A Report on Legislative Hearings For the 2012 Interim Study on Educational Adequacy

(Act 57 of the Second Extraordinary Session of 2003, Act 1204 of 2007, and Act 725 of 2011)

Volume I

Recommendations

of the

House and Senate
Interim Committees on Education

October 15, 2012

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Acronyms

AAEA	Arkansas Association of Educational Administrators
ACSIP	Arkansas Comprehensive School Improvement Plan
ACTAAP	Arkansas Comprehensive Testing, Assessment, and Accountability Program
ADE	Arkansas Department of Education
ADM	Average Daily Membership
AEA	Arkansas Education Association
AETN	Arkansas Educational Television Network
AIP	Academic Improvement Plan
ALE	Alternative Learning Environment
APSCN	Arkansas Public School Computer Network
AREA	Arkansas Rural Education Association
ARE-ON	Arkansas Research and Education Optical Network
ARRA	American Recovery and Reinvestment Act
ASBA	Arkansas School Boards Association
AYP	Adequate Yearly Progress
BEE	Bandwidth for Educational Enhancement
BLR	Bureau of Legislative Research
COLA	Cost of Living Adjustment
CCSS	Common Core State Standards
CPI-U	Consumer Price Index-All Urban Consumers
CRT	Criterion-referenced tests
DIBELS	Dynamic Indicators of Basic Early Literacy Skills
DIS	Arkansas Department of Information Systems
EETF	Educational Excellence Trust Fund
ELL	English Language Learners
EOC	End-of-course exam
ESEA	Elementary and Secondary Education Act
FTE	Full-Time Equivalent
IDEA	Individuals with Disabilities Education Act
IEP	Individualized education program
MAT	Master of Arts in Teaching
MAT 8	Metropolitan Achievement Tests, Eighth Edition
NAEP	National Assessment of Educational Progress
NCES	National Center for Education Statistics
NCLB	No Child Left Behind Act
NORMES	National Office for Research on Measurement and Evaluation Systems
NRT	Norm-referenced tests
NSLA	National School Lunch Act
NTLP	Non-Traditional Licensure Program
OLS	Ordinary least squares
O&M	Operations and Maintenance
PAM	P.E., art and music
PARCC	Partnership for Assessment of Readiness for College and Careers
PD	Professional Development
POR	Program of Requirements
RTI	Response to Intervention
SAT 10	Stanford Achievement Test Series, Tenth Edition
SES	Supplemental Educational Services

SIG	School Improvement Grant
SREB	Southern Regional Education Board
TAGG	Targeted Achievement Gap Group
TANF	Temporary Assistance for Needy Families
TESS	Teacher Excellence and Support System
URT	Uniform Rate of Tax
VAM	Value-added modeling

Section 1: Introduction

Purpose of This Report

During the 2003 regular legislative session, the General Assembly enacted Act 94 of 2003 to create the Joint Committee on Educational Adequacy, to be overseen by the House and Senate Interim Committees on Education (Education Committees). The committee's charge was to study the state's educational system and determine how it could offer an adequate education to all Arkansas public school students. A year later the General Assembly made that responsibility ongoing with Act 57 of the Second Extraordinary Session of 2003 (Act 57), which requires the Education Committees to study the entire educational system and report their findings and recommendations in September before every regular session. During the 2007 legislative session, the General Assembly refined the Act 57 requirements, passing Act 1204 of 2007 (Act 1204). In the 2011 Regular Legislative Session, the General Assembly passed Act 725 (Act 725), which added one new area of study, changed the deadline for the final adequacy study report, and required a draft of the report be published two weeks before the report's deadline. (Acts 57, 1204, and 725 are codified at A.C.A. § 10-3-2101 et seq. See Appendix A.)

This report has been written to document the Legislature's compliance with those requirements. The adequacy study is a key element in the continued constitutionality of the state's system of funding public education.

The Statutory Requirements

Act 57 of the Second Extraordinary Session of 2003 established eight broad areas the Education Committees must review each biennium. These include examining "the entire spectrum of public education" in Arkansas, reviewing the components of an adequate education and evaluating the costs of an adequate education. Act 1204 of 2007 specified that these broad reviews will be accomplished by:

- Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program
- Reviewing the curriculum frameworks developed by the Department of Education
- Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program
- Reviewing fiscal, academic, and facilities distress programs
- Reviewing the state's standing under the No Child Left Behind Act of 2001
- Reviewing the Arkansas Comprehensive School Improvement Plan process
- Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including:
  - Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index
  - Reviewing the minimum teacher compensation salary schedule
- Reviewing expenditures from:
  - Isolated school funding
  - National school lunch state funding
  - Declining enrollment funding
  - Student growth funding
  - Special education funding
- Reviewing disparities in teacher salaries
- Completing an expenditure analysis and resource allocation review
- Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education

- Adjusting for the inflation or deflation of any appropriate component of the system of funding public education
- Reviewing legislation enacted or rules promulgated during the biennium covered by the study to determine the impact of the legislation and rules on educational adequacy-related public school costs

Act 1204 also establishes that the Education Committees would review any other program or topic identified for further study.

This report is presented to document the Education Committees' compliance with those statutory mandates. For readability and coherence, this report is organized by topic, rather than by the order of the law's requirements. For a guide linking specific requirements of Acts 57 and 1204 to sections of this report, see Appendix B. A list of the acronyms used in this report is provided on page v and a glossary of terms used is provided in Appendix E on page 89.

How the 2012 Study Was Conducted

For previous adequacy studies, the House and Senate Education Committees created educational adequacy subcommittees to hear testimony on the issues specified by statute and to develop recommendations. However, for the 2012 adequacy study, committee Chairmen Rep. Eddie Cheatham and Sen. Jimmy Jeffress decided to include all members of both Education Committees in the review. Committee members began meeting for the study in November 2011.

The House and Senate Education Committees met 11 times, and presenters included representatives from the Arkansas Department of Education (ADE), school districts, education associations, and the Bureau of Legislative Research (BLR). (A list of all presenters and contributors can be found in Appendix C.) This report represents a summary of all testimony and reports presented to the Education Committees for this adequacy study.

As part of this study, BLR staff conducted extensive surveys of all 239 school district superintendents and a randomly selected representative sample of 74 school principals. The surveys requested information on a wide variety of issues, including teacher evaluation and incentive pay, the number of academic coaches, utility consumption, tutoring opportunities, and transportation. BLR staff used the data collected to prepare a number of reports presented to the Education Committees. The BLR review also included site visits to each of the 74 schools to collect additional information on school and district needs.

The testimony and reports presented to the Education Committees drew from a wide variety of sources, including ADE documentation, surveys of other states, and data from national and regional authorities, such as the National Education Association and the Southern Regional Education Board. Inflation factors were determined by using projections from Moody's Economy and Global Insight, producers of national economic forecasting services. The Education Committees also solicited comment from educational associations.

Volume II of this report, which is available online at http://www.arkleg.state.ar.us/education/K12/Pages/AdequacyReportDetails.aspx?catId=5, contains copies of all materials presented to the Education Committees for this adequacy review. Citations to the research mentioned in this report can be found with the original materials presented to the committees.

The Education Committees carefully considered all of the information presented and made [## TO COME BY OCTOBER 15] recommendations concerning educational funding. The recommendations are described in Section 15 of this report.

Section 2: Legal Landscape

The Arkansas Constitution provides that the state "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." Ark. Const. art.14, § 1. The primary Arkansas Supreme Court decisions interpreting this constitutional provision are *Dupree v. Alma Sch. Dist. No. 30 of Crawford County*, 279 Ark. 340, 651 S.W.2d 90 (1983) and *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 370 Ark. 139, 257 S.W.3d 879 (2007). The *Dupree* court held that the state's constitutional responsibility included providing "equal educational opportunity" to the state's public school children.

The court further interpreted the state's constitutional obligations through 15 years of litigation in the *Lake View* case. The court held (1) that an adequate education must be provided to all school children on a substantially equal basis with regard to curricula, facilities, and equipment, and (2) that it is the state's responsibility to: (a) define adequacy; (b) assess, evaluate, and monitor the entire spectrum of public education to determine whether equal educational opportunity is being substantially afforded to Arkansas's school children; and (c) know how state revenues are spent and whether true equality in education is being achieved. *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 370 Ark. 139, 257 S.W.3d 879 (2007); see also *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 358 Ark. 137, 156, 189 S.W.3d 1, 13 (2004).

In both decisions, the court held that the ultimate responsibility for maintaining constitutionality rests with the state, even if local government fails to use state funding resources to provide an adequate education. *Lake View,* 351 Ark. at 79, 91 S.W.3d at 500 (citing *Dupree*, 279 Ark. at 349, 651 S.W.2d at 95). As stated earlier, the biennial adequacy study required by Act 57 is a key component of continued constitutionality.

As a result, the General Assembly's efforts in recent years to define and fund an adequate education have been driven largely by the *Lake View* decisions. (A summary of the *Lake View* history and legislative response is provided in Appendix D.) In May 2007, the Arkansas Supreme Court declared the Arkansas public school funding system constitutional.

This report is an important part of the state's efforts to maintain its focus on the condition of the public education system and take appropriate actions to keep the system in constitutional compliance.

Section 3: Educational Adequacy

Definition

The Education Committees used the following working definition of "educational adequacy" to serve as a basis for identifying the resources required for adequate funding:

(1) The standards included in the state's curriculum frameworks, which define what all Arkansas students are to be taught, including specific grade level curriculum and a mandatory thirty-eight (38) Carnegie units defined by the Arkansas Standards of Accreditation to be taught at the high school level;

(2) The standards included in the state's testing system. The goal is to have all, or all but the most severely disabled, students perform at or above proficiency on these tests; and

(3) Sufficient funding to provide adequate resources as identified by the General Assembly.

