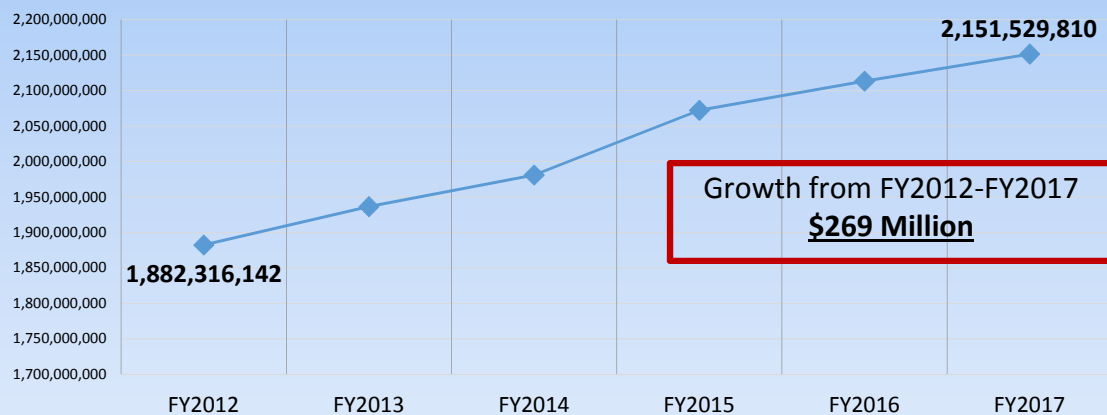
## Funding Sources for Public School Fund (State)

### 1) Public School Fund – General Revenue

- Majority unrestricted funding sent to local and charter school districts to use for operations and special programs.
- Fund Balances are carried forward and remain unrestricted – with the exception of Arkansas Better Chance, and Transit Tax Balances.
- ADE has discretion to allocate funding for all authorized line items within the limits of appropriation.
- Special Language grants authority to transfer appropriation among line items two times per fiscal year upon approval of the Chief Fiscal Officer and Arkansas Legislative Council.

## Public School Fund Income

Public School Fund - General Revenue Distribution  
FY2012-FY2017



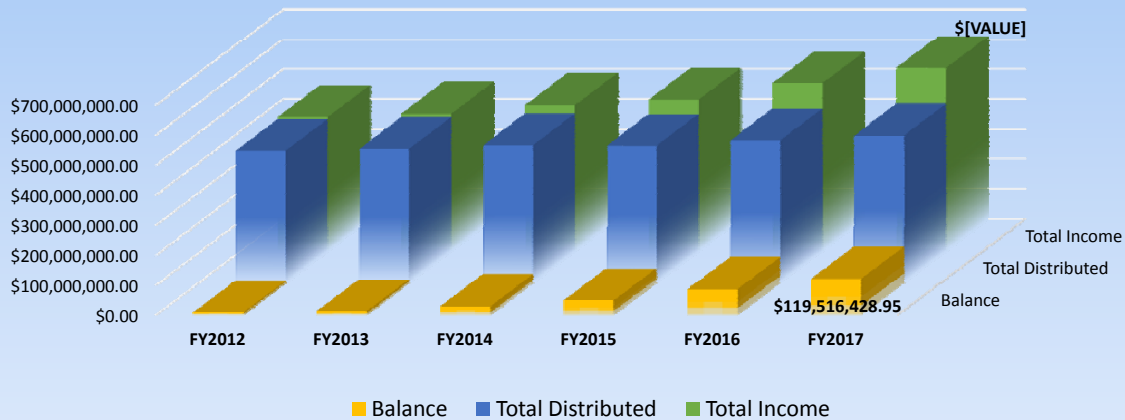
Source: Bureau of Legislative Research – Annual Revenue Reports

## Funding Sources for the Public School Fund (State)

### 2) Educational Adequacy Fund

- First created in 2003 by an increase in the state sales and use tax rate.
- Also includes revenue from vending machine decals and corporate franchise taxes.
- Established to help support Educational Adequacy items only.
- Fund Balances are restricted and held in the Educational Adequacy Fund at year end – not freely accessible without Chief Fiscal Officer approval.
- Funding only provided based on the certified need given by the Department at the beginning of a fiscal year.

