

FUNDING K-12 EDUCATION

Tuesday, February 6, 2023



★ ★ 2024 ADEQUACY STUDY ★ ★



FUNDING K-12 EDUCATION

- National Scope
- Arkansas Approach
- Foundation, Categorical, Supplemental Funding Streams
- LEARNS Act
- Other 2023 Legislation



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NATIONAL PICTURE

Education as Part of Overall Funding

NATIONAL SCOPE

Result of States' Education Lawsuits

- Public education recognized as a state responsibility
- States and local governments became largely equal partners
- Federal government contributes about 10% (ESEA, IDEA)

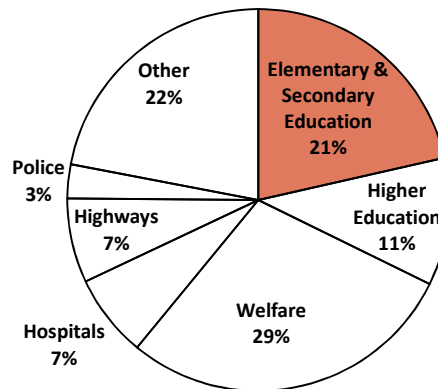
Source: U.S. Census Bureau Annual Survey of State and Local Government Finances, 2020.

NATIONAL SCOPE

About \$1 of every \$5 spent on public K-12 education

As part of overall budget

Arkansas Budget by Spending, 2020

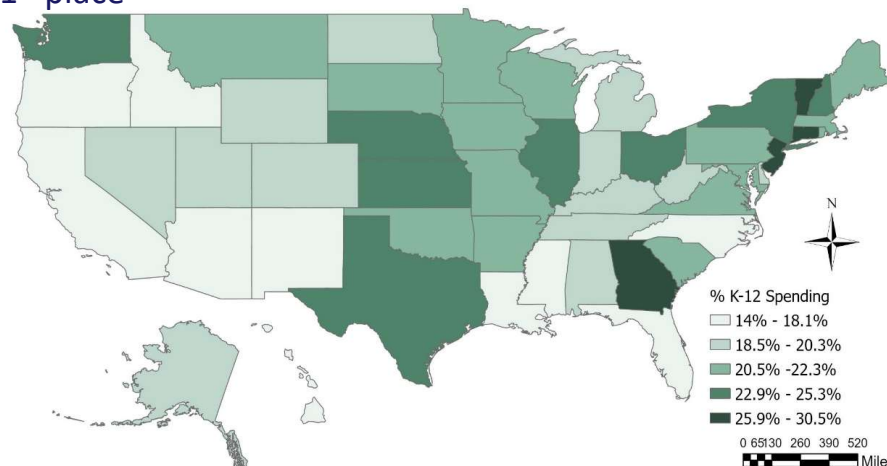


Source: U.S. Census Bureau Annual Survey of State and Local Government Finances, 2020.

NATIONAL SCOPE

About \$1 of every \$5 spent on public K-12 education

Tied with MN for 21st place



Source: U.S. Census Bureau Annual Survey of State and Local Government Finances, 2020.