Arkansas Public School Funding Overview

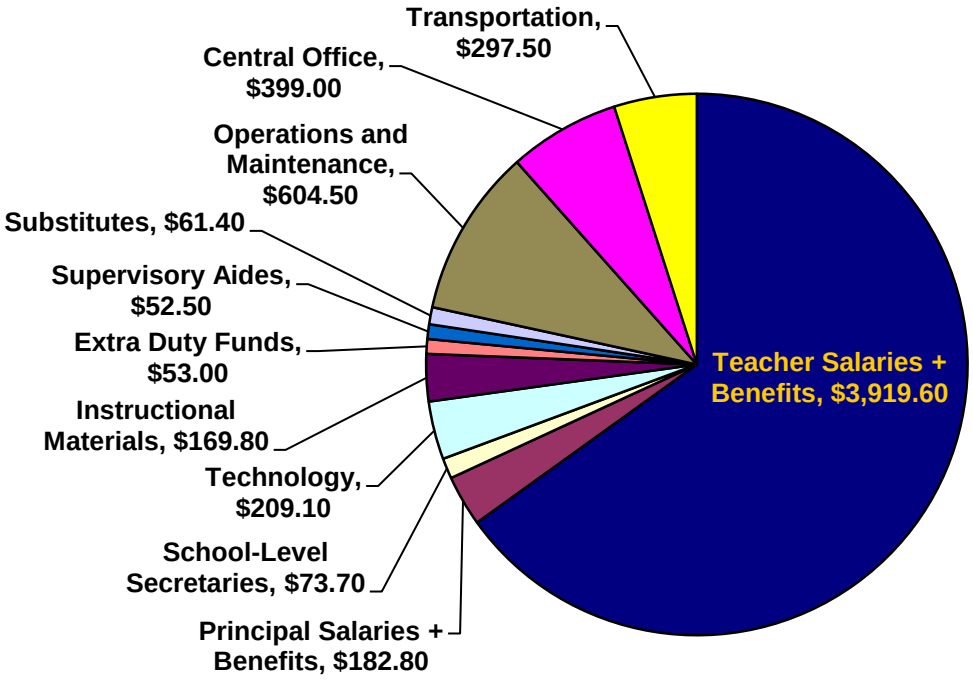
Funding for public schools in Arkansas currently comes from five main sources:

- State General Revenue
- The Educational Excellence Trust Fund
- The Educational Adequacy Fund
- The Uniform Rate of Tax (URT)
- Federal Funds

The state's system for distributing funding to public schools is made up of a base per-student amount, known as foundation funding (A.C.A. § 6-20-2301 et seq.). Each district receives the foundation funding amount multiplied by its student count, or average daily membership (ADM). The foundation funding was set at $6,023 per student for 2010-11 and $6,144 for 2011-12. This funding is considered unrestricted, meaning school districts may spend the funding in the manner that best suits their schools' needs.

The formula for calculating the foundation funding amount is known as the matrix. The matrix is made up of individual items considered necessary for the operation of schools, including teachers, principals, and instructional materials. The matrix establishes a funding value for each. For example, the line item for teacher salaries was set at $3,919.60 for FY2010-11. This value is one component of the total $6,023 per student for foundation funding that year. The General Assembly calculated the dollar amount of each line item based on the money needed to adequately fund the educational needs of a prototypical district with 500 students. Because the foundation funding is unrestricted, districts are allowed to spend more than $3,919.60 per student on teacher salaries and less on another line item, or they may spend less on teacher salaries and more in a different area. The chart on the following page shows the proportion of each matrix line item in the total per-student foundation funding amount for FY2010-11 and FY2011-12. Foundation funding is discussed in greater detail in Section 11 of this report.

Per-Student Foundation Funding: 2010-11



School districts also receive four other types of funding, known as categorical funding. The categorical funds are used to promote equitable funding among school districts. Three of the four categorical funds are designed to help schools educate students with special needs. The fourth categorical fund is designed to pay districts for providing staff professional development. Unlike foundation funding, categorical funds are considered restricted, meaning that districts can use these funds only for their intended purpose. See Section12 for a more detailed discussion of categorical funding.

Categorical Funding Type	Description	2010-11 Funding	2011-12 Funding
English Language Learners (ELL)	Funding designed to help school districts educate students with limited English language proficiency.	$293 per ELL student	$299 per ELL student
Alternative Learning Environment (ALE)	Funding designed to help school districts educate students who need different learning environments due to social or behavioral factors that make learning difficult in the traditional classroom.	$4,063 per ALE student	$4,145 per ALE student
National School Lunch Act (NSLA)	Funding designed to help school districts with high percentages of poor students. This state funding should not be confused with the federal National School Lunch Act. The state money is called NSLA funding only because it uses the federal act's eligibility criteria for free and reduced price lunches.	90% or more: $1,488 per NSLA student 70%-<90%: $992 per NSLA student <70%: $496 per NSLA student	90% or more: $1,518 per NSLA student 70%-<90%: $1,012 per NSLA student <70%: $506 per NSLA student

Categorical Funding Type	Description	2010-11 Funding	2011-12 Funding
Professional Development (PD)	Funding designed to pay for professional development for teachers and staff. Most of the PD funding goes to districts, but up to $4 million (about $8.50 to $9 per student) supports a statewide online PD program.	$50 per student (Districts received $41.36 in FY2011, while ADE's online PD program received $8.64 per student.)	$51 per student

In addition to foundation and categorical funding, school districts also receive other special funding, including money to help with declining or growing enrollment and money to support isolated schools. (For information on these additional types of funding, see pages 46-48.)

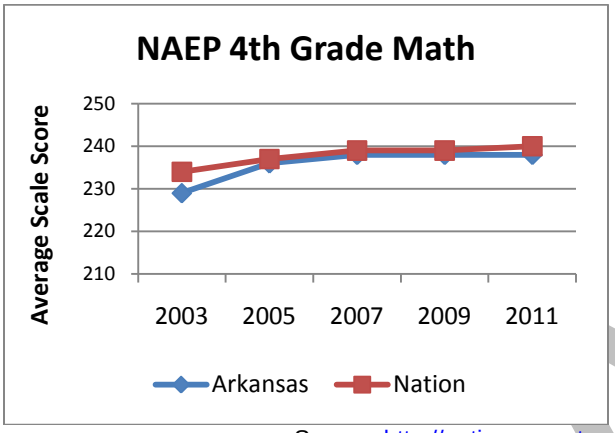
This adequacy study was conducted to determine whether the money provided by the state's funding formula provides public school districts with the resources needed to offer all public school students a substantially equal opportunity for an adequate education.

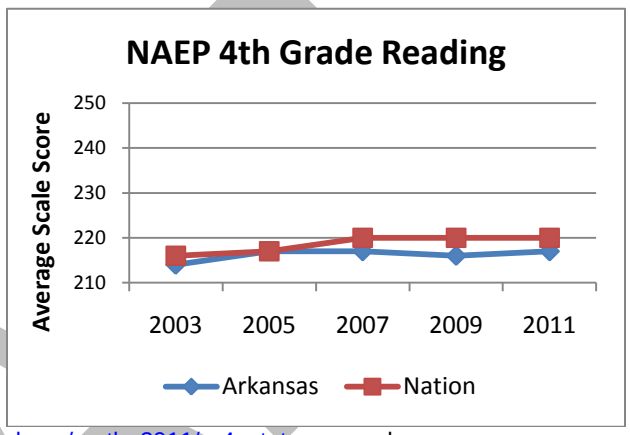
Section 4: State Student Achievement Statistics

The progress made by Arkansas's public schools can be measured in part by student test scores, graduation rates and other education statistics. The statewide student test scores show that Arkansas is making significant improvements, but the state continues to score below the national average.

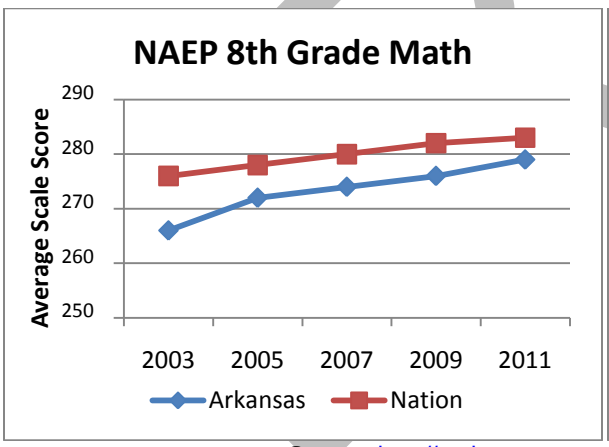
National Assessment of Educational Progress Scores

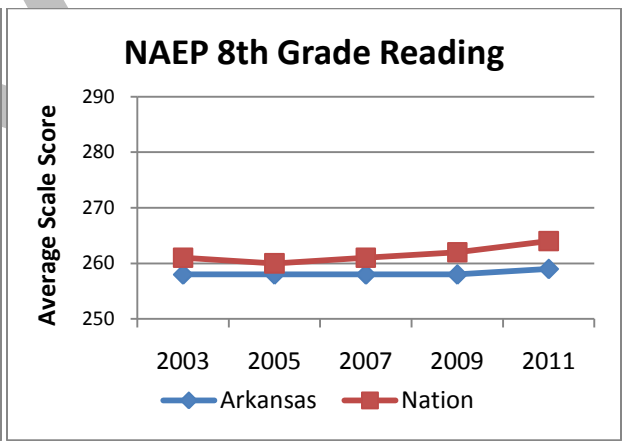
Students in the 4th and 8th grades take the National Assessment of Educational Progress (NAEP) assessment, a national exam used to compare the progress made by Arkansas students with the progress made by students in other states. Arkansas students, on average, continue to score below students nationally.