### EDUCATIONAL ADEQUACY FUND INCOME, DISTRIBUTION AND BALANCE FY2012-FY2017

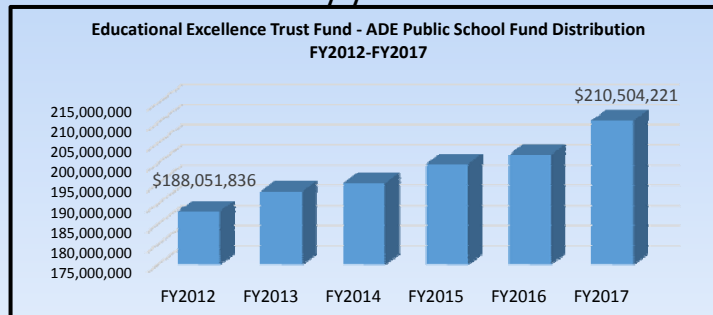


Source: Arkansas Administrative Statewide Information System

## Funding Sources for the Public School Fund (State)

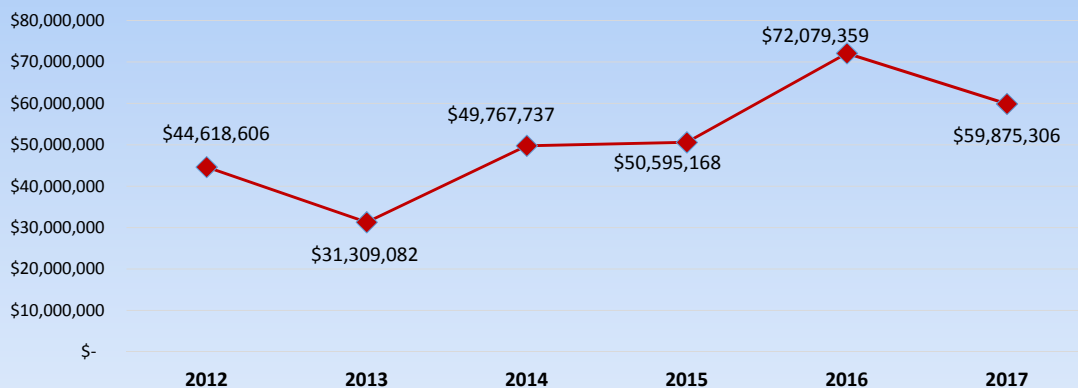
### 3) Educational Excellence Fund

- Established in 1991 – used to fund State Foundation Funding
- Provided to supplement funding for public education with defined increases for Teacher Salaries.
- All monies distributed every year to districts – no carry forward.



