

Adequacy Study 2024

Arkansas's Education Funding System

Prepared for the
House and Senate
Committees
on Education



February 6, 2024



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Introduction

Over the past half century, states have assumed greater responsibility for public school funding. From 1920 to the 1970s, local governments provided about 80% of the money for public K-12 schools, usually through property taxes. After the 1970s, however, states and local governments became largely equal partners, with the federal government contributing about 10%.¹

Arkansas’s 2002 *Lake View* case – in addition to an earlier 1983 lawsuit cited as *Dupree v. Alma* – was one of a number of similar lawsuits in the late 20th and early 21st centuries resulting in states’ increased roles in education funding. After the *Lake View* case, Arkansas adopted an evidence-based approach to determine how much funding was required to supply adequate resources for students to have equal access to an education that would help them reach proficient levels of learning. This report explores public school funding methods in general and Arkansas’s education funding system specifically.

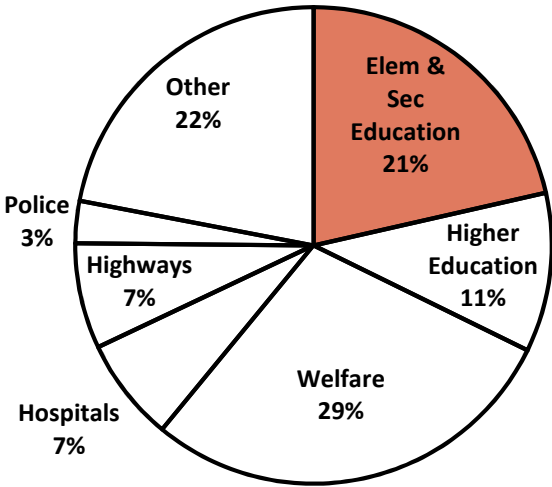
Research and Best Practices

K-12 Education Spending in the U.S.

While the national government distributes some funding for public K-12 education, providing the resources for public schools is largely a state and local responsibility. Nationally, about one of every five dollars that states spend are allocated to public K-12 education systems. This spending, which includes federal, state, and local dollars, ranks below average state spending for welfare programs but above average state spending for higher education, highways, and police.¹

In Arkansas, public K-12 education accounted for 21.5% of per-capita spending by the state in 2020, compared with 28.7% for public welfare on the top end and just under 3% for police on the low end. When compared with other states in terms of percent of spending allocated to K-12 education, Arkansas tied in 21st place with Minnesota. New Jersey had the highest rate at 30.5%, and Hawaii had the lowest rate at 14%.² (See map below.)

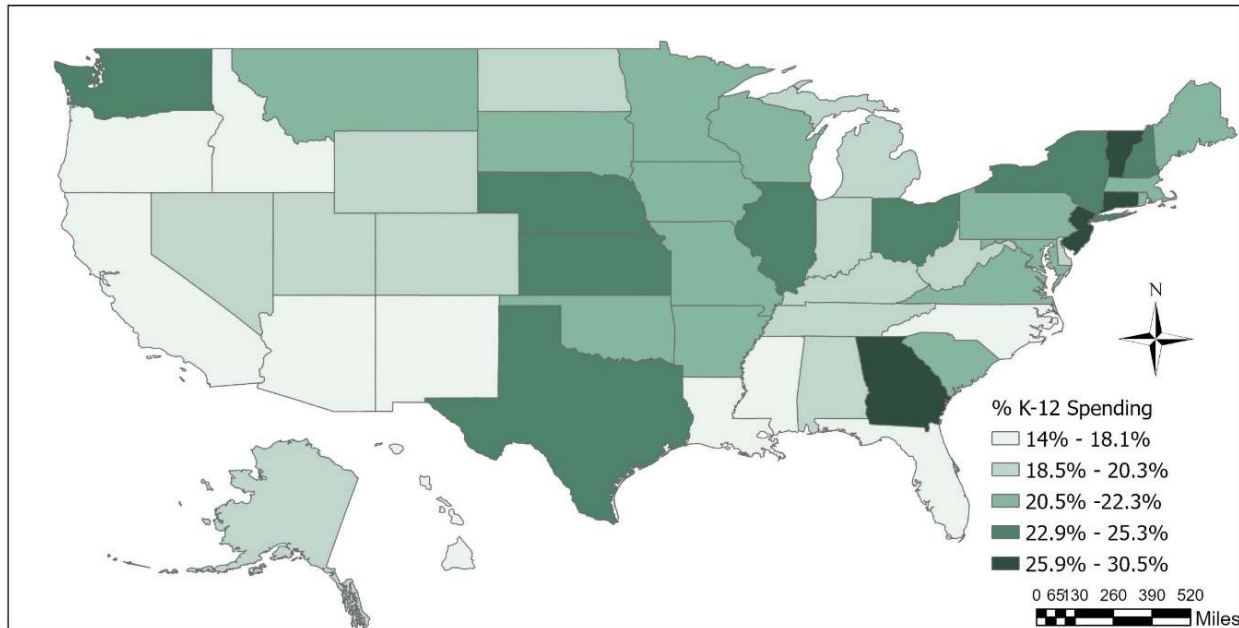
Arkansas Budget by Spending, 2020



¹ Chingos, M. and Blagg K. (Urban Institute, May 2017) “Do Poor Kids Get Their Fair Share of School Funding?”.