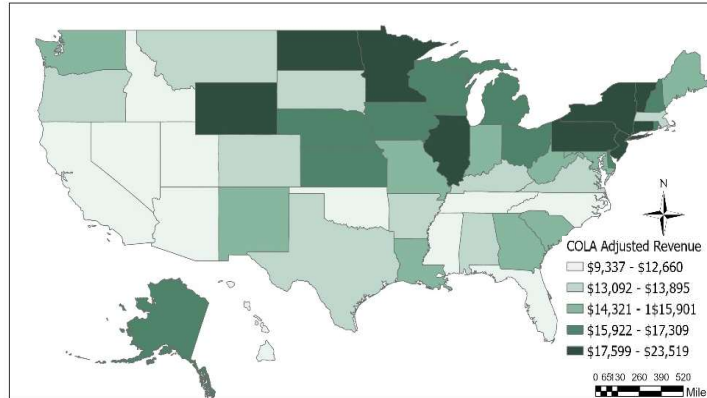
NATIONAL SCOPE

Ways to Talk about Funding Education

■ Per-Student Revenue

■ Ranked 40th

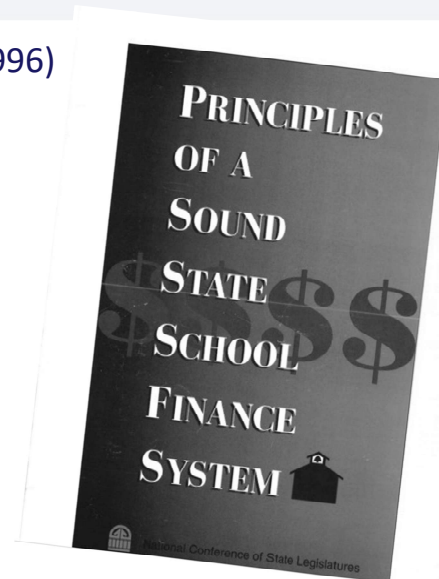
2020:
Arkansas -- **\$13,092**
(Adjusted for Cost of Living)



Source: NCES, 2020 SY data; adjusted using MERIC COLA Index

NATIONAL SCOPE

■ Goals for Education Funding Systems (NCSL, 1996)



NATIONAL SCOPE

- Goals for Education Funding System (The Learning Policy Institute, 2016)
 - Supportive early learning environments
 - Equitably funded schools that provide equitable access to high-quality teaching
 - Well-prepared and well-supported teachers
 - Standards, curriculum, and assessments focused on 21st-century learning goals
 - Schools organized productively for student and teacher learning, providing time and opportunities for collaborative planning, and collective improvement activities

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NATIONAL SCOPE

- Albert Shanker Institute (non-partisan, non-profit assessing state education finance policy)

EFFORT: % of state budget allocated to public K-12 education

ADEQUACY: All districts spend enough for adequate resources

EQUITY: Per-pupil spending similar between poorest and most affluent districts

Arkansas:
HIGH
EFFORT

Arkansas:
LOW
ADEQUACY

Arkansas:
LOW
EQUITY

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DETERMINING ADEQUACY



Evidence-based



Professional Judgment



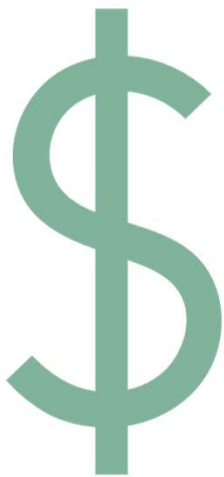
Successful Schools



Cost-Function

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FUNDING MODELS



- **Per-Pupil or Foundation** (often with categorical or weighted) – 34 states
- **Resource Allocation** – 10 states
- **Hybrid** of above – 5 states
- **Guaranteed Tax Base** – 2 states
- New approach altogether

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ARKANSAS APPROACH

Evidence-based Study and Foundation-based Funding

State Revenues for Education

- **Public School Fund Account (PSF)**
- **Educational Excellence Trust Fund (EETF)**
- **Educational Adequacy Fund (AEF)**
 - A 7/8 cent sales tax increase
 - The expansion of sales taxes to some services
 - An increase in vending machine decal fees
 - An increased minimum corporate franchise tax and tax rate, and
 - A portion of the six-cent per gallon dyed diesel tax.



State Revenues for Education

- Two Other Funds to Mention:

**Department of Education
Fund Account**

Funds DESE Operations

**Educational Facilities Partnership
Fund Account**

Funds school building projects

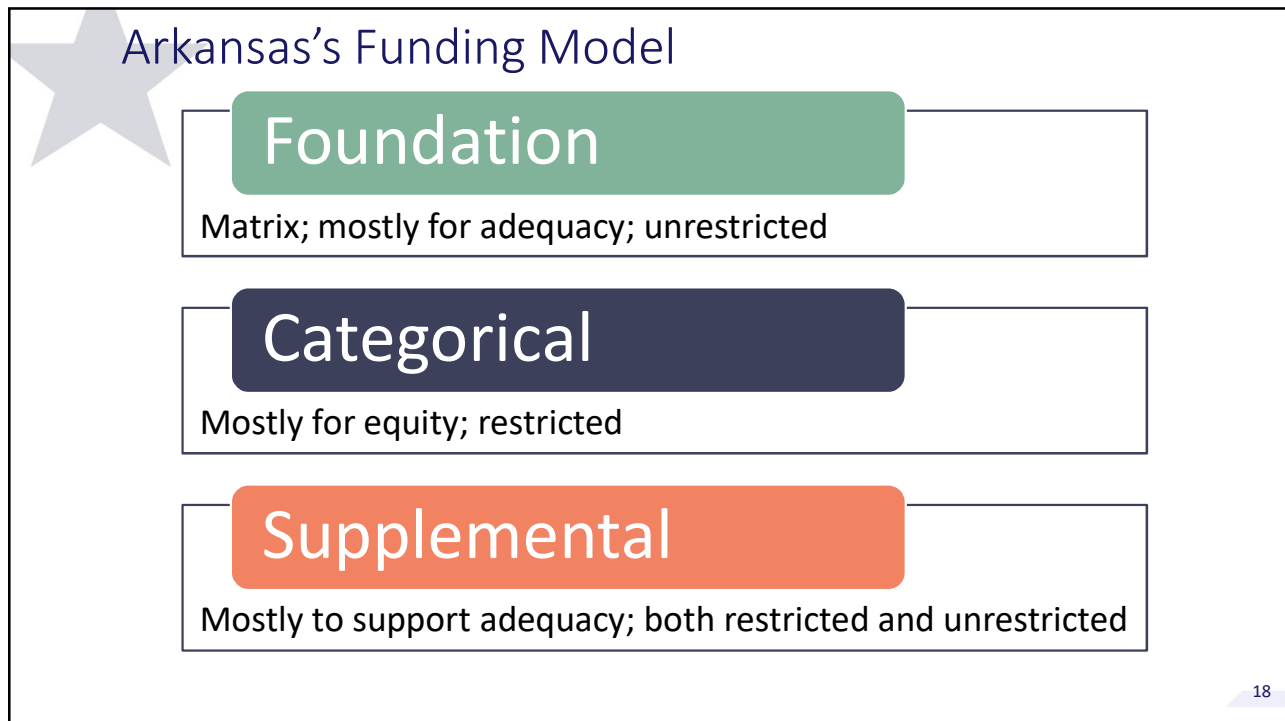
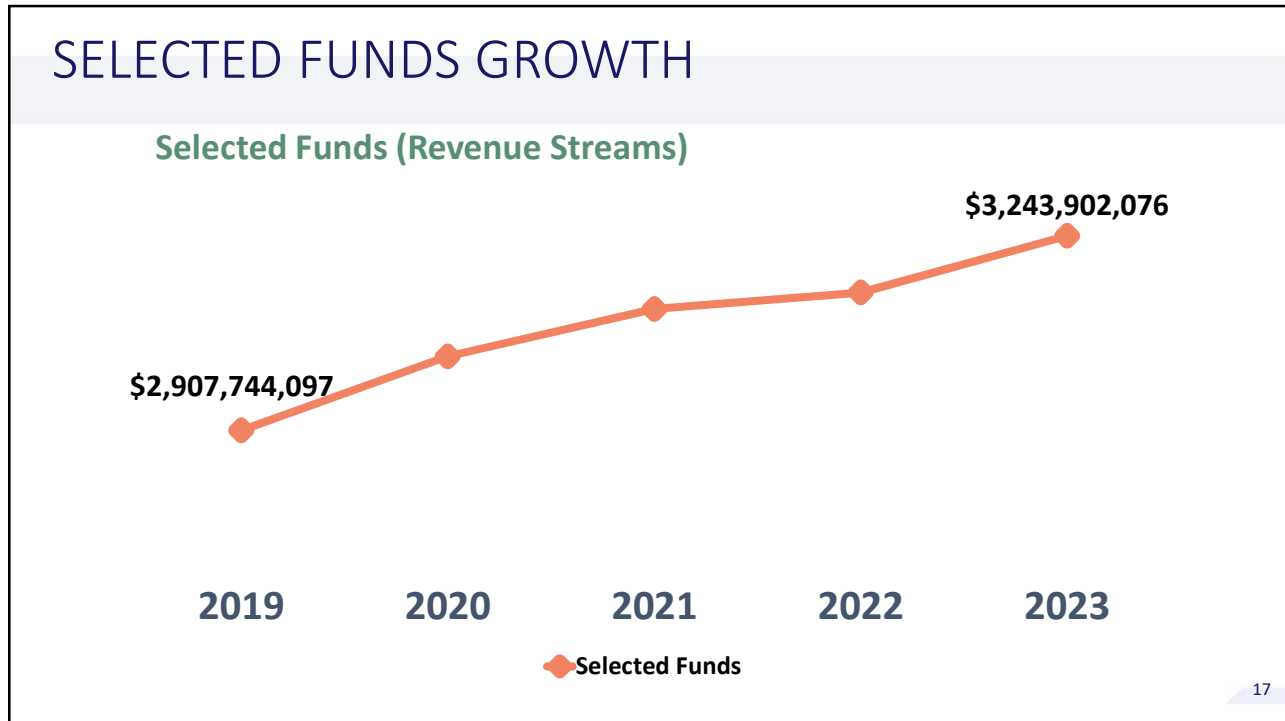
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State Revenues for Education