Source: Arkansas Administrative Statewide Information System

## Total Public School Fund Funded Budget Balances FY2012-FY2017



Source: Arkansas Department of Education – PSF Budget – Expenditures Report

## Items with Budget Balances Over \$1 Million In a Single Year FY2012-FY2017

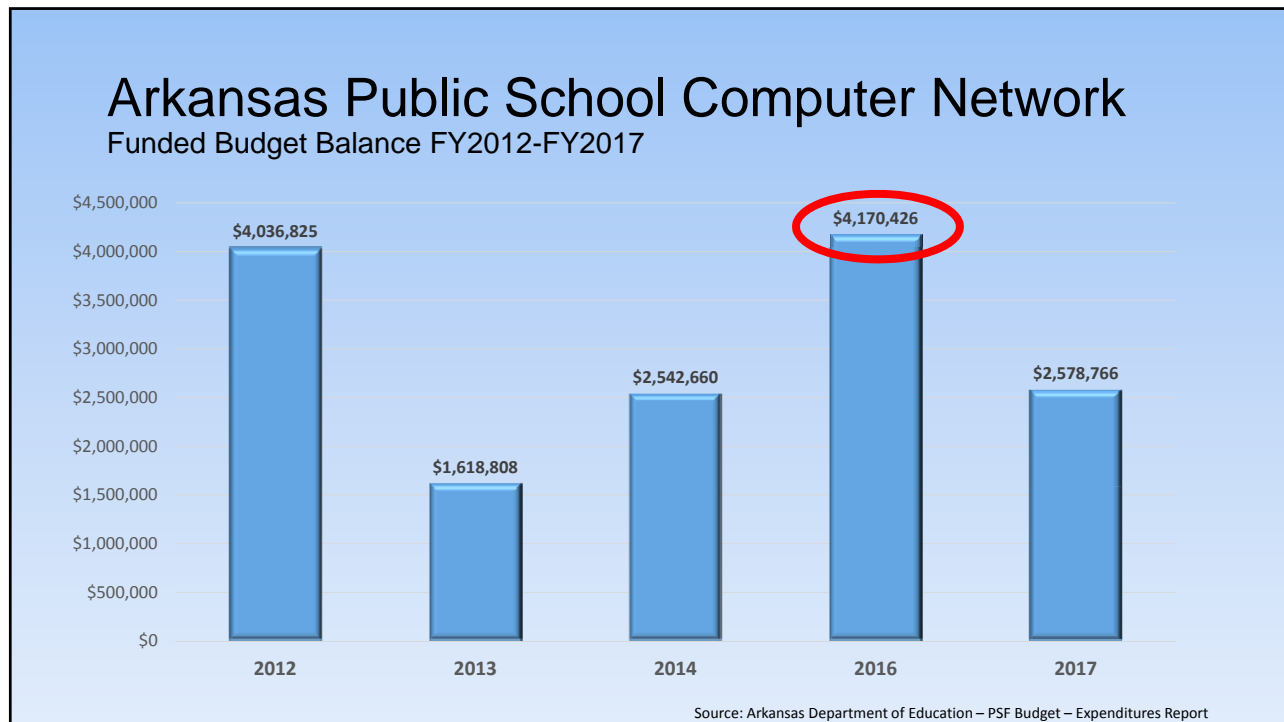
- Arkansas Public School Computer Network (APSCN)
- Alternative Learning
- Assessment/End of Course Testing
- Better Chance Grants
- Consolidation Incentive
- Court Ordered Desegregation
- Declining Enrollment Districts
- Distance Learning Operating Grants
- English Language Learners
- Isolated Funding
- National School Lunch Funding
- National Board of Professional Teaching Standards
- Residential Centers/Juvenile Detention
- State Foundation Funding Aid
- Student Growth
- Teacher Retirement Matching
- 98% Uniform Rate of Tax Actual Collection Adjustment

Source: Arkansas Department of Education – PSF Budget – Expenditures Report

## Items with Balance over \$1 Million for at least four years of FY2012-FY2017

- Arkansas Public School Computer Network
- Assessment/End of Course Testing
- National School Lunch Funding
- State Foundation Funding Aid
- 98% URT Actual Collection Adjustment

Source: Arkansas Department of Education – PSF Budget – Expenditures Report



## Budget v. Actual Expenditures

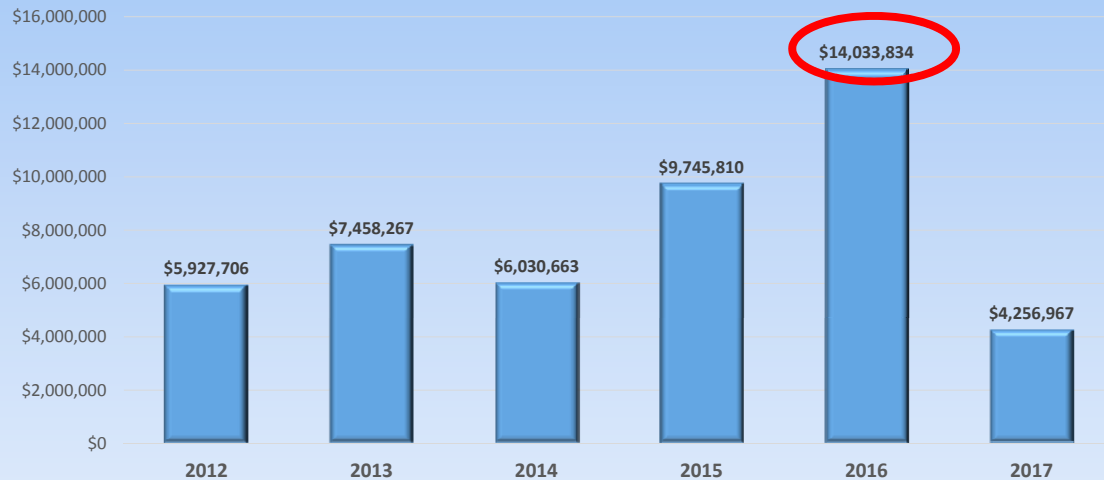
### Arkansas Public School Computer Network