² U.S. Census Bureau Annual Survey of State and Local Government Finances, 2020.

States' Spending on Education as Percent of Overall Budget



While the portion of per capita spending is helpful in comparing states' level of funding for education, it fails to account for differences among factors that can be large determinants of education spending. For example, states with larger percentages of school-aged citizens would be expected to spend more, as would states with higher costs of living. The same is true for states with higher wages (because the bulk of school spending is for salaries) and for states with lower student-teacher ratios. For instance, New York, which spent 24.6% of its overall budget on K-12 education, has a lower percentage of school-aged children in its population but has more teachers and staff per student than most states and also pays higher teacher salaries.³

Therefore, another way to compare state education funding is with the amount of revenues provided on a per-student basis. After being adjusted for cost-of-living differences among states, per-student funding in 2020 ranged from \$9,337 in Idaho to \$23,509 in New York. Arkansas, with an adjusted funding amount of \$13,092 per student, ranked 40th out of the 50 states and the District of Columbia.

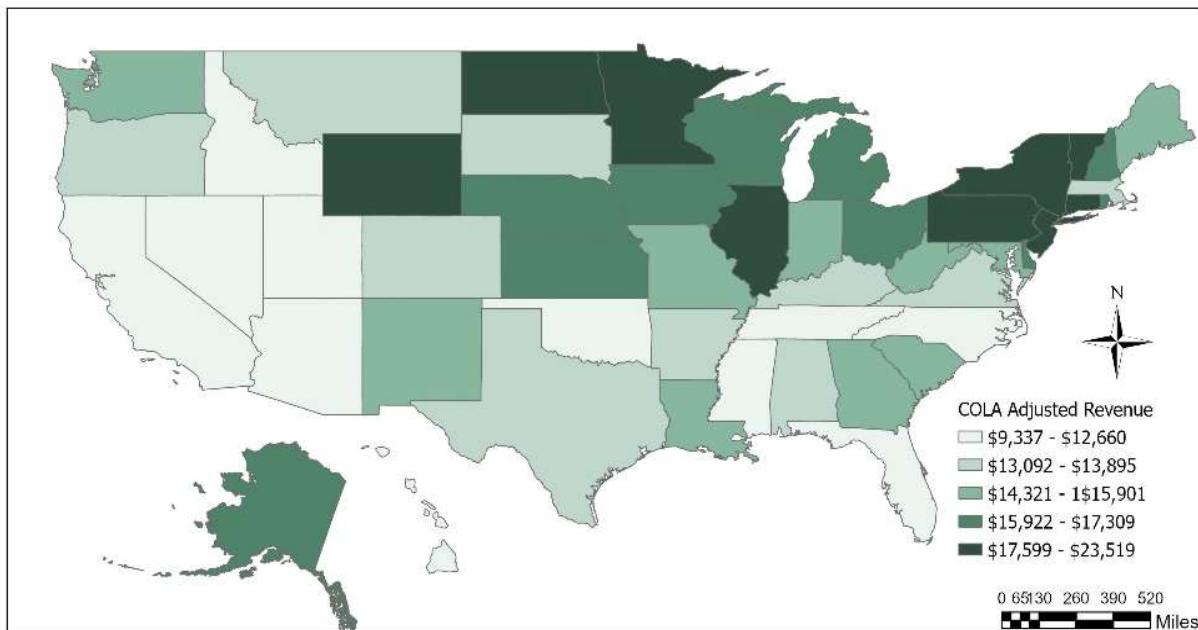
The Albert Shanker Institute – a non-profit, non-partisan organization that assesses states on fiscal effort, statewide adequacy, and equal opportunity – found Arkansas to be a high-effort state in fiscal effort because of the proportion of state economic capacity the state devoted to public K-12 schools. The Institute also found that Arkansas scored low in terms of statewide adequacy because 77.3 percent of Arkansas students attended inadequately funded school districts, meaning the districts spent less than the necessary per-student amount that the analysts' cost model⁴ estimated was needed for students to achieve average test scores. The analysts also found that the state scored low in terms of equal educational opportunity because per-pupil spending in the highest-poverty districts was 43.7%

³ <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/elementary-and-secondary-education-expenditures>.