Source: http://nationsreportcard.gov/math_2011/gr4_state.asp and http://nationsreportcard.gov/reading_2011/state_g4.asp

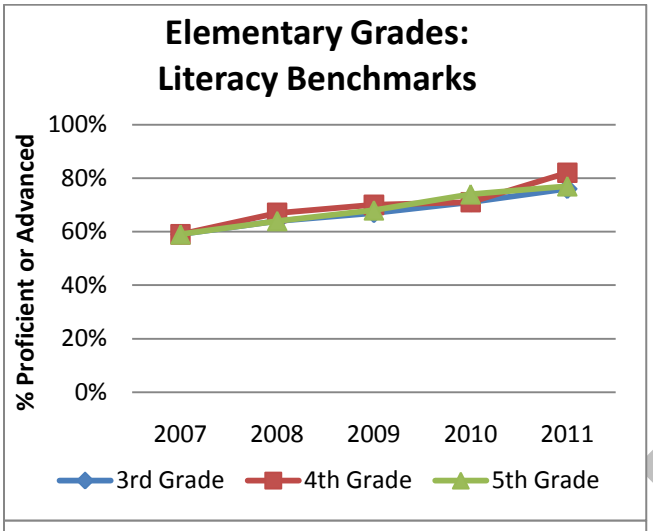


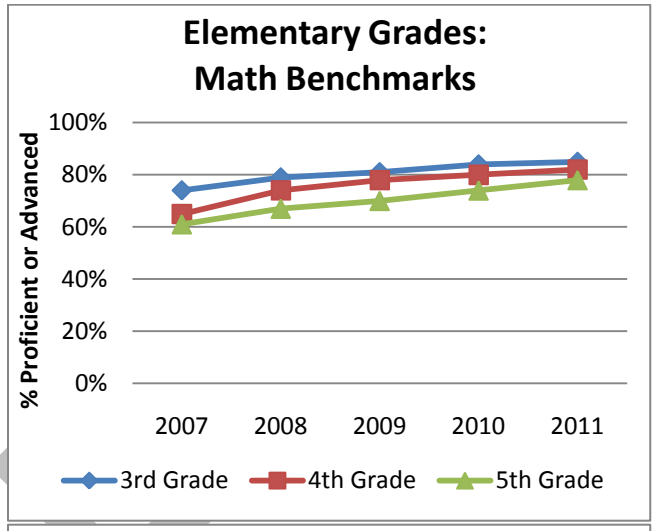


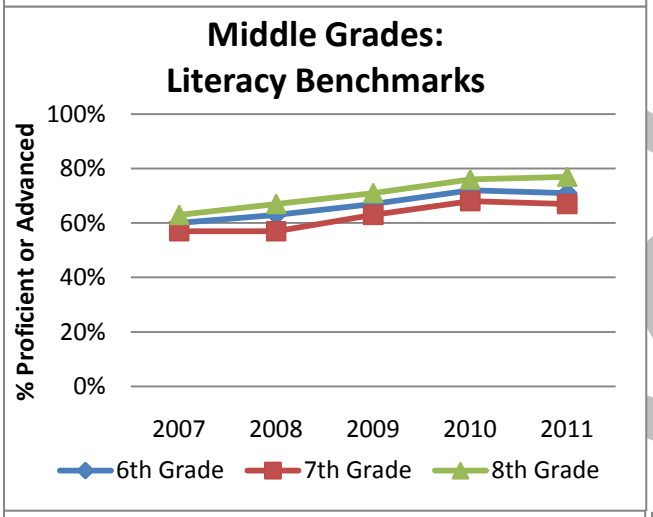
Source: http://nationsreportcard.gov/math_2011/gr8_state.asp and http://nationsreportcard.gov/reading_2011/state_g8.asp

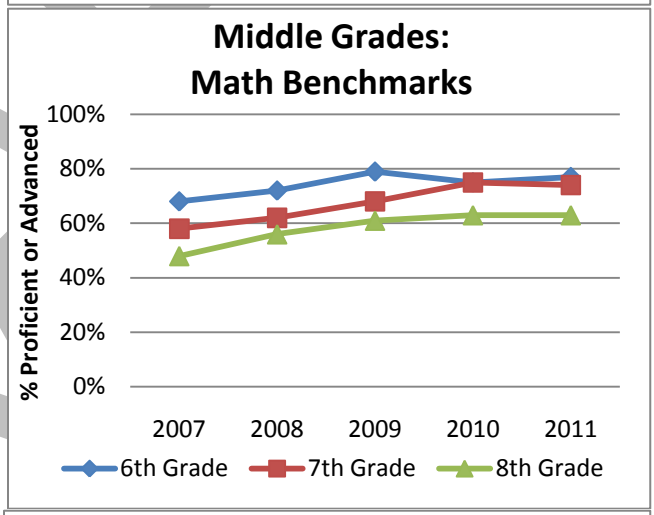
Arkansas Benchmark Exams

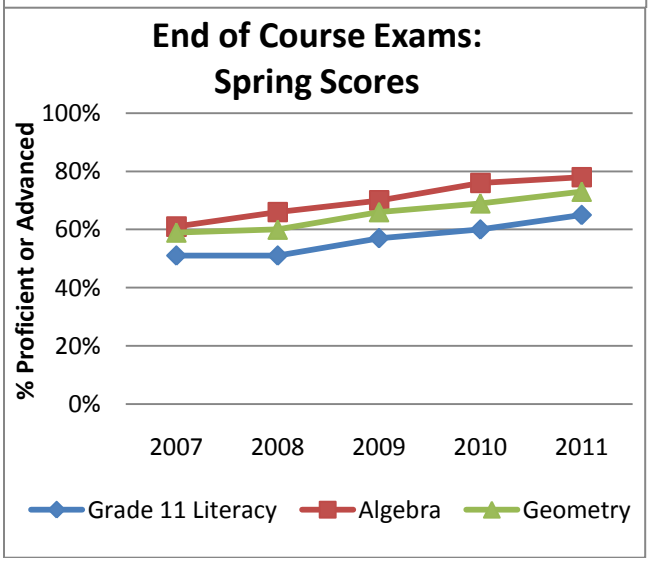
Student scores from the augmented Benchmark exams are used to measure how well students are learning the Arkansas curriculum. Collectively, Arkansas students' scores are improving, with greater percentages of students scoring proficient or advanced each year.

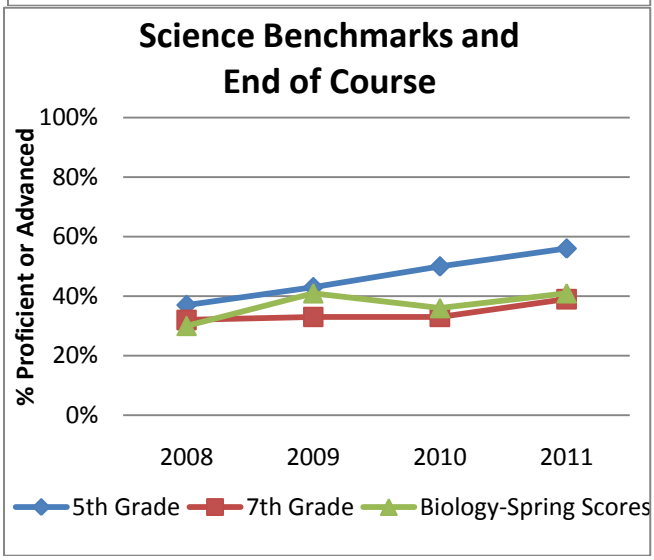








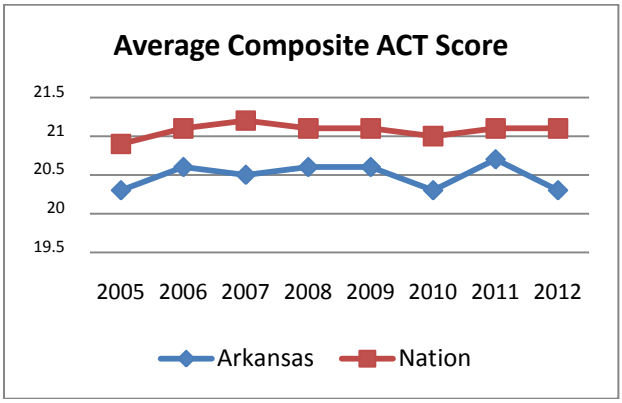


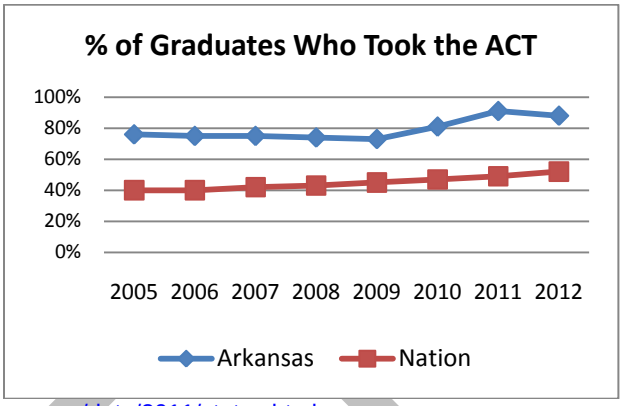


Source: http://arkansased.org/testing/test_scores.html

College Entrance Exam Scores

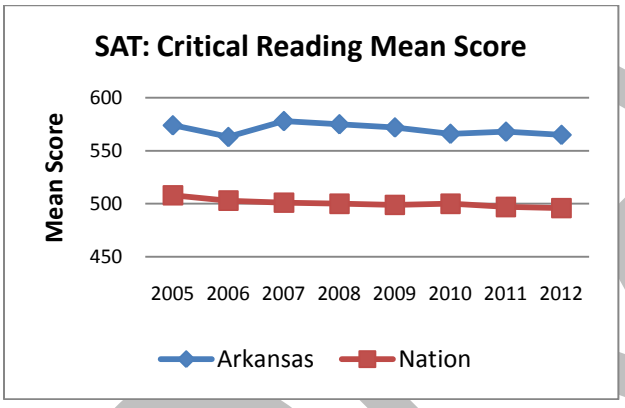
Arkansas students who took the ACT score, on average, below the national average, but a far greater percentage of Arkansas graduates take the ACT each year than graduate nationally. In 2012, 88% of Arkansas graduates took the ACT compared with 52% of graduates nationwide.

