

MINUTES
JOINT MEETING
OF THE
HOUSE AND SENATE INTERIM COMMITTEES ON EDUCATION

ADEQUACY

Tuesday, May 8, 2012
9:00 A.M.
Room 171, State Capitol
Little Rock, Arkansas

Senator Jimmy Jeffress, the Chair of the Senate Interim Committee on Education, called the meeting to order at 9:00 a.m.

MEMBERS OF THE SENATE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Senator Jimmy Jeffress, Chair; Senator Mary Anne Salmon, Vice Chair; Senator Gilbert Baker; Senator Kim Hendren; and Senator Johnny Key.

MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative Duncan Baird; Representative Jerry Brown; Representative Les Carnine; Representative Ann Clemmer; Representative Jane English; Representative Debra Hobbs; Representative Karen Hopper; Representative Donna Hutchinson; Representative Tracy Steele; and Representative Tommy Wren.

NON-VOTING MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative John Catlett; Representative Jeremy Gillam; Representative Justin Harris; Representative Homer Lenderman; Representative Kelley Linck; Representative Tiffany Rogers; and Representative Garry Smith.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Jonathan Dismang; Senator Randy Laverty; Senator Eddie Joe Williams; Representative Tommy Lee Baker; Representative Nate Bell; Representative David Branscum; Representative Jon Eubanks; Representative Billy Gaskill; Representative Clark Hall; Representative Sheilla Lampkin; Representative Uvalde Lindsey; Representative Buddy Lovell; Representative Jim Nickels; Representative Betty Overbey; Representative Mike Patterson; Representative Tracy Pennartz; Representative James Ratliff; and Representative Jeff Wardlaw.

Senator Jeffress announced that the Committees would deviate from the published agenda so that Ms. Jerri Derlikowski could make remarks concerning the report on teacher salaries distributed to members at the meeting on Tuesday, April 10, 2012.

Ms. Jerri Derlikowski, Administrator, Policy Analysis and Research, Research Service Division, Bureau of Legislative Research, was recognized. Ms. Derlikowski stated that, following inquiries from several members after the April meeting, it was determined that data in the report on average teacher salaries were not entirely accurate. She said the salary information had come from the annual statistical report prepared by the Arkansas Department of Education (ADE) from data entered by school districts. She remarked that both the ADE and the Bureau of Legislative Research (BLR) had raised concerns about the data. The BLR conducted an analysis and determined that additional research needed to be done on 12 to 15 school districts. Ms. Derlikowski said the errors point to the importance of accuracy in the work of accountants and bookkeepers in the districts, because legislative decisions on teacher

salaries could be affected. Ms. Derlikowski said the ADE is working with the BLR on addressing this problem so that the teacher salary report can be presented at a future meeting.

Senator Jeffress reiterated the remarks made by Ms. Derlikowski. He said the school districts involved have been informed and are working on the matter. He thanked Ms. Derlikowski and said he appreciated the due diligence of the staff.

Senator Jeffress announced that the Committees would now return to Item C on the agenda.

Discussion of Issues Related to Education Appropriations and Funding

Ms. Lori Bowen, Senior Legislative Analyst, Budget & Fiscal Review, Fiscal Service Division, Bureau of Legislative Research, was recognized. Ms. Bowen provided an overview of the authorized appropriations and funding for the state's public education system, including the ADE. She noted that the overview covers all appropriations utilized to benefit and serve school districts across the state, and takes into account legislative recommendations made for the funding of adequacy. Ms. Bowen walked the Committees through the report:

Arkansas Department of Education Public School Fund Account

Ms. Bowen explained the configuration of the *Arkansas Department of Education Public School Fund Account* schedule. She said this schedule indicates that there is a total of \$2.67 billion appropriated for FY2012, a budgeted amount of \$2.659 billion, and a resulting difference of \$13.5 million. She commented that a little less than the total authorized appropriation is budgeted. She said there is a total of \$2.7 billion in appropriation for FY2013. She went on to discuss the ADE's transfer authority to make budget adjustments, as necessary, to address increases in programs that need to be funded, and the \$25 million school funding contingency appropriation. She said that, for the most part, the ADE fully budgets all appropriations. She noted that primary funding sources for the appropriations are described on the bottom of page 2 of the schedule.