⁴ According to the Albert Shanker Institute's notes in the state profile, the cost model "calculates required spending based on the relationship between outcomes and cost factors such as regional wage variation, district size, and student characteristics."

below the estimated adequate level, while spending in the most affluent districts was only 4.6% below the estimated adequate level.⁵

State Per-Student Education Revenue w/COLAs



Principles to Consider for Education Funding Systems

In 1996, the National Conference of State Legislators published “Principles of a Sound State School Finance System,” a document (currently being updated for the first time) that lists five foundational components that should be incorporated into a state’s education finance formula:

- **Equity** for both students and taxpayers
- **Efficiency** to make the best possible use of resources while minimizing the cost of state oversight through ease of administration and of local school compliance
- **Adequacy** in the form of adequate resources to local school districts so they are able to achieve state and local goals and standards
- **Accountability** fiscally both at the state and local levels
- **Stability** to provide for both predictability of educational revenues and expenditures over time

Writing about education funding goals more than 20 years later, Linda Darling-Hammer, with the non-profit, non-partisan The Learning Policy Institute, identified common features found in both high-achieving nations and states in the U.S. that are “needed in a system of education that routinely educates all children well, including: 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; and schools organized

⁵ “State School Finance Profile: Arkansas, 2019-20 School Year,” Albert Shanker Institute, www.schoolfinancedata.org.

productively for student and teacher learning, providing time and opportunities for collaborative planning and collective improvement activities.”⁶

Education Funding Approaches and Models

Providing an adequate and equitable education is the goal – and constitutional requirement – of many states, including Arkansas, when developing funding formulas for public schools, but states vary in how they make decisions regarding what resources to provide and determining how much those resources cost. Of the four most common approaches to determining funding for an adequate education for all students, Arkansas’s biennial adequacy study most closely resembles the **evidence-based** model, as it relies largely on research to inform resulting policy decisions regarding resources and their costs.

The other three methods include **professional judgment**, which depends on the input of educators to specify the needs and overall cost of an adequate education (Arkansas educators take part in the biennial adequacy studies through surveys and site visits); **successful schools/districts**, which looks at the overall funding used by schools with high-achieving students to estimate the needs of all schools (similar to the BLR Cohort analyses included in this study); and **cost function**, which uses statistical formulas to determine how much it will cost to achieve specific, state-set targets for outcomes.⁷

Once the costs of educating students are determined, states must also make decisions as to how to allocate funds to schools. According to Education Commission of the States, the most common method states use is a **foundation**, or per-pupil, means of funding.

The foundation consists of the total costs for all resources necessary to educate one student. Local school districts then receive that amount of funding for each student enrolled.

Often, **categorical or weighted** funding is allocated along with per-pupil funding to provide for additional costs associated with high-needs populations of students or with small or isolated school systems.

Primary Funding Model ⁸	# States
Student-based foundation	34
Resource-based	10
Guaranteed tax base	2
Hybrid	5

Less common is the **resource-allocation** method, which funds schools based on the schools’ need for resources to adequately educate students. These resources – i.e., teachers, support staff, and administrators – are usually funded to meet required ratios. For example, if a school’s kindergarten enrollment of 52 students calls for three kindergarten teachers to maintain a 20:1 student-teacher ratio, states using a resource allocation model would provide funding for three teachers.

The **guaranteed tax base** model uses a formula to equalize the “tax paid on the base amount of property within the district,” meaning that the state provides more funding to districts with low property wealth than to ones with high property wealth.⁹ (Arkansas incorporates this approach with its State Foundation Funding Aid, which is discussed in more detail in a later section.)

States sometimes use a **hybrid** of the above. Montana, for instance, provides per-pupil funding that varies depending on the type and size of school the pupil is in, but it also assigns a single amount of per-school funding, also based on school type and size. As an example, for the 2024 school year, elementary

⁶ “Investing for Student Success: Lessons from State School Finance Reforms,” Linda Darling-Hammer, The Learning Policy Institute, April 2019.

⁷ Augenblick, Palaich and Associates. (Maryland State Department of Education, September 2015) “A Comprehensive Review of State Adequacy Studies Since 2003.”

⁸ Education Commission of the States 50-State Comparison, K-12 and Special Education Funding, October 2021.

⁹ Ibid.

schools with more than 800 students receive \$343,483 in “basic entitlement” funding while elementary schools with fewer than 800 students receive \$353,787. In addition to funding for at-risk, special education, and American Indian students, the state also supplies funding of \$3,566 for each full-time equivalent educator.¹⁰

A newer approach to funding has been devised by Tennessee, which recently reformed its education funding system from a resource allocation model to a strategic student-based model that incorporates various funding mechanisms: a base per-pupil amount applied equally for all students; weighted amounts to address student and school challenges, such as poverty and special education needs or small-school inefficiencies; direct funding to pay for specific resources deemed vital by the state legislature; and outcomes funding to reward schools for student successes. The goal is to both incentivize and reward identified desired results while providing schools great flexibility in spending.¹¹

Arkansas’s Funding for Education

Revenues for Funding Education in Arkansas

Funding for Arkansas’s education system begins with revenues collected at the state level. These include the following accounts:

The **Public School Fund Account (PSF)** is the primary account used to distribute state funds to school districts and charter schools. The primary sources of funding for the PSF are state general revenue, the Educational Excellence Trust Fund, and transfers from the Educational Adequacy Fund.

The **Educational Excellence Trust Fund (EETF)** is funded with an “off-the-top” deduction from gross general revenues, and the amount distributed to EETF is 14.14% of prior year sales and use tax collections. The EETF was created in 1991 to provide additional funding for teacher salaries and to support other programs of educational opportunity. The Public School Fund receives 67.16% of the total funding available to the EETF, and these funds are used by the Arkansas Department of Education’s Division of Elementary and Secondary Education (DESE) to provide a portion of the State Foundation Funding Aid distributed to districts and are to be used for teacher salaries.