Fiscal Year	Dept. of Education Public School Fund Account (JAA)/1	General Education Fund – Dept. of Education Fund Account (EGA)/2	Dept. of Education Fund Acct of the Public School Fund (JAA)/5	Dept. of Education Fund Account (EGA)/5	EFPP & Dept. of Public School Academic Facilities & Trans. Fund Account	Educational Adequacy Fund
2019	\$2.14 billion	\$15.68 million	\$222.45 million	\$1.09 million	\$61.35 million	\$467.25 million
2020	\$2.17 billion	\$16.30 million	\$226.83 million	\$1.11 million	\$62.39 million	\$595.32 million
2021	\$2.18 billion	\$16.35 million	\$234.07 million	\$1.15 million	\$63.06 million	\$624.00 million
2022	\$2.20 billion	\$20.45 million	\$265.37 million	\$1.30 million	\$92.79 million	\$564.40 million
2023	\$2.27 billion	\$20.50 million	\$290.30 million	\$1.42 million	\$93.83 million	\$567.68 million

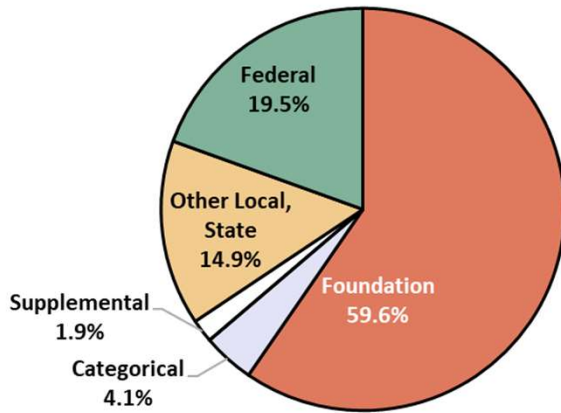
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All Funding for AR K-12

2022 Education Funding by Source (\$7.14 billion)



Note: Compiled from data reported in the 2022 Annual Statistical Report and the 2022 District and Charter State Aid Data Files; included funding for professional development contracts.

Federal funding higher in 2022 because of American Rescue Plan funds distributed to schools in response to the COVID-19 pandemic.

Prior to the pandemic, federal dollars accounted for closer to **10%** of total funding



FOUNDATION FUNDING

Per-Pupil Approach to Meeting Adequacy Needs



Foundation Funding – What It’s Based On

Matrix provided:

\$7,413

per ADM (prior year, in most cases)

“Funding model;
not a spending model.”

2023 Matrix Items		Per Pupil Amt.	
School-Level Staffing (2023 Salary of \$73,180)	Classroom Teachers	\$3,044	
	PE, Art, and Music (PAM) Teachers	\$606	
	Special Education Teachers	\$424	
	Instructional Facilitators	\$366	
	Librarian/Media Specialist	\$124	
	Counselor, Nurse, and Other Pupil Support	\$366	
	Principal	\$211	
	Secretary	\$89	
	School-Level Resources	Technology	\$250
		Instructional Materials	\$197
Extra Duty Funds		\$70	
Supervisory Aides		\$56	
Substitutes		\$75	
District-Level Resources	Operations & Maintenance	\$748	
	Central Office	\$464	
	Transportation	\$321	

*Per pupil amounts rounded to nearest dollar.

