

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

ADEQUACY

Monday, October 15, 2012
1:00 P.M.
Room 151, State Capitol
Little Rock, Arkansas

Senator Jimmy Jeffress, the Chair of the Senate Interim Committee on Education, called the meeting to order at 1:00 p.m.

MEMBERS OF THE SENATE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Senator Jimmy Jeffress, Chair; Senator Joyce Elliott; Senator Kim Hendren; and Senator Johnny Key.

MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative Johnnie Roebuck, Vice Chair; Representative Duncan Baird; Representative Toni Bradford; Representative Les Carnine; Representative Ann Clemmer; Representative Robert Dale; Representative Jody Dickinson; Representative Jane English; Representative Debra Hobbs; Representative Karen Hopper; Representative Randy Stewart; and Representative Tim Summers.

NON-VOTING MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative John Catlett; Representative Gary Deffenbaugh; Representative Andrea Lea; and Representative Homer Lenderman.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Stephanie Flowers; Representative Tommy Lee Baker; Representative David Branscum; Representative Billy Gaskill; Representative Bryan King; Representative Uvalde Lindsey; and Representative Buddy Lovell.

Review and Formally Adopt the Draft Report Concerning the Adequacy of Arkansas's System of Public Education and Refer the Report to the House and Senate Interim Committees on Education

Mr. Richard Wilson, Assistant Director, Research Services, Bureau of Legislative Research, was recognized. Mr. Wilson, utilizing two (2) handouts, discussed the methodology for calculating the inflationary adjustments for the Adequacy Report. The first handout contained inflationary projections from Moody's Analytics and Global Insight. Mr. Wilson stated Moody's Analytics projected an inflationary rate of 2.525% for FY2014 and 2.700% for FY2015. He noted that Global Insight projected an inflationary rate of 1.825% FY2014 and 1.775% for FY2015. Averaging the Moody's and Global Insight projections for FY2014 produced a 2.100% projected rate of inflation and a projected rate of inflation of 2.206% for FY2015. According to Mr. Wilson, the grand average of the combined FY2014 and FY2015 averages was 2.153%. He noted that Moody's and Global Insight revise their projections around the 10th of each month. Mr. Wilson's second handout compared the inflationary adjustments provided by the Committees to the actual rate of inflation for FY2008 through FY2013. The five-year average inflationary adjustment provided by the Committees equaled 1.84% as compared to the actual rate of inflation of 1.76% during that same time period. Mr. Wilson advised the Committees that a 1.8%

inflationary adjustment equaled an additional \$52 million in Foundation Aid and an additional \$4.6 million in categorical funding. A 2.5% adjustment equaled an additional \$72 million in Foundation Aid and an additional \$6.4 million in categorical funding.

Senator Jeffress thanked Mr. Wilson for his report.

Senator Jeffress made the following motion concerning inflationary adjustments for the 2012 Adequacy Report:

Based on the projections provided by the Bureau of Legislative Research through their subscriptions to Moody's Analytics and Global Insight, I move that these Committees recommend that the 89th General Assembly adopt an inflationary adjustment to be applied to the per pupil foundation and categorical funding amounts applicable to fiscal years 2014 and 2015 in the range of 1.8% to 2.5%.

In addition, I request that this motion include the requirement for the Bureau of Legislative Research to inform these Committees and any subsequent House or Senate Committees on Education of each and every revision of these inflationary projections provided by Moody's Analytics and Global Insight until a final inflationary adjustment determination is made by the 89th General Assembly.

The Honorable Joyce Elliott, State Senator, District 33, was recognized. Senator Elliott offered an amendment to Senator Jeffress' motion as follows:

Based on the projections provided by the Bureau of Legislative Research through their subscriptions to Moody's Analytics and Global Insight, I move that these Committees recommend that the 89th General Assembly adopt an inflationary adjustment to be applied to the per pupil foundation and categorical funding amounts applicable to fiscal years 2014 and 2015 in the range of 1.8% to 2.5%, with the proviso that the Committees may make a separate determination on the amount by which the rate of inflation will be applied to the categoricals after a study and findings regarding categorical fund balances.

In addition, I request that this motion include the requirement for the Bureau of Legislative Research to inform these Committees and any subsequent House or Senate Committees on Education of each and every revision of these inflationary projections provided by Moody's Analytics and Global Insight until a final inflationary adjustment determination is made by the 89th General Assembly.

In the discussion that followed, members of the Committees covered the following topics:

- process to be followed once the motion is adopted,
- lack of discussion of other metrics related to the balances in the categorical funds,
- lack of an evidence-based process as it relates to review of the categorical,
- inability of the state to meet its funding obligations related to the categorical,
- impact of the state budget process on foundation and categorical funding, and
- request for a list of all the school districts in the state, their categorical funding amounts, and the name of the legislator who represents each school district.

Senator Jeffress accepted Senator Elliott's amended motion. Senator Johnny Key seconded the amended motion. Without objection, the amended motion was adopted.