The **Educational Adequacy Fund (EAF)** was created to fund adequacy after the *Lake View* decision and derives its funding from 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. Arkansas Code Annotated § 19-5-1227(c)(1) provides that the EAF is to be used to provide funds to the Department of Education PSF and the Department of Education Fund Account “to fulfill the financial obligation of the state to provide an adequate educational system as authorized by law.”

The **Department of Education Fund Account** is primarily used for the operations of DESE. The primary sources of this fund are state general revenue and transfers from the EAF and the EETF.

The **Educational Facilities Partnership Fund Account (EFPF)** is the account used to distribute funding to school districts for facility construction. Primary funding sources are state general revenue and unexpended balances of funds allocated in the Public School Fund for the Bonded Debt Assistance Program as required in Ark. Code Ann. § 6-20-2503(b)(3)(B). The EFPF Account has also received funding

¹⁰ House Bill 15 of the 68th Legislature of Montana, signed into law on March 2, 2023.

¹¹ Video of Dec. 15, 2021, Tennessee Steering Committee for the Tennessee Investment in Student Achievement process, retrieved at https://www.youtube.com/watch?v=Yu_screGalS.

through one-time transfers from the General Improvement Fund and from state surplus funds deposited in various accounts.

The following table shows the state funding that has been made available to DESE – not the amounts allocated or expended from these funding accounts.

Fiscal Year	Dept of Education Public School Fund Account (JAA)/1	General Education Fund – Depart. of Education Fund Account (EGA)/2	Educational Excellence Trust Fund (EETF)		EFPF & Dept of Public School Academic Facilities & Trans. Fund Account	Educational Adequacy Fund	Total All Selected Funds
			Dept of Education Fund Acct of the Public School Fund (JAA)/5	Dept of Education Fund Account (EGA)/5			
2005	1,587,868,208	11,841,192	165,146,201	809,075	20,439,774	442,872,886	2,228,977,336
2006	1,664,928,944	13,536,267	178,219,239	873,122	54,214,982	426,505,888	2,338,278,442
2007	1,722,737,993	13,433,942	191,219,957	936,815	90,976,326	448,450,030	2,467,755,062
2008	1,830,265,989	15,799,231	200,422,877	981,901	502,643,494	438,730,903	2,988,844,395
2009	1,843,274,503	14,769,806	193,587,342	948,413	51,585,902	433,090,041	2,537,256,006
2010	1,790,947,911	17,529,999	190,786,665	934,692	36,916,527	411,286,403	2,448,402,196
2011	1,829,267,307	15,167,661	180,391,694	883,765	57,704,295	451,110,054	2,534,524,776
2012	1,882,316,142	15,701,088	188,051,836	921,294	58,528,882	438,147,425	2,583,666,667
2013	1,936,432,524	15,471,687	193,026,506	945,665	62,465,585	444,832,631	2,653,174,598
2014	1,980,965,210	16,578,345	195,093,479	955,792	84,858,082	456,647,180	2,735,098,088
2015	2,072,170,259	16,587,878	199,766,427	978,685	51,071,087	455,078,909	2,795,653,245
2016	2,113,356,522	16,162,434	202,031,412	989,781	98,785,465	460,424,739	2,891,750,353
2017	2,136,234,690	16,162,434	210,504,218	1,031,291	59,633,327	481,006,228	2,904,572,188
2018	2,110,560,691	16,162,434	215,134,285	1,053,974	150,579,640	506,417,821	2,999,908,845
2019	2,139,916,945	15,677,561	222,454,322	1,089,836	61,355,437	467,249,996	2,907,744,097
2020	2,169,729,298	16,298,264	226,827,803	1,111,263	62,387,201	559,325,673	3,035,679,502
2021	2,178,778,730	16,346,413	234,068,325	1,146,735	63,059,675	623,996,221	3,117,396,099
2022	2,201,586,482	20,449,189	265,368,010	1,300,077	92,786,164	564,398,682	3,145,888,604
2023	2,270,169,875	20,496,441	290,299,988	1,422,222	93,833,096	567,680,454	3,243,902,076

Arkansas’s Education Funding Model

By stating that Arkansas “shall ever maintain a general, suitable and efficient system of free public schools and shall adopt all suitable means to secure to the people the advantages and opportunities of education,” the Arkansas Constitution places the responsibility for funding public education squarely in the domain of the state. Arkansas’s funding structure for education for the 2023 school year dates back to the educational reforms put in place after the Supreme Court’s 2002 *Lake View* decision. The Court found that the state’s education funding formula at the time did not meet constitutional standards because it failed to fund public schools adequately and equitably. After considerable study, the 2003

General Assembly adopted a funding system largely based on three groups of funding mechanisms, as follows:

Per-Pupil Foundation Funding. This is the largest source of funds and has been determined each year by applying per-pupil dollar amounts to resources deemed necessary for an adequate education. These resources and their per-pupil amounts are combined in the “funding matrix,” which results in a single per-pupil foundation funding amount that is provided for each student enrolled in Arkansas’s school districts and charter school systems each year.