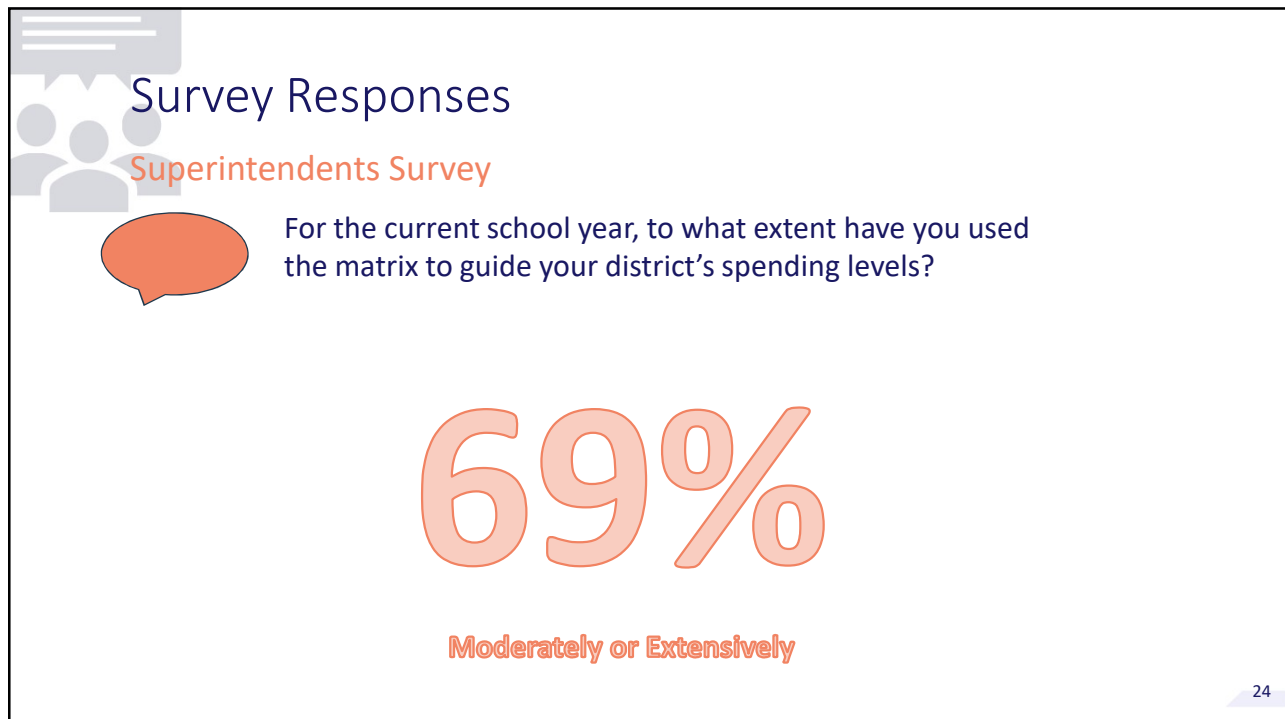
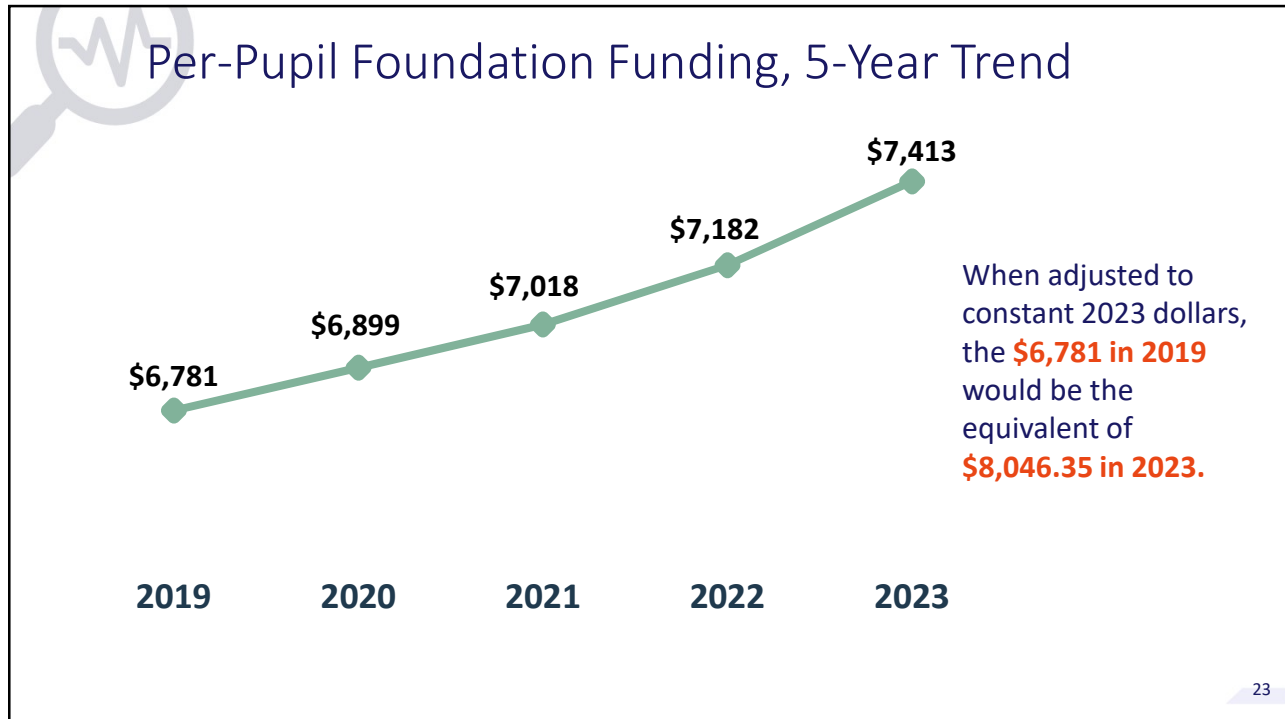