- Moderate appropriation increases for capital outlay and position movements but received base level funding for all years.
- Funding is offset by E-Rate Credits in previous years.
- E-Rate is now handled by the Department of Information Systems – no longer a significant funding source.
- Significant decreases in expenses in FY2016 and FY2017 due to the implementation of the statewide broadband network.



## Assessment/End of Course Testing

Funded Budget Balance FY2012-FY2017

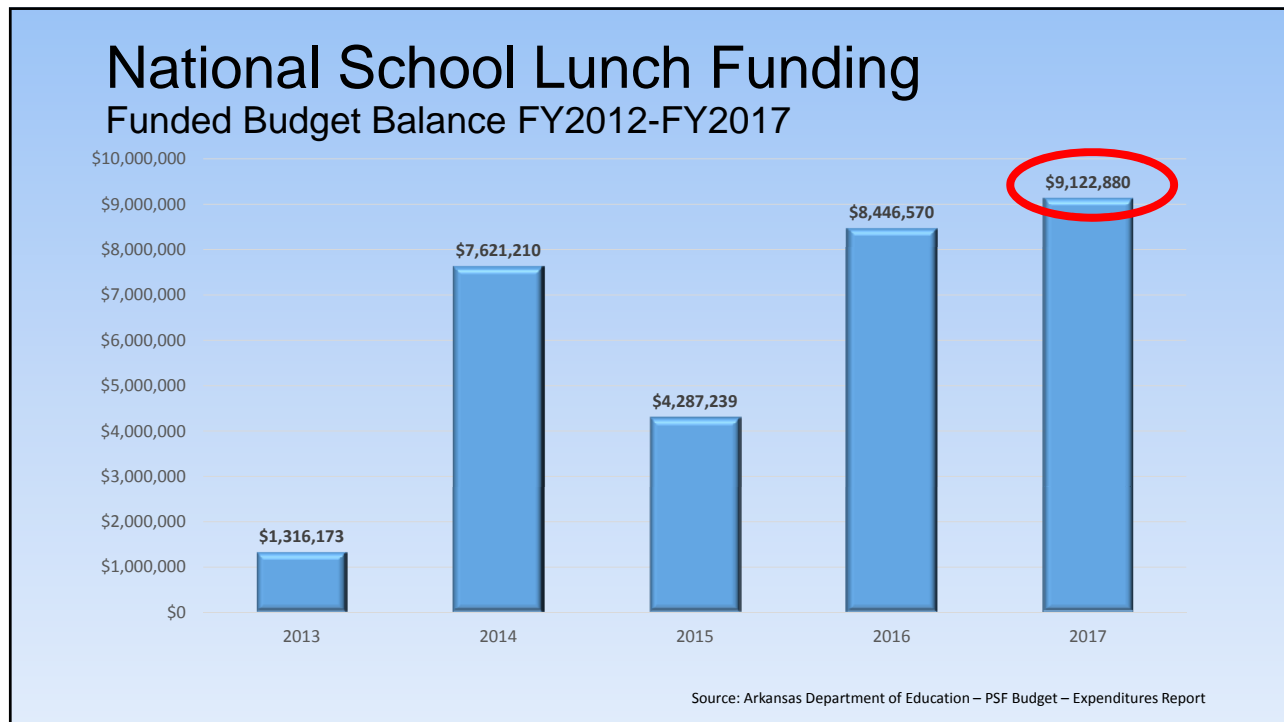


Source: Arkansas Department of Education – PSF Budget – Expenditures Report