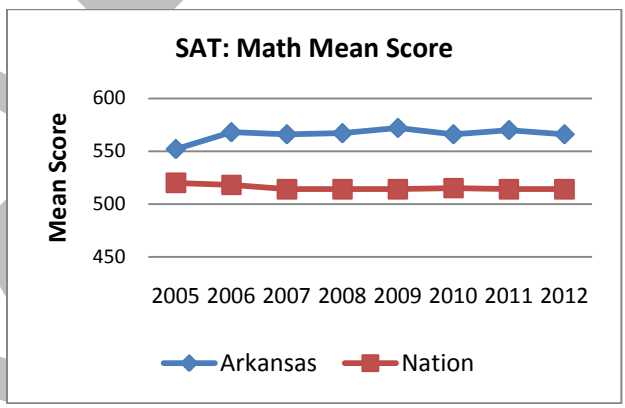


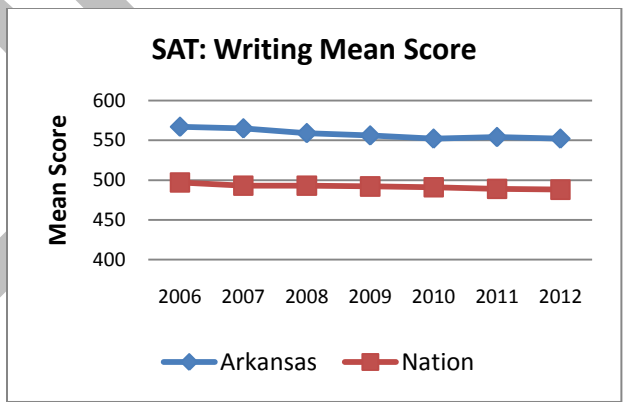


Source: http://www.act.org/newsroom/data/2011/states.html

Arkansas students who take the SAT typically score, on average, higher than students nationally.



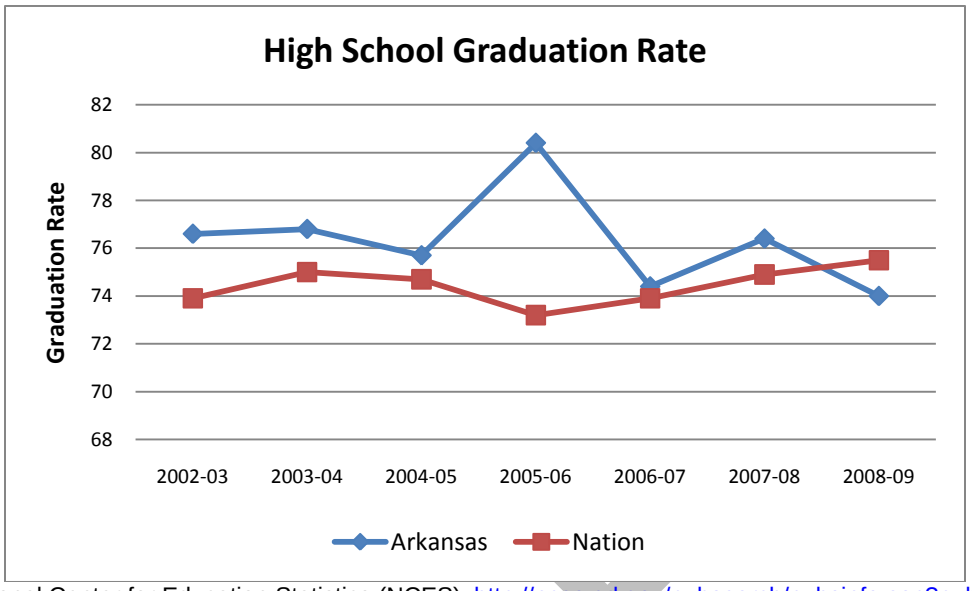




Source: http://professionals.collegeboard.com/data-reports-research/sat/cb-seniors-2011

Graduation Rate

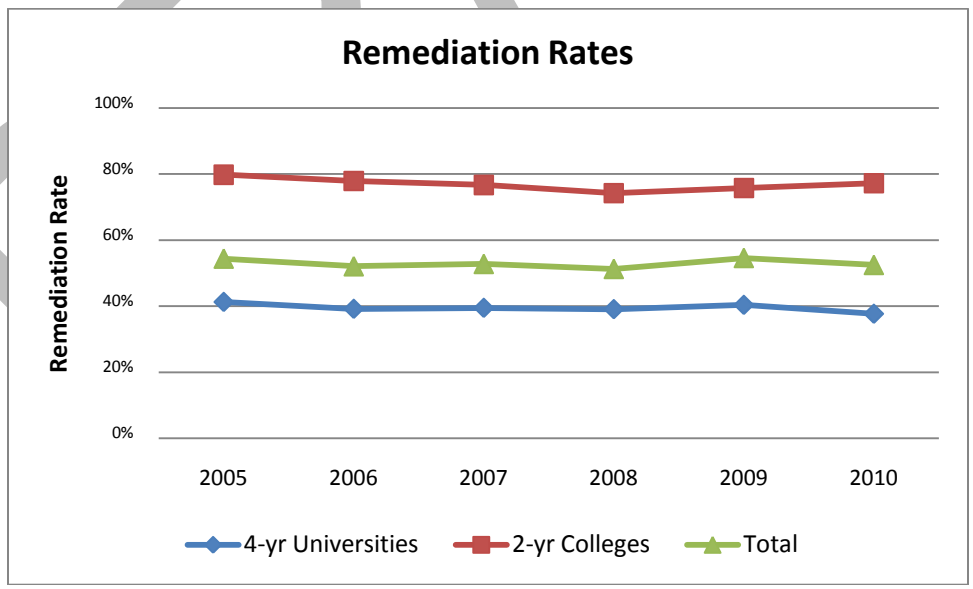
Arkansas's high school graduation rate typically outpaces the national rate. However, in 2008-09, the latest year for which there is nationwide data, the U.S. rate outpaced Arkansas's.



Source: National Center for Education Statistics (NCES), http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2011312

Remediation Rate

All entering first-year students seeking an associate degree or higher from an Arkansas public college or university must earn a score of 19 or higher on the ACT (or the equivalent on the ASSET, SAT, or COMPASS tests) in English, mathematics, and reading. Those who do not are required to take a corresponding remedial course.