Department of Education

Ms. Bowen indicated that the *Department of Education* schedule on page 3 outlines all appropriations, funded from a variety of sources, for the ADE to fulfill their role in overseeing and serving public school districts across the state. She said there is a total of \$1.076 billion appropriated for FY2012, a budgeted amount of \$1.073 billion, and a resulting difference of \$3.4 million. She said there is a total of \$1.076 billion appropriated for FY2013.

Division of Public School Academic Facilities and Transportation

Ms. Bowen called attention to the *Division of Public School Academic Facilities and Transportation* schedule on page 4, which has been key in addressing some adequacy needs. She said the Division has both an operating appropriation and two line item appropriations, Academic Facilities Catastrophic and Academic Facilities Partnership, for a total of \$156.105 million appropriated for FY2012, a budgeted amount of \$156.056 million, and a resulting difference of \$48,738. She said there is a total of \$156.143 million appropriated for FY2013.

Appropriation Summary

Ms. Bowen went on to discuss the *Appropriation Summary* on page 5 of the handout. She said the total authorized appropriation for FY2012, exclusive of the General Improvement Fund, is \$3.9 billion, the

budgeted amount is \$3.888 billion, and the resulting difference is \$17 million. She said there is a total of \$3.965 billion appropriated for FY2013.

Department of Education Expenditures/Budget by Fund Source

Ms. Bowen reviewed the final schedule, *Department of Education Expenditures/Budget by Fund Source*, to give a context to what the ADE has done historically, from FY2002-03 to FY 2011-12, with the appropriated levels that they have been provided. She discussed State/General Revenue Funds, Federal Funds, Trust Funds, Cash Funds, Special Revenues, and other significant sources of funding for public school purposes.

In the discussion that followed the report, topics included:

- an approximate 82% increase in spending from FY2002-03 to FY2011-12 budgeted for the ADE,
- how a school qualifies for declining enrollment funding,
- isolated funding and special needs isolated funding not a part of state foundation funding,
- declining enrollment funding, isolated funding, special needs isolated funding, and student growth funding as appropriations that are key to ensuring adequacy at the district level,
- clarification of \$28 million for student growth funding,
- growing/declining student populations,
- school districts sharing in the cost of distance learning,
- differences between “Distance Learning” and “Distance Learning Operations,”
- state-funded English Language Learners (ELL) as one of four categoricals created to address adequacy issues, and
- suppliers with which districts are contracting for distance learning.

Senator Jeffress thanked Ms. Bowen for her presentation.

Discussion of Issues Related to Educational Efficiency

Dr. Brent Benda, Senior Research Specialist, Policy Analysis and Research, Research Service Division, Bureau of Legislative Research, was recognized. Dr. Benda spoke from a PowerPoint presentation, *Examination of the Efficiency of Arkansas School Districts in 2007 and 2011*. Dr. Benda explained that the purpose of the report is to discuss efficiency analyses of the 239 existing school districts in Arkansas. He said efficiency analyses have emerged in professional literature as an empirical approach to assessing statewide educational adequacy. He began the report with a discussion of the research methodology that was used. He explained that efficiency is assessed by examining the linear relationship between inputs (per pupil expenditures) and outputs (student performance). The linear relationship between per pupil expenses and student performance is examined with ordinary least squares regression, while controlling for the effects of the National School Lunch Act (NSLA) program and race. These latter factors are controlled because of their strong association with student achievement in this study and in previous research. The data on all 239 school districts came from the ADE and the BLR Adequacy Surveys. The Arkansas Comprehensive Testing, Assessment and Accountability Program (ACTAAP) data on student performance for each district came from the National Office for Research on Measurement and Evaluation Systems (NORMES). Differences (or residuals) between these observed data and predicted data from regression analyses are plotted in what is called a scatter plot, and these residuals are classified according to levels of efficiency. Dr. Benda

illustrated how the differences (or residuals) between observed and predicted data, and the regression (or prediction) line derived from the regression formula would appear in a chart.