## Budget v. Actual Expenditures

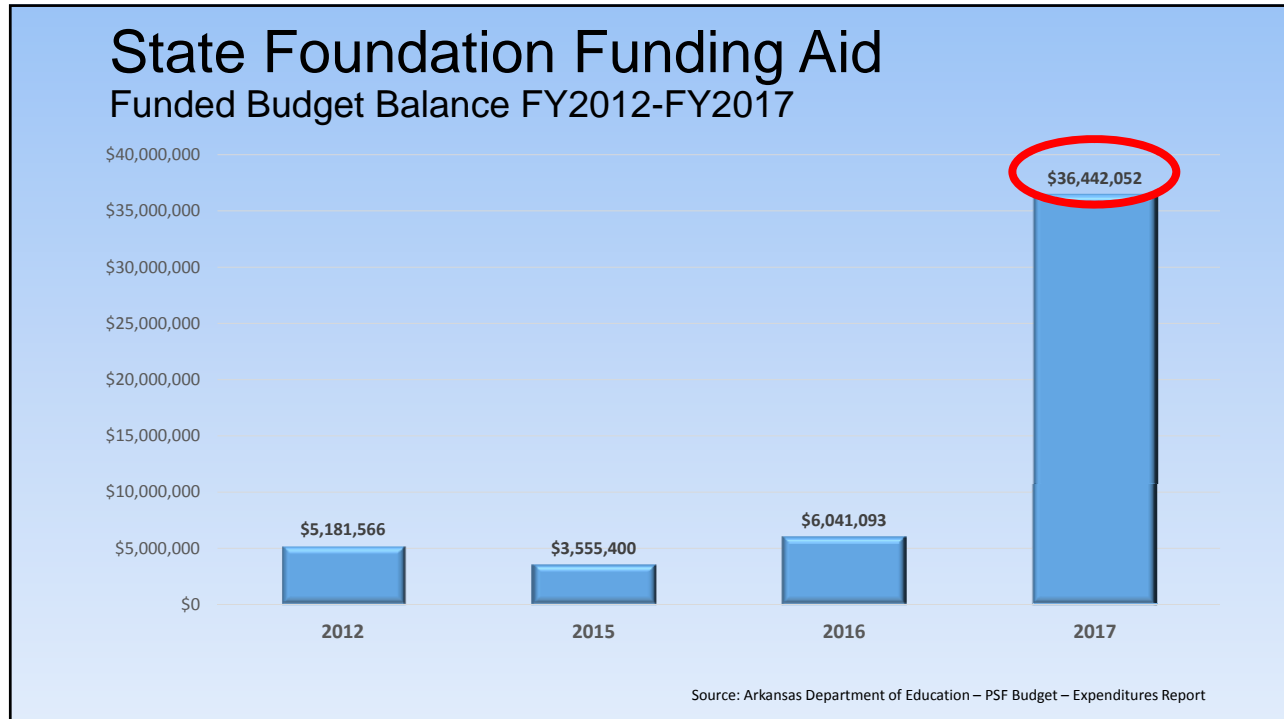
Assessment/End of Course Testing

- ADE has received base level funding for all years and received moderate appropriation increases for expenses related to contracts with testing providers.
- Expenditures have varied as testing methods have changed in the state.
- Line item has consistently held a funded budget balance of at least \$4 Million.
- ADE Staff states previous year fund balances due to a combination of transition time between Benchmark, PARCC, and ACT Aspire Implementation, no Fall assessment due to lack of ALC Review.