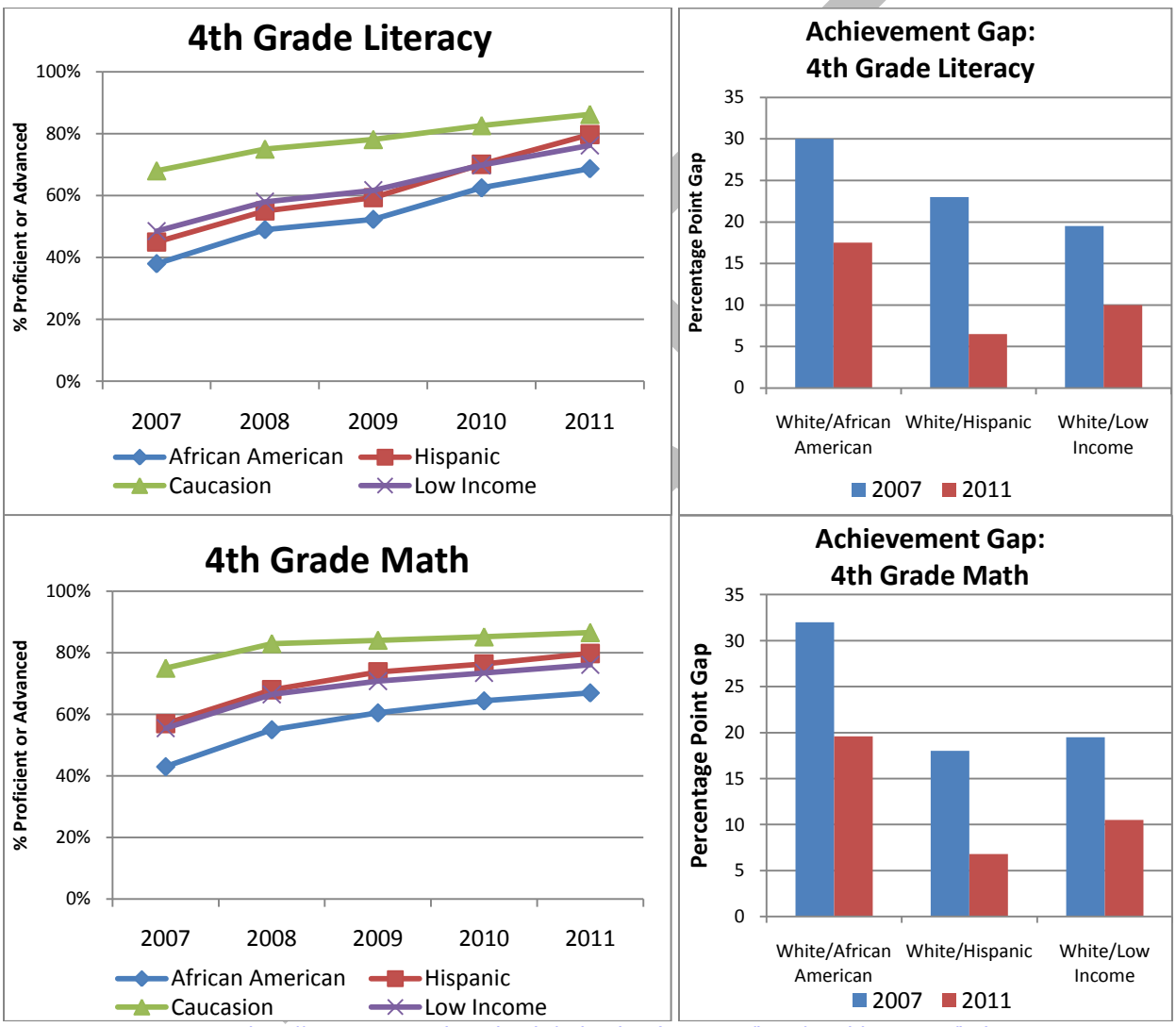


Source: http://www.arkleg.state.ar.us/Education/HigherEd/ADHE%20Backup/2011ComprehensiveReport-ADHE-Compressed.pdf

Achievement Gap

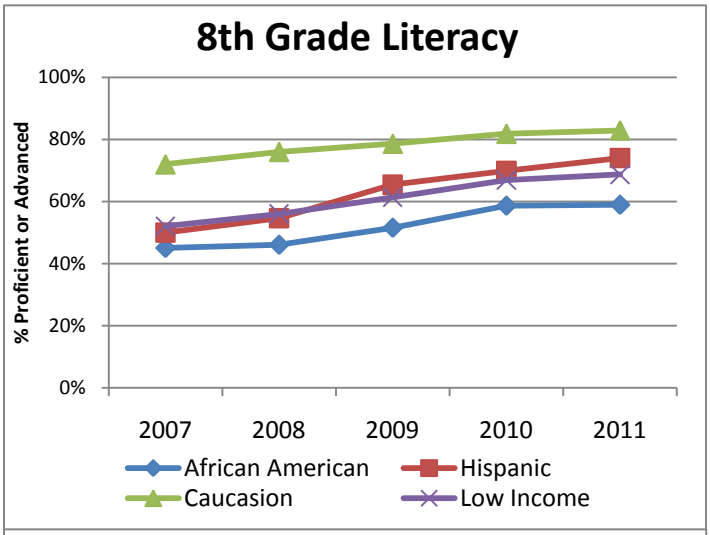
While African American and Hispanic students continue to score below white students, the gap between them is generally narrowing. The test scores of low income students of all races trails those of all white students, but that gap is also narrowing.

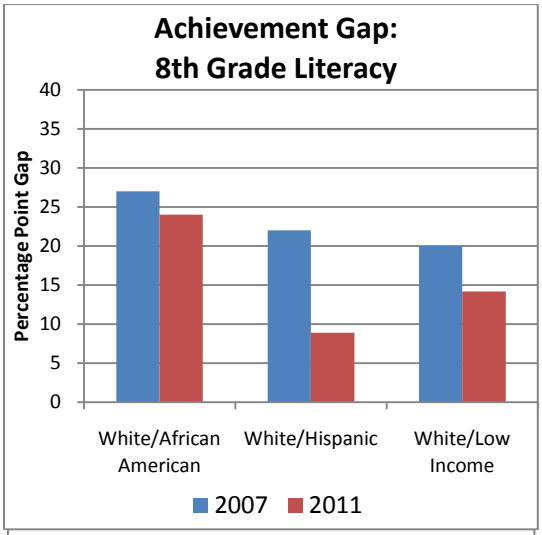
For example, in 2007, there was a 30 percentage point gap between the percentage of white 4th grade students who scored proficient or advanced in literacy (68%) and the percentage of African American 4th graders who scored proficient or advanced (38%). In 2011, that gap had been cut nearly in half, the result of dramatic increases in African American students' performance. A similar decline occurred in the math achievement gap among 4th graders.

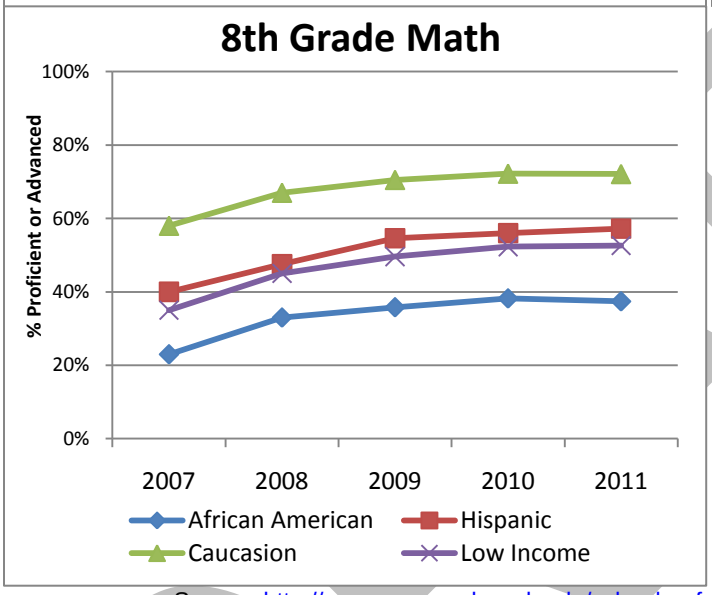


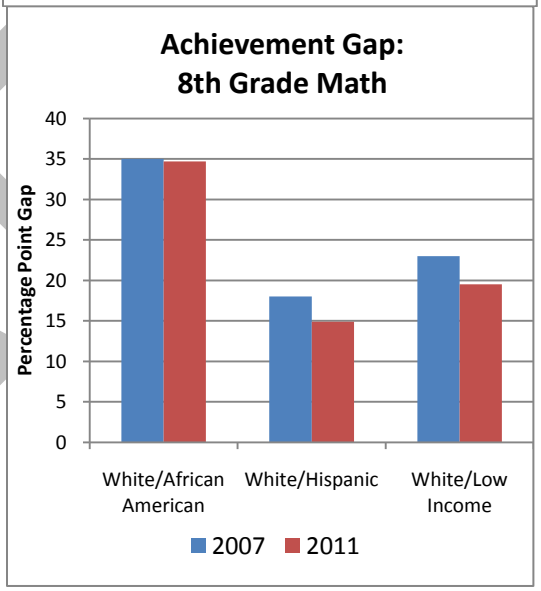
Source: http://normessasweb.uark.edu/schoolperformance/beta/stachievement/index

The achievement gap in higher grades has proven more obstinate. For example, the math achievement gap between white and African American 8th graders has not narrowed at all between 2007 and 2011, although both groups have made achievement gains. On the other hand, the gap in literacy between white and Hispanic 8th grade students has declined with dramatic gains in Hispanic scores. In 2007, just 50% of Hispanic 8th grade students were proficient or advanced in literacy, but by 2011, 74% of Hispanic 8th graders were testing on grade level.









Source: http://normessasweb.uark.edu/schoolperformance/beta/stachievement/index

Quality Counts Ranking

Each year Education Week publishes "Quality Counts," a ranking of state education systems. While Arkansas usually ranks relatively high in the overall scores, the state typically earns a D grade in the area of student achievement**.** The Student Achievement grade is awarded based on improvements in NAEP test scores, the state's graduation rate and AP test scores.

	Student Achievement Grade	Overall Grade	Overall Rank
2008	D	B-	8th
2009	D	B-	10th
2010	D	B-	10th
2011	D	B-	6th
2012	D	B-	5th

Section 5: Statewide School Accountability Programs

Arkansas Comprehensive Testing, Assessment, and Accountability Program

The Arkansas Comprehensive Testing, Assessment, and Accountability Program (ACTAAP) is the state's system of assessing and monitoring the education provided to kindergarten through 12th grade public school students. The law established four priorities for the system:

- Allow all students to have an opportunity to demonstrate increased learning and completion at all levels, to graduate from high school, and to enter postsecondary or workforce without remediation.
- Allow students to demonstrate that they meet the expected academic standards
- Align academic standards and resources for every grade level in K-12 with performance expectations.
- Improve the quality of educational leadership.

The centerpiece of ACTAAP is a testing system in which every student and every public school is required to participate (A.C.A. § 6-15-401 et seq.) ACTAAP tests students to gauge their understanding of the state curriculum and uses the collective test scores to measure the quality of the education that schools provide. ACTAAP provides a statutory framework for addressing both individual students who do not test proficient and schools where students do not adequately perform.

In 2010-11 students took five types of state tests:

- Augmented Benchmark exams (grades 3-8)
- End-of-course (EOC) exams (Algebra I, Algebra II, Geometry, and Biology)
- Grade 11 literacy exams
- Alternate portfolio assessments (for students with disabilities)
- Norm-referenced tests (Metropolitan Achievement Tests, Eighth Edition [MAT 8] for kindergarten students and Stanford Achievement Test Series, Tenth Edition [SAT 10] for grades 1, 2, and 9)

Students in the 4th and 8th grades also take the National Assessment of Educational Progress (NAEP), a national exam used to compare the progress made by Arkansas students with the progress made by students in other states. However, NAEP is not considered part of the testing system established under ACTAAP.