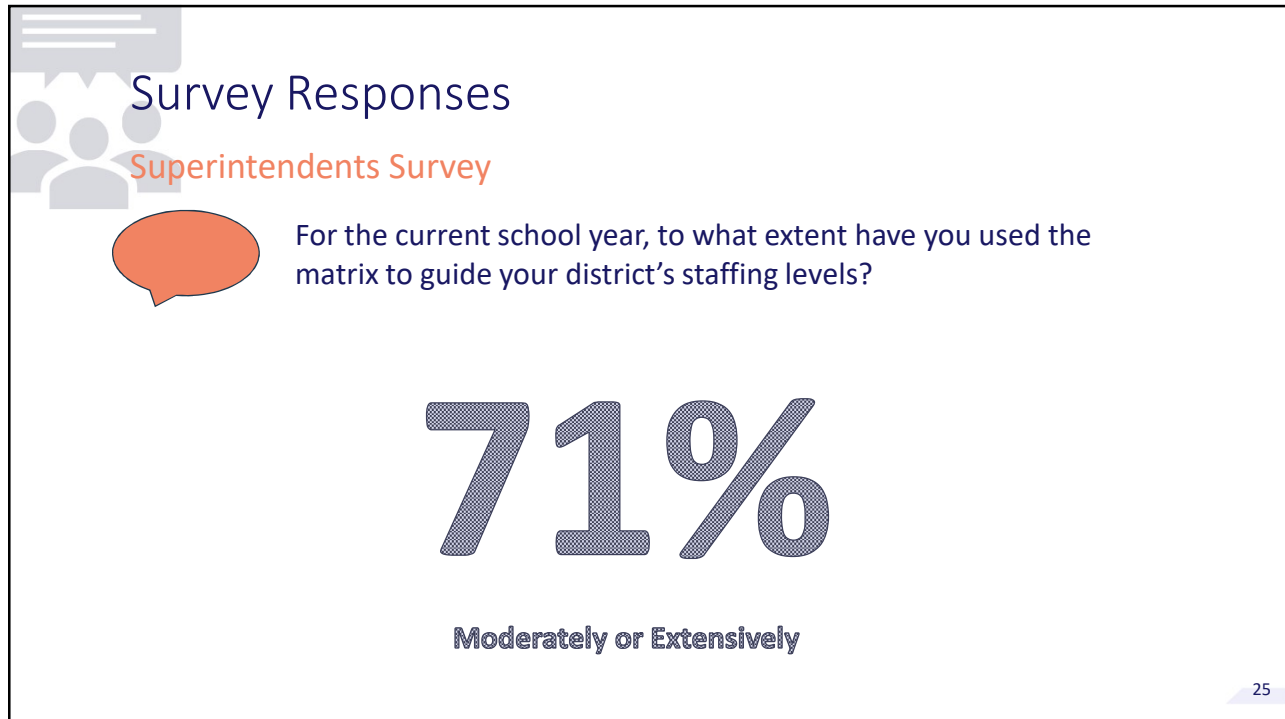
Foundation Funding – Where the \$\$ Comes From

State Foundation Funding Aid + Local URT accounts for most foundation \$\$

2023 Foundation Funding Component	District Total	% of Total	Charter Total	% of Total
Uniform Rate of Tax (URT)	\$1.35 billion	38%	\$0	0%
State Foundation Funding Aid	\$1.9 billion	61%	\$184.4 million	100%
98% Adjustment	\$36.7 million	1%	\$0	0%
Miscellaneous	\$18.2 million	<1%	\$0	0%
Total	\$3.5 billion	100%	\$184.4 million	100%

Note: Amounts include overage URT of \$7.9 million raised by six school districts (Armored, Eureka Springs, Fountain Lake, Mineral Springs, and West Side – Cleburne) that raised more than the foundation funding amount of \$7,413 per student for the 2023 school year.