## Budget v. Actual Expenditures National School Lunch Funding

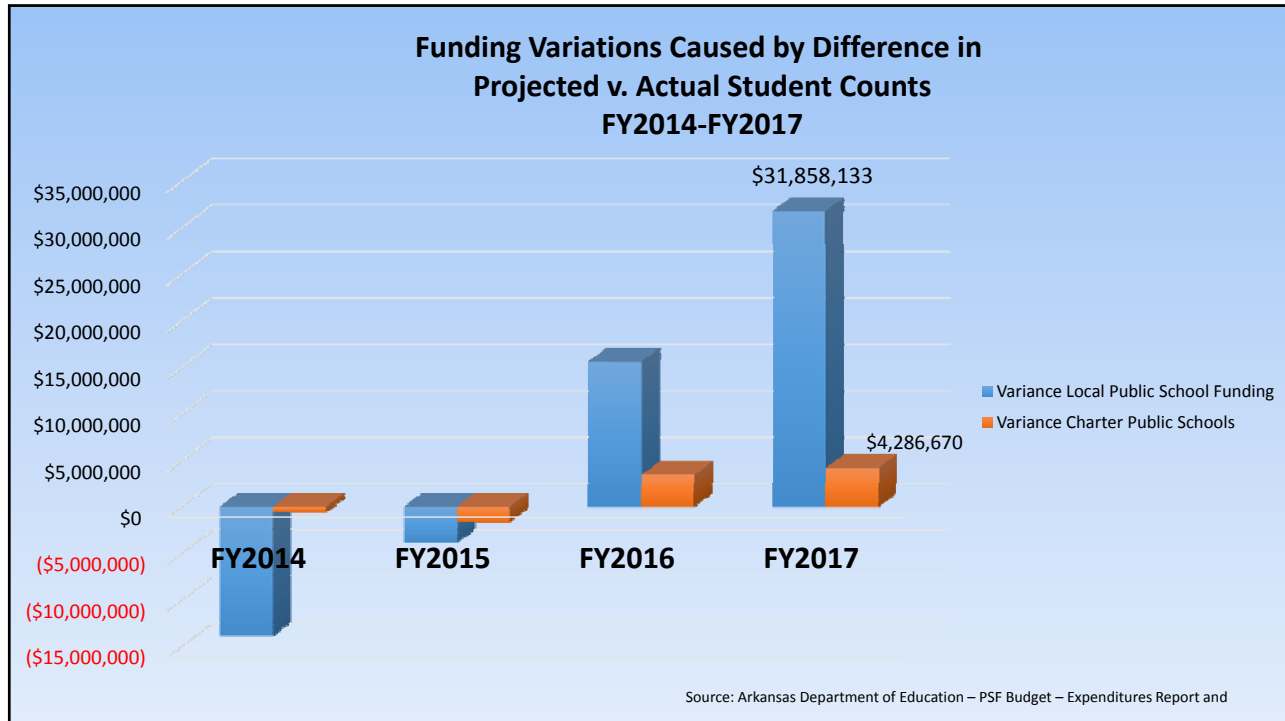
- Budgeted amounts include increases each year for growth based on the average of counts for 3 prior years. The appropriations also include inflationary increases included in the Adequacy Study Recommendations.
- Projections are based on population growth projections and increases for inflation provided in Adequacy Study Findings. Often given 2% funding growth rate as a projection amount.
- Formula for actual projected numbers is difficult to calculate as this funding is based on a tiered calculation.
- ADE Response: Used NSL funding to offset costs in Student growth.