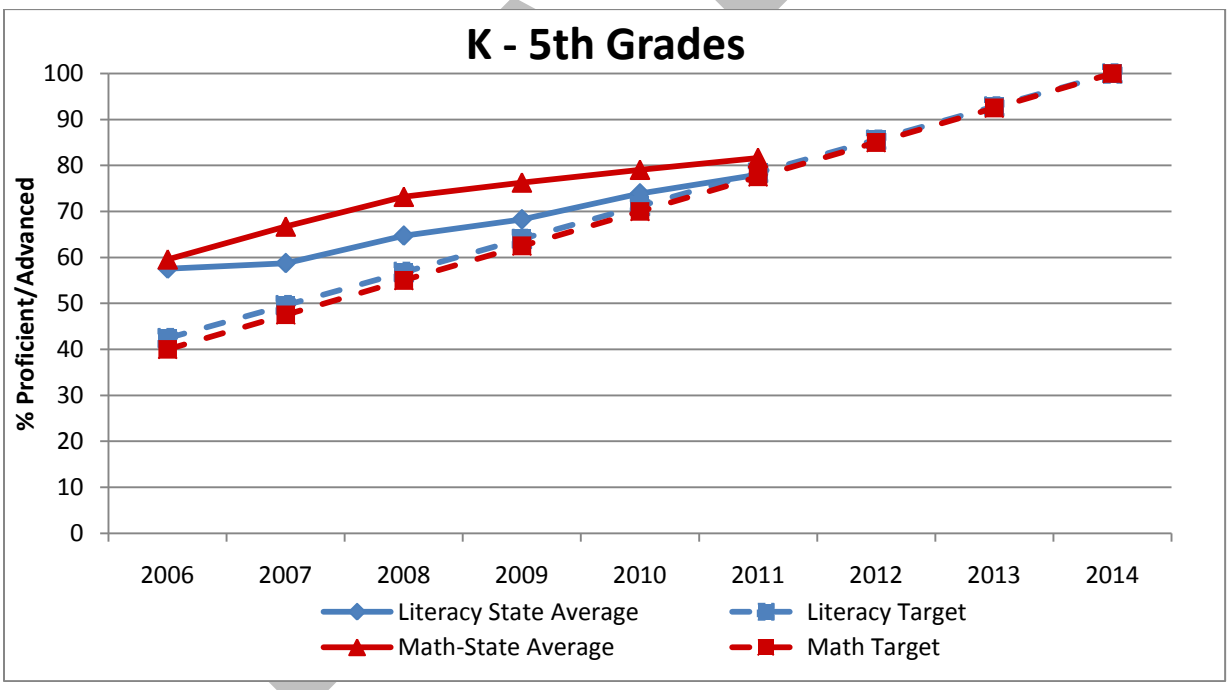
All students enrolled in Algebra I, Geometry, and Biology for high school graduation credit must take the end-of-course exam. (Every Algebra II student takes an Algebra II end-of-course exam, but that test is not required under the ACTAAP statute.) All grade 11 students must take the grade 11 literacy exam or participate in the alternate assessment. Students who do not score at a proficient level must have an Academic Improvement Plan (AIP) and complete remediation to receive credit for the course.

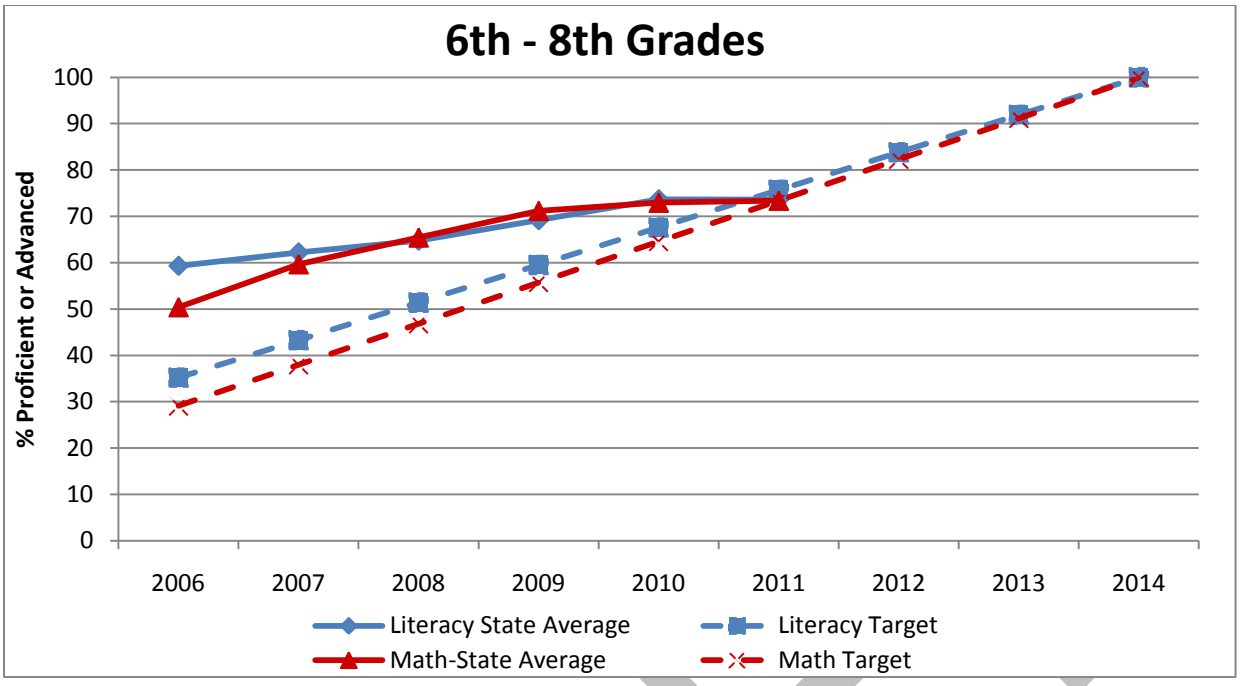
Act 1307 of 2009 establishes two types of EOC tests: general and high stakes. High stakes tests are those that students must pass to graduate. Students must take general EOCs, but their diplomas are not withheld if they do not pass. Biology and Geometry are considered general EOCs, and Algebra I and English II are now considered high stakes EOCs. Ninth grade students enrolled in Algebra I in 2009-10 will be the first group of students who will have to pass the Algebra I exam to graduate from high school. The 10th grade students in 2013-14 will be the first group of students who will be required to pass the English II exam to graduate.

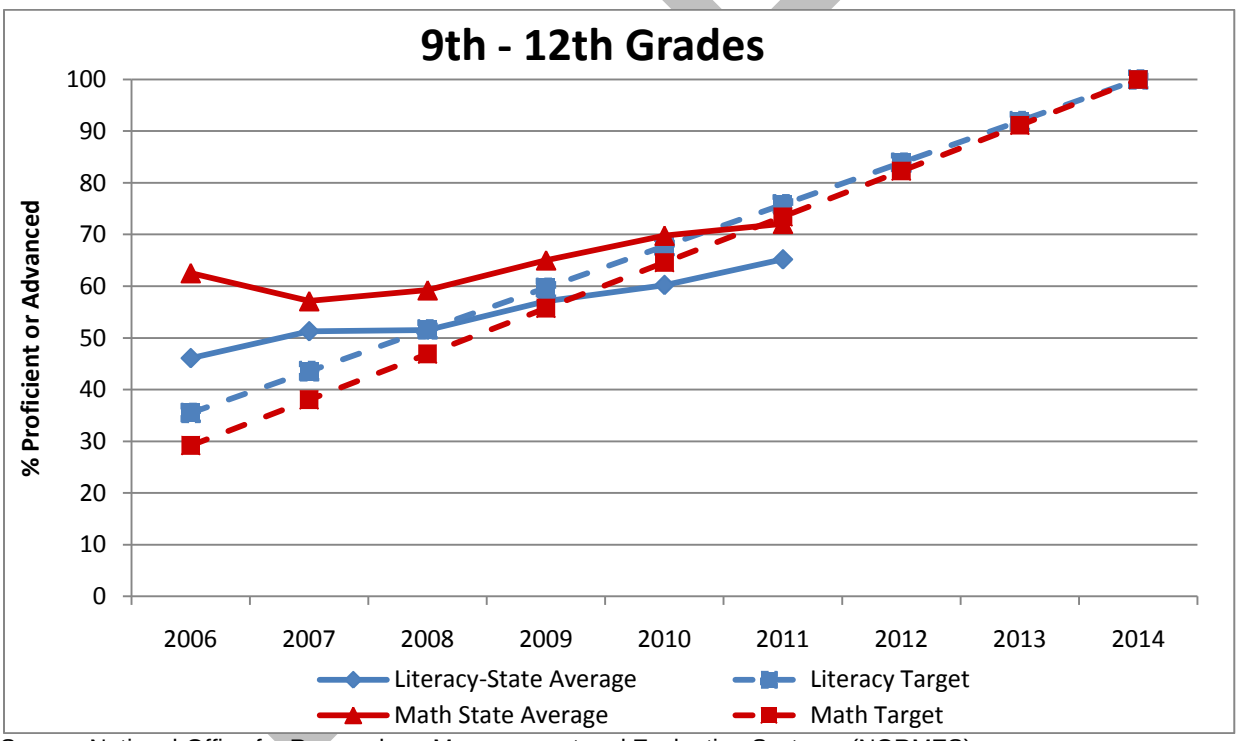
Elementary and Secondary Education Act

The state's testing system is also aligned with the federal Elementary and Secondary Education Act (ESEA). (The legislation is also known as the No Child Left Behind Act (NCLB), the name given to the 2001 federal reauthorization of the ESEA. The terms NCLB and ESEA are often used interchangeably.) That legislation requires states to develop rigorous and challenging academic standards in language arts, math, and sciences (No Child Left Behind Act of 2001, Pub. L. 107-110, 115 Stat. 1425). ESEA requires states to test students in reading, writing, and math in grades 3-8; in high school starting with the 2005-06 school year; and in science beginning in 2007-08. Under ACTAAP, students test score places them in one of four categories: below basic, basic, proficient or advanced.