Categorical funds. On top of the foundation funding amount, categorical funds were created to address specific student needs to help ensure an equitable education for all students. Another categorical funding stream provides for teacher professional development.

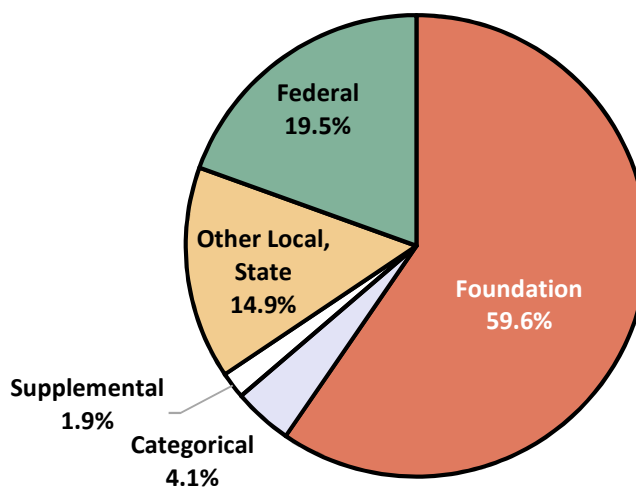
Supplemental funding streams.

Several other relatively smaller, supplemental funding streams support adequacy and equity efforts as well. Some of these predate the 2003 education reforms; however, others have been added since 2003.

Foundation, categorical, and supplemental funding will be described in more detail in a later section of this report. (Facilities funding through the Partnership Program is separate from the above funding mechanisms and is applied for by the districts as needed. It is discussed in a separate adequacy report.)

Local and federal dollars combine with the state funding described previously to create the total funding available to Arkansas’s public schools. Altogether, in the 2022 school year (the most recent for which all data was available), just over \$7.14 billion was distributed to Arkansas school districts and charter systems, with federal money accounting for about 19.5% of the total. The percentage of federal funds was higher in 2022 than in most earlier years because of the continued funds from the federal response to the COVID-19 pandemic and is expected to decrease in future years. In Arkansas just prior to the pandemic, federal dollars accounted for about 10% of total funding.

2022 Education Funding by Source (\$7.14 billion)



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

Foundation Funding from the “Matrix”

As stated earlier, Arkansas’s primary funding stream for education is foundation funding, which is derived from a funding matrix. The matrix, first created in 2003, includes all of the resources the General Assembly deems necessary for the delivery of an adequate education. The resources listed in the matrix have remained largely unchanged since then, though the funding amounts for each usually have increased most – but not all – years. Arkansas’s matrix is based on a theoretical *school district* of 500 students in a single K-12 school.

	2023 Matrix Items	Per Pupil Amt.
School-Level Staffing	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

The per-pupil foundation funding amount in 2023 was \$7,413. School districts and charter systems receive that amount for each student enrolled, with enrollment for school districts and existing charter schools based on the average daily membership (ADM) for the first three quarters of the prior school year.¹² For new charter schools or those that have added grade levels, campuses, and/or expanded enrollment caps, foundation funding is based on current year ADM.¹³

Arkansas distributed nearly \$3.7 billion in foundation funding during the 2023 school year, which is composed of state and local sources.

¹² According to Education Commission of the States 50-States Comparison, October 2021, 23 states use average membership for student counts; 12 use single point-in-time counts of students, nine use multiple counts; six use attendance averages, and one (Alaska) uses the enrollment period.

¹³ Arkansas Division of Elementary and Secondary Education Rules Governing Public Charter Schools, Effective Date May 2, 2022.

The local source of foundation funding comes from the first 25 mills of the millage money school districts receive from local property taxes. The Arkansas Constitution sets the **uniform rate of tax (URT)** of 25 mills for all school districts.¹⁴ Charter school systems, on the other hand, do not have a tax base, so they make no contribution to foundation funding through URT.

Overall, URT accounted for 38% of school districts’ foundation funding in 2023. That percentage contribution can change from year to year as the total per-pupil foundation funding amount, enrollment, and property tax collections fluctuate.

URT, however, is not as uniform as it sounds because the value of a mill varies greatly among school districts. The number of students the 25 mills cover in each district also varies. The range of results for the 2023 school year shows the disparity: At one end is Poyen School District, which raised \$745 per student through URT, while the Mineral Springs School District raised \$13,173 per student – almost \$6,000 more than the \$7,413 per student set forth in the matrix.

To make up the difference in what local districts and charter school systems are able to raise through URT, Arkansas contributes the largest portion of foundation funding through the aptly named **State Foundation Funding Aid**. For the 2023 school year, this state aid made up about 61% of foundation funding overall for districts and 100% for charter school systems.

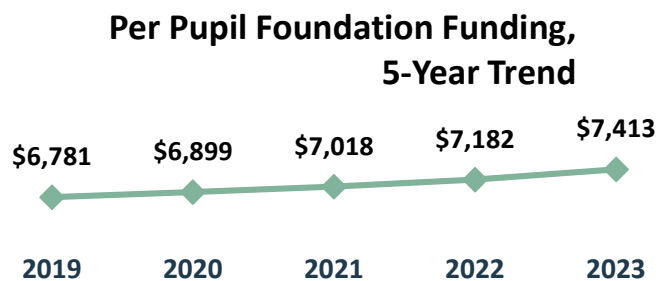
In 2023, school districts received about 1% of their foundation funds each from **miscellaneous funds** (federal revenue from forest land, grazing rights, etc.) and from the state supplied **“98% adjustment”** to ensure that 98% of a local district’s property taxes were met when tax collections fell short of that.