## Budget v. Actual Expenditures

### State Foundation Funding Aid

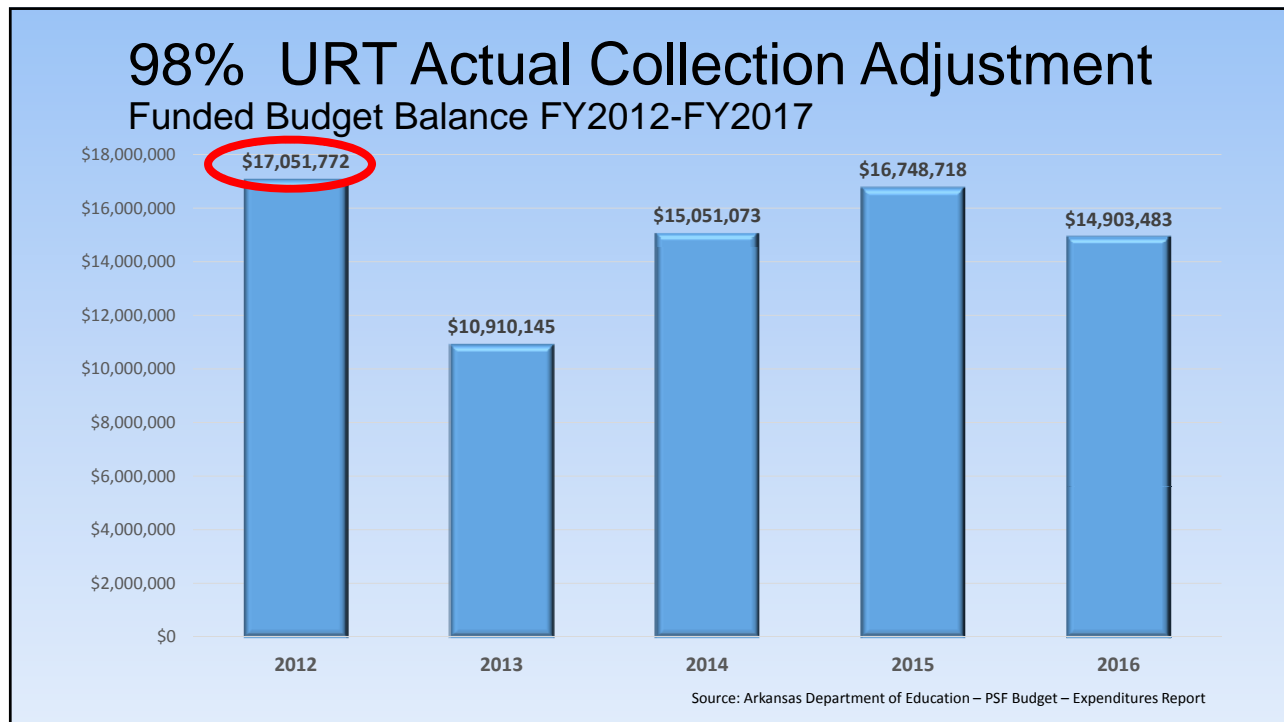
- ADE budgeted for most years and the Executive provided increases each year based on Adequacy Study Recommendations.
- Also based on the projected amount of local revenues and student counts provided based on projections drafted 3 years prior to budget year.



## Local Tax Revenue Projections v. Actual

	Projected	Actual	Variance
<b>FY2012</b>	\$41,165,889,405	\$40,475,679,431	690,209,974.00
<b>FY2013</b>	\$40,358,715,103	\$41,894,727,175	(1,536,012,072.00)
<b>FY2014</b>	\$43,343,496,039	\$43,027,017,976	316,478,063.00
<b>FY2015</b>	\$43,029,469,245	\$44,290,279,027	(1,260,809,782.00)
<b>FY2016</b>	\$45,331,386,690	\$45,142,576,070	188,810,620.00
<b>FY2017</b>	\$46,464,671,357	\$46,229,987,418	234,683,939.00

Source: Arkansas Department of Education – State Aid Notice and Foundation Aid Projection Report



## Budget v. Actual Expenditures

### 98% URT Actual Collection Adjustment

- ADE budgeted consistent funding and appropriation of \$34,500,000 for all years of the studied period.
- Spent less than \$20 Million each year leaving a balance of at least \$14.5 Million to be carried forward in the Public School Fund.
- FY2017 Budget has been adjusted down (\$22 Million) to reflect spending more accurately.

## Budget Adjustments in FY2018

- Educational Adequacy Funding used to Fund Increases for Adequacy Items. (\$50 Million more than FY2017)
- Transfer of \$30 Million in Public School Fund balance to Facilities to provide for the 2017-2019 Approved Projects.

Fiscal Year 2018 Projected Expenditures and Balance	
Revenue	\$ 2,993,475,853
Unbudgeted Fund Balance	\$ 51,789,573
Total FY2018 Revenue	\$ 3,045,265,426
Total FY2018 Revenue	\$ 3,045,265,426
- Budget Expenditures	\$ 2,993,475,853
<u>Remaining Balance</u>	<u>\$ 51,789,573</u>



## Questions?

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