★ Matrix Funding Issue	
Preschools	13 Stand-Alone; 109 Embedded
	Not in Matrix (allowable ESA use)
	No preschool enrollment data; hard to separate funding

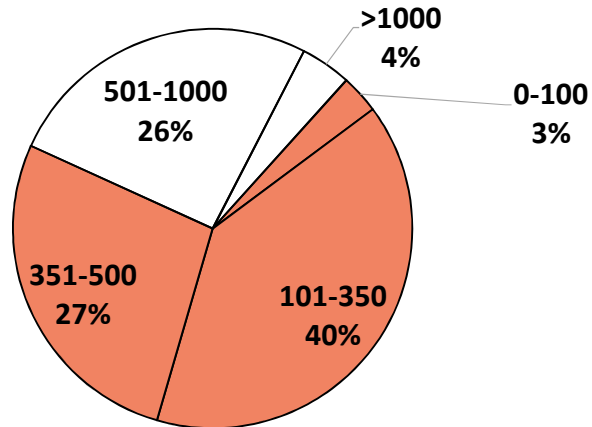
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Matrix Issue: 500 prototypical school/district

Matrix is based on district with one K-12 school of 500 students

AR Schools by October 1 Enrollment, 2023



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Matrix: Staffing

Grade	DESE Standard	Assumed Total # Students	Matrix Funded Teacher/FTE	Assumed # Students	Funded Teachers/Classes	Unfunded Students	Actual Teachers / Classes Needed
K	20 (22 w/aide)	40	2	40	2	0	2
1	23 avg/25 max	115	5	38.33	1.53	15.33	2
2							
3							
4	25 avg/28 max	345	13.8	38.33	1.37	13.33	2
5							
6							
7							
8	25 avg/30 max	345	13.8	38.33	1.37	13.33	2
9							
10							
11							
12							