Ms. Nell Smith, Administrator, Policy Analysis and Research Section, Bureau of Legislative Research, was recognized. Ms. Smith stated in FY 2011- 2012, fifty-three (53) districts had ending National School Lunch Act (NSLA) fund balances that exceeded 15% of their NSLA allocations that year. The amounts ranged from \$1,111,861 in the Fort Smith School District to \$136 in the Gurdon School District. On average, the districts required to reduce their NSLA fund balances in 2012-13 were over the threshold level by \$160,435. Forty-five (45) districts in FY 2011-2012 had ending aggregate categorical fund balances that exceeded 20% of their categorical funding allocations for that year. Forty-two (42) out of the 45 districts had both excessive NSLA and aggregate categorical balances. Ms. Smith said the Arkansas Department of Education (ADE) looked at schools which had an ending fund balance that exceeded 20% aggregate categorical funding and determined that those districts have to reduce their fund balance by 10% by FY 2012-2013. If those schools don't reduce their fund balance 10% by FY 2013-2014, the ADE can withhold a portion of their categorical funding. Ms. Smith went on to discuss the 2012 Adequacy Report. She outlined changes that were made from the previous draft of the report presented at the October 8, 2012 meeting of the Committees. Ms. Smith noted the only recommendations that were added to the report were from motions related to Arkansas Public School Computer Network coding issues adopted at the Committees' March meeting.

In the discussion that followed, the Committees covered the following topics regarding the 2012 Adequacy Report:

- state's responsibility to provide an adequate education to students over the age of eighteen who choose to pursue a GED,
- description of the outcomes of an adequate education,
- Matrix funding for public school employee health insurance premium increases, and
- continued disparity in teacher salaries across the state.

The Honorable Johnny Key, State Senator, District 1, was recognized, and made the following motion:

I move that a recommendation be included in the 2012 Adequacy Report for the evaluation of the impact of Act 1050 of 2011, An Act to Amend the Telecommunications Regulatory Reform Act of 1997, as it relates to the provision of bandwidth to Arkansas's public schools.

Without objection, the motion was adopted.

The Honorable Tim Summers, State Representative, District 99, was recognized, and made the following motion:

I move that the House and Senate Interim Committees on Education adopt the 2012 Adequacy Report and file the report as prescribed by statute.

The motion was seconded by Representative Jane English. The motion was adopted by a voice vote.

Mr. Scott Richardson, Assistant Attorney General, Office of the Attorney General, was recognized, and provided information to the Committees regarding the state's constitutional obligations regarding the funding of public education and the education of students over the age of eighteen.

Senator Jeffress thanked Mr. Richardson for his remarks.

Dr. Tom Kimbrell, Commissioner, Arkansas Department of Education (ADE), was recognized. Dr. Kimbrell discussed issues related to school district fund balances and the steps being taken by the ADE to address issues associated with these fund balances.

Senator Jeffress thanked Dr. Kimbrell for his remarks.

Mr. Richard Weiss, Director, Arkansas Department of Finance and Administration (DF&A), was recognized. Mr. Weiss discussed the state's revenue forecast and associated budgetary issues with the Committees.

Senator Jeffress thanked Mr. Weiss for his comments.

Mr. Jason Lee, Executive Director, Employee Benefits Division (EBD), Arkansas Department of Finance and Administration (DF&A), was recognized and discussed various issues related to public school employee health insurance benefits and premium costs.

Senator Jeffress thanked Mr. Lee for his presentation.

Senator Jeffress, in consultation with Representative Eddie Cheatham, the Chair of the House Interim Committee on Education, announced the appointment of a joint subcommittee to review issues related to public school employee health insurance costs and to make recommendations for consideration by the 89th General Assembly. The Senate members of the Subcommittee would be Senator Johnny Key, who would serve as the Senate Co-Chair, Senator Joyce Elliott, and Senator Jimmy Jeffress, who would serve as an ex officio member. The House members of the Subcommittee would be Representative Randy Stewart, who would serve as the House Co-Chair, Representative Tim Summers, Representative Tommy Wren, Representative Robert Dale, Representative Karen Hopper, Representative Homer Lenderman, and Representative Eddie Cheatham, who would serve as an ex officio member.

Dr. Karen Cushman, Assistant Commissioner, Division of Human Resources, Educator Effectiveness and Licensure, Arkansas Department of Education, was recognized. Dr. Cushman discussed the recent change in licensure for Special Education certification to include K-12 certification without requiring the teacher to take additional master's level courses. Dr. Cushman also discussed the Master of Arts Teaching (MAT) certification program offered by several of the state's institutions of higher education.

Senator Jeffress thanked Dr. Cushman for her testimony.

Senator Jeffress announced that the next joint meeting of the House and Senate Interim Committees on Education is scheduled for Monday, October 29, 2012, at 1:30 p.m. in Room 171 of the State Capitol.

There being no further business, the meeting adjourned at 3:24 p.m.

Approved: 12/10/12