ESEA requires schools to increase the percentage of students testing in the proficient or advanced categories each year. It established a series of increasing targets (e.g., having 40% of students test proficient or advanced in 2005-06 and 45% in 2006-07) that schools must to meet to make Adequate Yearly Progress (AYP). Schools that don't meet AYP for two consecutive years are placed on the school improvement list where they face increasing sanctions each year that they remain on the list. The target percentages were established with the goal of having 100% of students testing proficient by the 2013-14 school. (In June 2012, the state was granted waivers for some of the ESEA requirements. See page 17 for more information.) The following charts show the increasing targets (in dashed lines) and the statewide average student achievement (in solid lines) for elementary, middle and high schools.



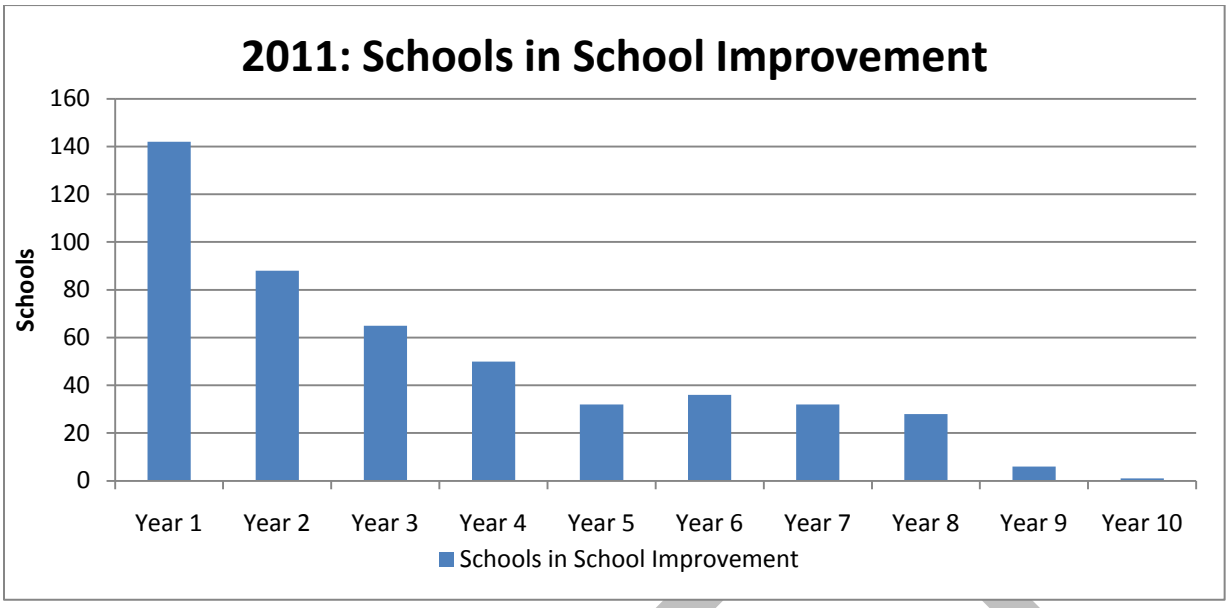




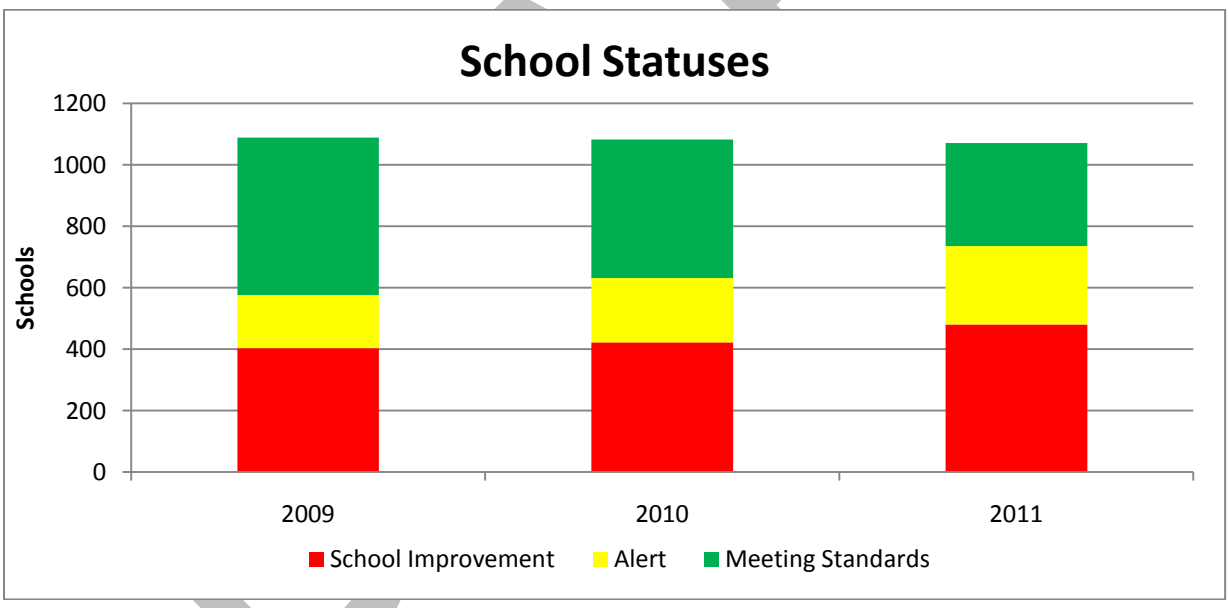
Source: National Office for Research on Measurement and Evaluation Systems (NORMES)

School Improvement

In February 2012, Dr. Laura Bednar, ADE's Assistant Commissioner for the Division of Learning Services, and Mr. John Hoy, Assistant Commissioner of the Division of Academic Accountability, presented information about Arkansas's progress under the ESEA requirements then in place. Of the 1,071 schools in operation in 2011, 480 were on the school improvement list and another 256 were in alert status. (Because it takes two consecutive years of not making AYP to get on the school improvement list, the first year a school fails to make AYP, it is considered in alert status.)



At the time, ADE was providing intensive support to 284 schools based on their school improvement statuses. The following chart shows that, as the proficiency targets increase each year, fewer schools are able to meet standards.



Supplemental Educational Services

Under the original requirements of ESEA, schools in Year 2 of school improvement or beyond were required to offer students supplemental educational services (SES). (This requirement has changed under Arkansas's ESEA Flexibility plan. See the following section.) SES is instruction provided outside the regular school day and may include tutoring, remediation, and other academic enrichment services. Federal rules required schools to continue offering SES until they were removed from school improvement. Schools in school improvement also were prohibited from serving as SES providers, meaning that schools that offered SES were required to hire outside organizations to provide the service. Districts were required to use their own district funding to pay for SES providers. In her February 2012 presentation, Dr. Bednar provided a list of 45 school districts and the SES providers working in each. She described

ADE's approval process SES providers were required to go through before they could work in schools, but she noted that the Education Department did not have the authority to evaluate the work of SES providers in Arkansas schools.

ESEA Flexibility

In June 2012, the U.S. Department of Education approved Arkansas's Flexibility Request for waivers from certain ESEA standards as the state implements the Common Core State Standards. As mentioned on pages 21 and 22, the new Common Core standards will be introduced in schools before tests aligned to the Common Core can be implemented. That means students will be tested for ESEA purposes, using exams that are based on the state's previous curriculum. Because of that gap, Arkansas and 43 other states and the District of Columbia, submitted Flexibility Requests. Currently, the U.S. Department of Education has approved the requests of a total of 33 states and the District of Columbia.

ADE's objectives in seeking ESEA Flexibility include continuing to set high standards and expectations while establishing goals that are ambitious and attainable; incentivizing improved student growth, achievement and graduation rates in all schools; identifying schools that need the most assistance in the aggregate and for student subgroups; and recognizing high achieving and improving schools.

The new accountability system is anchored in college and career readiness for all students. Like previous models, it continues annual public reporting of student outcome measures in math and literacy to assess school performance. However, this more robust system also considers student achievement growth measures and high school graduation rates. The new system holds all schools and districts accountable for improving student performance and creates five performance classifications that determine consequences and guide interventions and supports. The state's goal is to ensure all students graduate from high school ready for success in college and career.

Arkansas's ESEA Flexibility plan, which replaces the state's school improvement accountability structure, calls for more oversight and intensive support for the schools with the lowest level of student achievement. ADE will identify the lowest performing 5 percent of schools in the state as "needs improvement priority schools." For 2011, 48 schools were identified as priority schools.

Arkansas also identified 109 "needs improvement focus schools." Focus schools, are those with the largest achievement gaps between students in the Targeted Achievement Gap Group (TAGG) and all other students. The TAGG students are those who fall into one or more of three categories: economically disadvantaged, English Language Learners, or students with a disability. The Flexibility Waiver also calls for Arkansas to identify exemplary schools, those schools that demonstrate high achievement and significant gains without significant gaps between the achievement of TAGG students and other students. For 2011 the state designated 19 exemplary schools.