The four components of foundation funding and their breakdowns are shown in the table below:

Foundation Funding Component	District Total	% of Total	Charter Total	% of Total
Uniform Rate of Tax (URT)	\$1,354,167,110	38%	\$0	0%
State Foundation Funding Aid	\$1,915,220,873	61%	\$184,392,872	100%
98% Adjustment	\$36,651,371	1%	\$0	0%
Miscellaneous	\$18,185,318	<1%	\$0	0%
Total	\$3,500,731,782	100%	\$184,392,872	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.

Per-pupil funding amounts derived by the matrix have increased each of the past five years; however, the increases have not kept up with inflation when adjusted to constant dollars. **For example, the \$6,781 foundation funding amount in 2019 would be the equivalent of \$8,046.35 in 2023.**



¹⁴Ark. Const. art. 14, sec. 3(b)(1) (establishing "a uniform rate of ad valorem property tax of twenty-five (25) mills to be levied on the assessed value of all taxable real, personal, and utility property in the state to be used solely for maintenance and operation of the schools").

It is important to keep in mind that the matrix is a *funding tool* that, although it has been used to determine foundation funding for each school year, is not set in statute. Furthermore, while the matrix item amounts may express legislative intent for spending, the foundation funding that is sent to school districts is considered “unrestricted funding” and may be spent as each school district and charter school system chooses.



Survey Says: 69% of superintendents reported that the matrix moderately or extensively guided spending decisions, while 71% percent said the matrix moderately or extensively guided staffing decisions.¹⁵

Matrix-Related Issues of Note

Preschool Enrollment

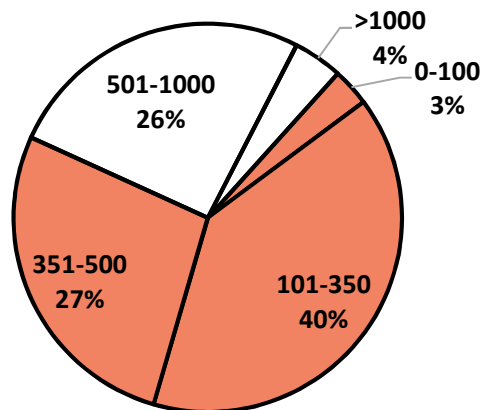
Historically, preschool has not been considered part of adequacy, and no dedicated preschool item exists within the funding matrix, although it has been an allowable expense for the categorical Enhanced Student Achievement funds. However, both foundation funds and other sources of funding are used by Arkansas school districts to pay for preschool staffing and operations, as will be illustrated in a future report on Resource Allocations. These expenditures are not always possible to separate from other school-level expenditures because of how they are recorded in APSCN.

Two types of preschools exist in Arkansas public school districts – 13 stand-alone preschools (of which BLR could track expenses for in 2023) and 109 preschools that are embedded within schools housing higher grades.¹⁶ However, enrollment counts are not recorded at either type school, so per-pupil funding is impossible to calculate. And while it is possible to isolate most dedicated preschool expenses at the stand-alone schools, it is not possible to do so when preschool classes are part of a school with additional grades. Therefore, when the spending could be pinpointed to preschool only, those expenditures were removed from the BLR’s analyses for adequacy spending. However, many instances remain where some preschool spending is mixed in with overall spending for analyses’ purposes.

Issues Resulting from a 500-Student Model

The 500-student model used for Arkansas’s foundation funding matrix evolved from the prevailing research at the time that showed that *schools – not districts* – with 500 students operated most efficiently and also produced the best results in terms of academic achievement. Arkansas legislators took education consultants Odden and Picus’s per-school funding approach and converted it to a per-pupil funding approach, using 500 students for the basis. Therefore, it takes 500 students to fully fund each resource listed in the matrix.

AR Schools by Oct. 1 Enrollment, 2023



¹⁵ See Superintendent’s Survey Responses, question 3.

¹⁶ <https://myschoolinfo.arkansas.gov/Plus/RenderSchools> for School Year 2022-2023.

During the 2023 school year, 19% of school *districts* and public charter school systems had fewer than 500 students, and 70% of Arkansas *schools* had fewer than 500 students.

When developing the matrix, the General Assembly used Department of Education rules¹⁷ as a guide for staffing and identified 35.69 specific school-level full-time equivalent (FTE) positions necessary for schools of 500 students for providing an adequate education (See following chart.)