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CATEGORICAL FUNDING

Supports Equity with Funding for Special Populations of Students



4 Categorical Funds

ALE

Alternative Learning Environment

\$4,890 per ALE full-time equivalent student

ELL

English Language Learner

\$366 per eligible English learner

ESA

Enhanced Student Achievement

\$538/\$1,076/\$1,613 per FRL student based on FRL concentration

PD

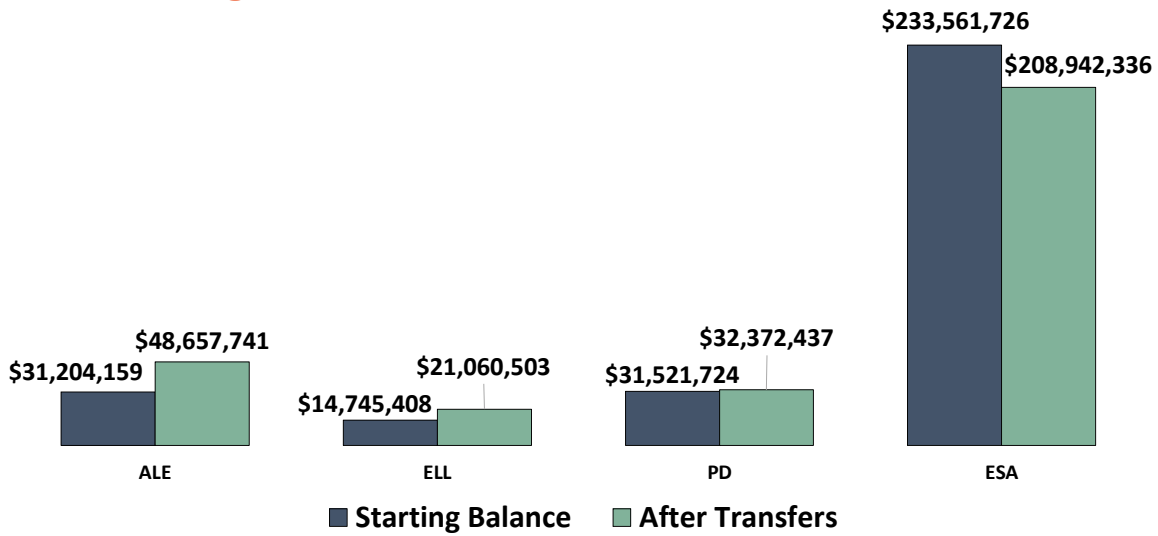
Professional Development

\$41 per student



4 Categorical Funds

2023 Categorical Fund Balances Before and After Transfers



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SUPPLEMENTAL FUNDING

Supports Adequacy for Schools in Varying Circumstances

★ Lake View Supplemental Funds

Isolated 4 categories; 4 formulas

Make up for inefficiencies caused by small size or remote locations

Growth Formula based on Foundation Funding

Helps schools with growing enrollments

Declining Enrollment Formula based on Foundation Funding

Helps schools that are losing students

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★ Post-Lake View Supplemental Funds

SUPPLEMENTAL FUND	PURPOSE	2023 AMOUNT
Enhanced Transportation	Help school districts and charter school systems cover transportation costs above what foundation funding provides	\$7.2 million
Special Education High-Cost Occurrences	Help with high costs often associated with special education students with more severe diagnoses	\$14 million
Enhanced Student Achievement Grants	For schools that use specific research-based practices to help students qualifying for FRL to excel	\$5.3 million
Teacher Salary Equalization Funds	Help districts and charter systems with teacher salaries below a target average salary amount to exceed that average amount in teacher pay	\$60 million
Additional PD	To support Professional Learning Communities in selected schools	\$17 million

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LEARNS ACT

A Separate Source of Funding for 2024 and 2025 School Years



LEARNS Act

ITEM	YEAR 1 COST	YEAR 2 COST	ENTITY FUNDED	FUNDING MECHANISM	ASSUMPTIONS
Salary Increase	\$180 million	\$180 million	Schools (Teachers)	DESE Formula	Amount calculated to get all teachers to \$50K and \$2K raise to any already at \$48K or above
Education Freedom Accounts	\$46.7 million	\$97.5 million	Private schools / homeschool parents	90% PY foundation funding from GR % private funding	Anticipated 7,000 first year and 14,000 in year two
Maternity Leave	\$3 million	\$3 million	Schools (Teachers)	Cost split 50-50 between districts and states	Optional participation by districts; for up to 12 wks; based on AR birth rate
Innovative Transportation	\$0	\$5 million	Schools	Grant program	DESE to create program/criteria
State Teacher Education Program	\$1.1 million	\$1.1 million	Higher Ed. (Teachers)	Loan forgiveness	Increases loan forgiveness amount to \$6K from \$3K



LEARNS Act

ITEM	YEAR 1 COST	YEAR 2 COST	ENTITY FUNDED	FUNDING MECHANISM	ASSUMPTIONS
Teacher Academy Scholarship Fund	\$12 million	\$12 million	Higher Ed. (Students)	Scholarships for high school students	Based off current utilization of concurrent enrollment
Literacy Coaches	\$6.2 million	\$6.2 million	DESE	\$\$ to DESE for salaries	53 (GS09) literacy coaches, 6 (GS11) regional supervisors, 1 (GS13) division manager
Supplemental Education Services	\$8.5 million	\$8.5 million	Providers	\$500 grants paid by DESE to providers for eligible students	20% of those eligible will participate
Merit Teacher Incentive Fund	\$10 million	\$10 million	Schools (Teachers)	Awards up to \$10K to teachers based on eligibility	DESE to write rules for these bonuses
High-Impact Tutoring	\$20 million	\$20 million	Schools	Competitive grants; funding match provided by districts	Amount used to establish a grant fund
Charter School Facilities	\$10 million	\$10 million	Charter schools	Revolving loan program	

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The previous table indicates that about

- \$193 million of LEARNS Act money will flow through **schools** to benefit **teachers** each year
- \$8.5 million will flow to **providers** to benefit **students**
- Up to \$20 million will flow through **schools** to benefit **students**
- \$13.1 million will flow to **higher education** to support teacher preparation participants or recent completers.

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★ Other 2023 Legislation

Act 630

- Foundation Funding - Homeschooled Students – Interscholastic Activities

Act 744

- Foundation Funding - Categorical Funding

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UP NEXT

March: Resource Allocation Reports