In the report, Dr. Benda presented in-depth coverage of the following:

- Examination of Districts
- Efficiency Analyses
- Comparison to 2007 Efficiency Analyses
- Factors that Distinguish Efficient from Inefficient Districts
- Implications of Analyses

He employed the following illustrative charts and table:

- = Chart 1. Efficiency Analysis of 239 School Districts in Arkansas – 2011 Math
- = Chart 2. Number of Districts According to Per Pupil Expense and % Proficient or Above
- = Chart 3. Efficiency Analysis of 239 School Districts in Arkansas – 2011 Literacy
- = Table 1. Overlap in Efficiency Classifications for Math and Literacy Proficiencies
- = Chart 4. Percent of Districts According to Per Pupil Cost (\$) and % Proficient or Above in Math in 2007 and 2011
- = Chart 5. Percent of Districts According to Per Pupil Expense (\$) and % Proficient or Above in Literacy in 2007 and 2011

Ms. Jerri Derlikowski, Administrator, Policy Analysis and Research, Research Service Division, Bureau of Legislative Research, and **Mr. Paul Atkins**, Senior Research Specialist, Policy Analysis and Research, Research Service Division, Bureau of Legislative Research, were recognized, and contributed to the ensuing discussion. Topics included:

- ≈ explanation and clarification of tracking methodology,
- ≈ explanation of terminology in charts,
- ≈ components of expenditures per student,
- ≈ putting information into the context of school districts represented by Committee members,
- ≈ federal and state funding for special programs are included in the report,
- ≈ information for charter schools are not included in the report,
- ≈ isolating expenditures in various categories,
- ≈ interpreting contents of quadrants,
- ≈ school districts that are less efficient in literacy and math driving negative results,
- ≈ relationship of poverty to efficiency in findings,
- ≈ influences on student performance,
- ≈ availability of information on ranges per 3rd Quarter Average Daily Membership (ADM),
- ≈ statistically valid and statistically insignificant factors,
- ≈ availability of information on movement of districts within the quadrants,
- ≈ incentives given to school districts to become more efficient,
- ≈ grouping of output measures that are most relevant in capturing the essence of efficiency,
- ≈ need for stronger, more complex analyses,
- ≈ outlying school districts muddling the data, and
- ≈ advantage of looking at schools as opposed to school districts.

The Honorable Johnny Key, State Senator, District 1, assumed the Chair.

Senator Key thanked Dr. Benda for the report.

Discussion of Issues Related to Educational Equity

Ms. Rebeca Whorton, Legislative Analyst, Policy Analysis and Research, Research Service Division, Bureau of Legislative Research, was recognized. Ms. Whorton spoke from a PowerPoint presentation, *Arkansas School District Equity Analysis Report*. Ms. Whorton explained that the purpose of the report is threefold: 1) to examine the equity of both funding and expenditures per student across all school districts in Arkansas through the use of commonly used Horizontal Equity statistics, 2) to investigate with Fiscal Neutrality measures whether local property wealth determines the equity of funding among these districts, and 3) to analyze the effects of property wealth, poverty level, race, and district size on per student expenditures. She began the report with a discussion of the research methodology that was used. Ms. Whorton discussed Section 1: State Funding Equity, with results of the analysis illustrated on the following tables: Table 1: Horizontal Equity of Unrestricted Revenue per ADM, Table 2: Horizontal Equity of Unrestricted Revenue per ADM and Categoricals, Table 3: Fiscal Neutrality of Unrestricted Revenues per ADM, and Table 4: Fiscal Neutrality of Unrestricted Revenues per ADM and Categoricals. She next discussed Section 2: School District Expenditure Equity, with results of the analysis illustrated on the following charts: Chart 1: Property Wealth Deciles, Chart 2: Percent of NSLA Student Deciles, Chart 3: Percent of Minority Student Deciles, and Chart 4: District Size Deciles. In conclusion, Ms. Whorton stated that the findings of this equity analysis report indicate that there is a high level of equality in the distribution of state educational funding among Arkansas's school districts. She mentioned that in the report, *State Policies That Pay, A Survey of School Finance Policies and Outcomes*, dated 2010, and prepared by the EPE (Editorial Projects in Education) Research Center with support from the Pew Center on the States, Arkansas was given an A-minus and ranked among the top six in the nation for school-finance equity.

A brief discussion followed the report on the affect of desegregation funding on Chart 3 in Section 2, and on reasons for differences in wealth scores for 2009, 2010, and 2011 on page 4.

Senator Key thanked Ms. Whorton for the presentation.

Senator Key announced that the next joint meeting of the Senate Interim Committee on Education and the House Interim Committee on Education would be at 10:00 a.m. on Wednesday, May 9, 2012, in Room 171 of the State Capitol in Little Rock to review Department of Education Rules referred to the Committees by the Administrative Rules and Regulations Subcommittee of the Arkansas Legislative Council.

There being no further business, the meeting adjourned at 10:46 a.m.

Approved: 08/13/12