Position	Ratio Staff to Students	Total Staff FTEs
Kindergarten Teachers	20:1	2
Grades 1-3 Teachers	23:1	5
Grades 4-12 Teachers	25:1	13.8
P.E., Art, Music (PAM) Teachers	(20% of classroom teachers)	4.14
Special Ed Teachers	--	2.19
Instructional Facilitators (incl. asst. principal)	--	2.5
Librarian/Media Specialist	--	.85
Guidance Counselor, Nurse, and Student Support	--	2.5
Principal	--	1
Secretary	--	1

Mathematically, the matrix may not provide enough grade-level teachers to meet the state’s accreditation standards for schools, even with 500 students. This is illustrated in the following table:

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	1.5332	15.33	2
2	23 avg/25 max			38.33	1.5332	15.33	2
3	23 avg/25 max			38.33	1.5332	15.33	2
4	25 avg/28 max	345	13.8	38.33	1.368929	13.33	2
5	25 avg/28 max			38.33	1.368929	13.33	2
6	25 avg/28 max			38.33	1.368929	13.33	2
7	25 avg/30 max			38.33	1.368929	13.33	2
8	25 avg/30 max			38.33	1.368929	13.33	2
9	25 avg/30 max			38.33	1.368929	13.33	2
10	25 avg/30 max			38.33	1.368929	13.33	2
11	25 avg/30 max			38.33	1.368929	13.33	2
12	25 avg/30 max			38.33	1.368929	13.33	2

¹⁷ Rules Governing the Standards for Education and Rules Governing Class Size and Teaching Load specified many of the staffing ratios adopted for the matrix at the time.

As the above table shows, the matrix provides for 20.8 grade-level or core classroom teachers in total, while 500 students in 13 grades could require up to 26 teachers. Schools with fewer than 500 students may face greater disparities between staff that can be funded to meet grade-level teaching needs.

Categorical Funding

In addition to foundation funding, Arkansas public school districts and public charter school systems are eligible to receive categorical funding. Three of the four streams of categorical funding address specific groups of students who may face learning barriers that require more educational resources to ensure equity. The fourth provides funds for teachers’ professional development.

The categorical funds and their 2023 funding amounts were as follows:

Alternative Learning Environment (ALE) funding provided \$4,890 per full-time equivalent ALE student. ALE students face barriers to learning and do not perform well in the regular classroom environment.

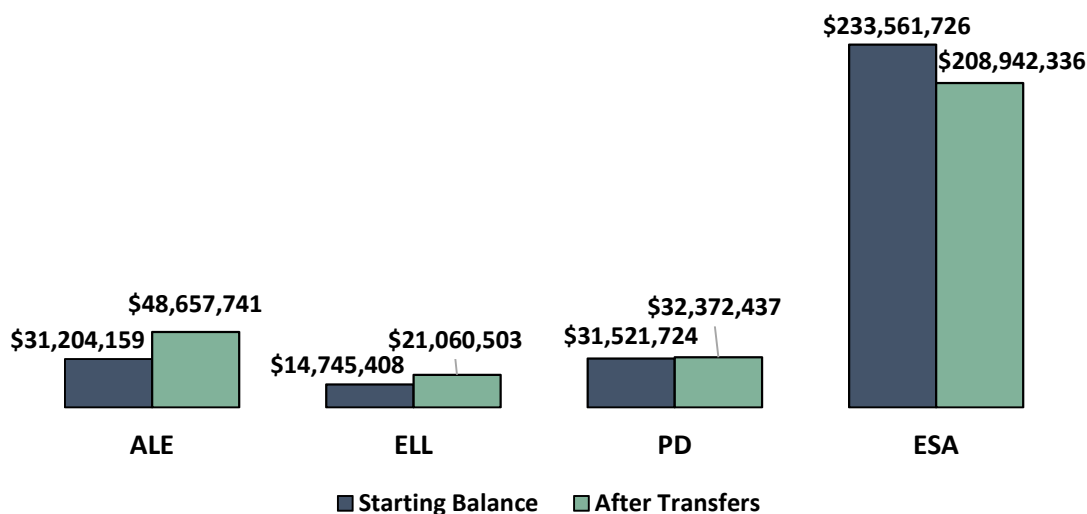
English Language Learner (ELL) funding provided \$366 per student who qualified for English learner status through a language proficiency test.

Enhanced Student Achievement (ESA) funding provided three different levels of funding for students qualifying for the federal free and reduced-price lunch (FRL) program: \$538 per FRL student in districts with 70% or fewer FRL students; \$1,076 per FRL student in districts with between 70% and 90% FRL students; and \$1,613 per FRL student in districts with more than 90% FRL students. This money is provided to help overcome challenges frequently cited by research as being associated with poverty.

Professional Development (PD) funding provided up to \$41 per student to be used for teachers’ professional development throughout the year.

Categorical funding is considered restricted because it may be spent only on the intended uses (defined in statute and/or rule). The funds may also be transferred to other categorical funds. For instance, it is common for districts to transfer some of their ESA funding to their ELL or ALE funds. The following chart shows the total funding provided to districts and charter systems both before and after districts transferred money among the four funds.

2023 Categorical Fund Balances Before and After Transfers



Many other states supply categorical or weighted funding (so-called because it is a weighted amount of state’s base funding) for students who may need more resources to overcome learning barriers. In addition to the categories identified in Arkansas (unchanged since 2003), some states provide additional funding for special education students, homeless and foster care students, and migrant students.¹⁸

Supplemental Funding

Other state funding streams have been created over the years to help balance school districts’ abilities to meet adequacy requirements. For instance, the decades-old funding streams to help small schools and districts, as well as districts with fluctuating enrollment trends, are known as isolated funding, declining enrollment funding, and student growth funding – all of which use formulas dependent upon the foundation funding amount.

In recent years, additional funding streams have been added to help address specific adequacy-related expenses. These are noted with their 2023 funding amounts in the following table:

SUPPLEMENTAL FUND	PURPOSE	2023 AMOUNT
Enhanced Transportation	To help school districts and charter school systems cover transportation costs above what foundation funding provides	\$7,200,000
Special Education High-Cost Occurrences	To help with high costs often associated with special education students with more severe diagnoses	\$13,998,150
Enhanced Student Achievement Grants	For schools that use specific research-based practices to helps student qualifying for FRL to excel	\$5,300,000
Teacher Salary Equalization Funds	To help districts and charter systems with teacher salaries below a target average salary amount to exceed that average amount in teacher pay	\$60,000,000
Additional PD	To support Professional Learning Communities in selected schools	\$17,000,000

Foundation, categorical, and supplemental funding streams will be discussed in much more detail in the upcoming Resource Allocation reports.

¹⁸ Education Commission of the States “50-State Comparison: K-12 and Special Education Funding,” October 2021, retrieved at <https://reports.ecs.org/comparisons/k-12-and-special-education-funding-06>.

2023 LEGISLATION

Incorporating the LEARNS Act

While the LEARNS Act passed by the General Assembly during the 2023 legislative session was not in effect during the 2022-2023 school year (the year of study for this adequacy report), it will have implications for funding and spending practices beginning with the 2023-2024 school year. (These will be addressed throughout the adequacy reports as applicable to the reported topic.)

The fiscal analysis by DESE that accompanied Senate Bill 294, which became the LEARNS Act, states that the cost for the first year of implementation – the 2024 school year – would be \$297.5 million, with \$150 million in “new money,” or additional state general revenue. For the second year, the total cost was put at \$343.3 million, of which \$250 million would be supplied through additional state general revenue. The increase in general revenue equals 2.2% and 3.7% respectively of the total amount the state provided in foundation funding for the 2023 school year.

In contrast to foundation and categorical funding, not all authorized funding for the LEARNS Act flows to Arkansas’s public schools, and of the funding that does flow to the schools, not all of it is awarded directly to schools. Rather, schools may access some of the funds if they qualify and apply for grants and/or provide matching funds. The following table lists the funding components of the LEARNS Act and how that act directs them to be distributed. The table below indicates that up to \$193 million will flow through schools to benefit teachers each year; up to \$8.5 million will flow to providers to benefit students; up to \$20 million will flow through schools to benefit students; and up to \$13.1 million will flow to higher education to support teacher preparation.

ITEM	2024 COST	2025 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 students the 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
Transportation Modernization Grant Program	\$0	\$5 million	Schools	Grant program	DESE to create program/criteria
State Teacher Education Program	\$1.1 million	\$1.1 million	Higher Education (Teachers)	Loan forgiveness	Increases loan forgiveness amount to \$6,000 from \$3,000
Teacher Academy Scholarship Fund	\$12 million	\$12 million	Higher Education	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
Literacy Tutoring Grant Program	\$8.5 million	\$8.5 million	Providers	\$500 grants paid by DESE to providers for eligible students	20% of those eligible expected to participate
Merit Teacher Incentive Fund	\$10 million	\$10 million	Schools (Teachers)	Awards of up to \$10,000 to teachers based on eligibility	DESE to write rules for these bonuses
High-Impact Tutoring	\$20 million	\$20 million	Schools	Grants; funding match provided by districts	Amount used to establish a grant fund
Charter School Facilities	\$10 million	\$10 million	Charter schools via 3 rd party administrator	Revolving loan program	

*Assumptions are from ADE’s Fiscal analysis for SB294 and information in Act 237.

The Education Committees may recommend whether these funds remain separate from or are incorporated into the existing adequacy funding model or are combined with adequacy funds into a new funding model.

Other 2023 Legislation Related to K-12 Education Funding

Act 630 - Foundation Funding - Homeschooled Students - Interscholastic Activities

The act authorizes the disposition of an amount of funding equal to one-sixth (1/6) of the state foundation funding amount to a public school district that enrolls a homeschooled student for purposes of the homeschooled student's participation in an interscholastic activity for the duration of the homeschooled student's enrollment in the public school district.

Act 744 - Foundation Funding - Categorical Funding

The act requires the House Committee on Education and Senate Committee on Education to provide to the General Assembly during its biennial adequacy review process a recommendation for the health insurance contribution rate to be paid by each public school district each month for each eligible employee electing to participate in the public school employees' health insurance program. The act increases the foundation funding amounts for the 2023-2024 school year and the 2024-2025 school year. The act increases alternative learning environment funding for the 2023-2024 school year and the 2024-2025 school year. The act clarifies that funding amounts for English-language learners and enhanced student achievement remain the same and increases the professional development funding amount. The act declares an emergency and is effective on and after April 12, 2023.