With approval of the ESEA Flexibility Request, school districts will no longer be required to offer supplemental educational services or federal school choice. Those funds can be redirected to turning around priority and focus schools. School improvement providers, also known as external providers, will continue to undergo an application process and must be approved by ADE prior to contracting with a school district. (See pages 19 and 20 for more information about school improvement providers.)

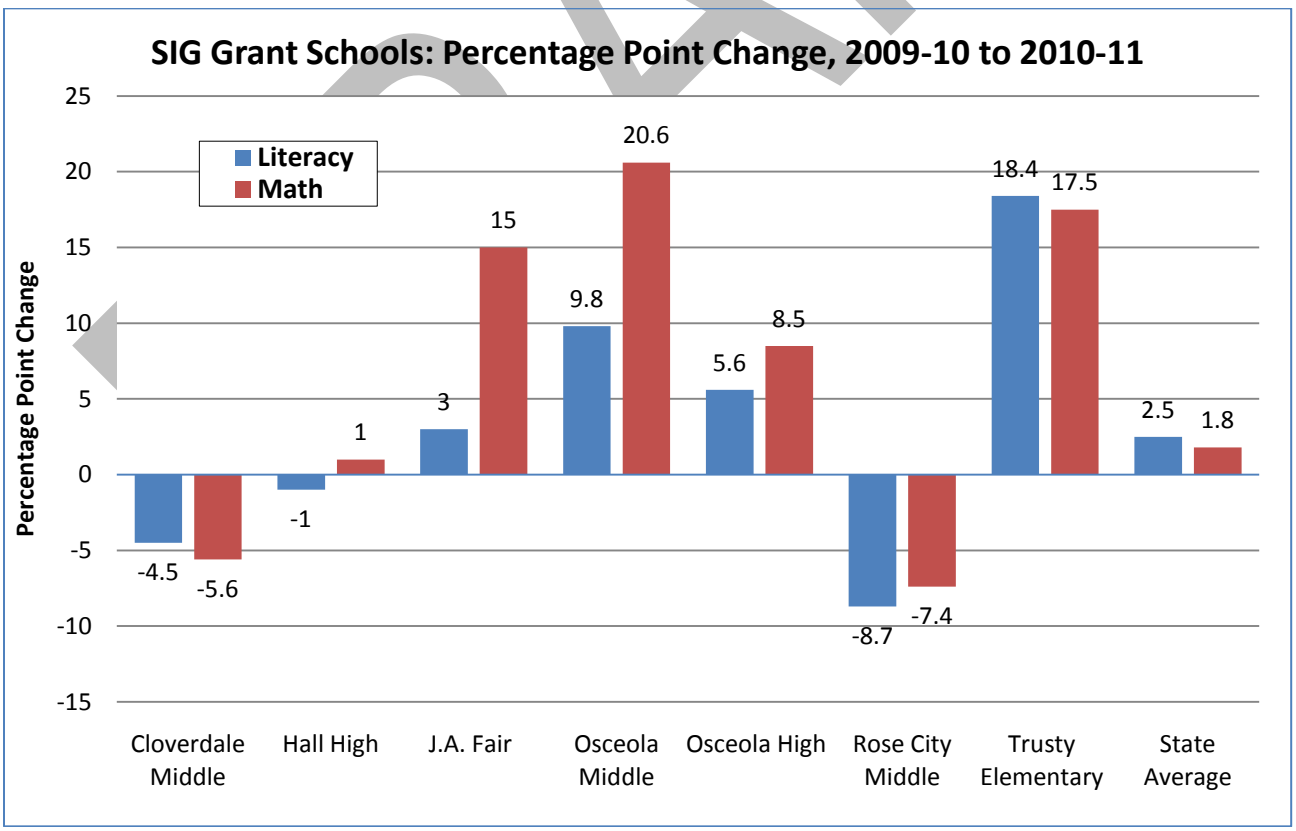
School Improvement Grants

In FY2011, the American Recovery and Reinvestment Act (ARRA) significantly increased the funding available for the federal school improvement grant (SIG) program that already existed

under Section 1003(g) of Title I of the No Child Left Behind Act. The federal government required states to focus the enhanced funding on their lowest performing schools. The seven Arkansas schools awarded funding in 2010-11 and the 11 schools awarded funding in 2011-12 are listed in the following table.

School	2010-11 Award	2011-12 Award
Cloverdale Middle School	$1,987,834	$1,937,708
Hall High School	$1,987,282	$1,981,956
J.A. Fair High School	$1,970,121	$1,932,095
Osceola Middle School	$665,000	$632,500
Osceola High School	$695,000	$652,500
Rose City Middle School	$991,451	$683,172
Trusty Elementary School	$990,135	$589,865
Central High School		$1,987,425
Dollarway High School		$724,267
Jacksonville High School		$2,000,000
Marvell High School		$1,516,827
Total Awarded	**$9,286,823**	**$14,638,315**

The following chart shows the percentage point gain/loss in proficiency during the first year schools received the ARRA-funded school improvement grants. Also included is the state average gain among schools that were in operation in both 2009-10 and 2010-11.



Source: NORMES, Bureau of Legislative Research

Four schools greatly outpaced the state average: J.A. Fair High, Osceola Middle, Osceola High and Trusty Elementary. Of those, three contracted with JBHM and Renaissance Learning, and one contracted with America's Choice. Two schools had significant declines in proficiency: Cloverdale Middle and Rose City Middle. Both schools as well as Hall High, which saw little change, contracted with America's Choice. All of the schools were awarded a second year of funding.

During the Education Committees' February 2012 meeting, Dr. Laura Bednar mentioned the federally required evaluation of the seven schools that received SIG grants in 2010-11. The evaluation, conducted by the Office for Education Policy at the University of Arkansas, summarized the results:

> "[T]hough enthusiasm is strong at five of the seven schools as a result of the SIG funds, there have not been systemic or dramatic changes in any these schools in terms of student achievement. It is important to note that these schools enroll an incredibly at-risk group of students. It may be unreasonable to expect dramatic changes in such a short time period. Furthermore, none of these schools received their funds until October of their first year. As a result, the schools evaluated in this report did not have a full year of implementation to evaluate. Finally, the timing of the receipt of funds created additional challenges in the hiring of new staff and implementation of many of the components of this grant. Any major positive changes resulting from the SIG program — if they indeed occur — will be more likely to show up in the subsequent year's report rather than this initial report."

ADE monitors the SIG schools on a quarterly basis with a written report submitted to each superintendent and the school principal after each monitoring visit. ADE also provides technical assistance to each school. ADE has also placed a site director in each of the schools that received new SIG grants in 2011-12. The site director reports back to ADE the progress or lack of progress being made in each school.

In April 2012, ADE terminated the SIG grant awarded to one school for 2011-12: Dollarway High School. The $1.9 million grant was terminated due to the school's failure to follow ADE's recommendations and implement reform.

School Improvement Consultants (External Providers)

In February 2012, the BLR presented a report detailing the amount of money spent on school improvement consultant services in Arkansas. The report also analyzed the results the largest providers have achieved in their client schools. These services have evolved since the passage of the No Child Left Behind Act when enterprising educators began selling education expertise to failing schools. Fostering these businesses was a state accountability system that encouraged troubled schools to hire consultants and new federal funding that allowed them to pay for it.

In the previous five years, nearly 300 schools have received some type of service from a school improvement provider, with a total price tag of nearly $70 million, much of which was federal funding. In 2010-11 alone, school districts spent nearly $20 million on school improvement consulting services. With access to new and greatly enhanced funding and intense pressure to pull up test scores, districts have found themselves facing an aggressive school improvement consulting industry vying for their business.

There are three types of ADE-approved external providers in Arkansas: school improvement directors, school improvement specialists and school turnaround providers (individuals or organizations). There are currently 36 approved consultants and companies listed as external providers, but most of the expenditures are made with just a handful of companies.

All of the providers working in Arkansas can point to individual client schools that have made impressive improvements, but they have also worked with schools with disappointing results. Schools considering hiring a provider have access to little objective data examining the results these providers have delivered. The BLR's report analyzed the results of school improvement providers in terms of the changes in their client schools' student achievement and the number of schools that actually got out of school improvement.

The BLR found the schools that hired consultants typically had lower test scores in 2006 and had higher NSLA rates than schools that did not hire consultants. The analysis also found that vendor schools had significantly higher gains in both math and literacy over the last five years than the schools that received no services. The BLR could not determine whether this increased gain was *caused* by the providers or by something else; only that vendor schools' gains outpaced those of a control group.

Comparing the results of individual providers, the BLR found that the literacy gains between 2006 and 2011 of three school improvement providers—JBHM, E2E and Evans Newton—were superior to schools that received no services. The BLR's analysis of math gains during the five year period showed that only JBHM's math gains were statistically superior to the control group.

When comparing average *annual* gains of each vendor's schools, the BLR found that E2E and JBHM schools significantly outperformed America's Choice schools in literacy, while none of the differences between the providers was statistically significant in math.

The BLR also reviewed the frequency with which vendor schools are removed from school improvement. Because it takes two years of adequate improvement for a school to get out of school improvement, the Bureau examined the number of schools with which each provider worked for at least two years and the percentage of those schools that were removed from school improvement. This analysis found that the Arkansas Leadership Academy had the best record for getting schools back on track.

Vendor	Total Schools	Removed From School Improvement	Percentage of Schools
Arkansas Leadership Academy's School Support	5	3	60%
Elbow 2 Elbow	10	3	30%
America's Choice	23	5	22%
JBHM	41	4	10%
Multiple Providers	44	1	2%
Evans Newton	3	0	0%

State Gains and Status Ratings

In addition to the school improvement process under the No Child Left Behind Act, the state assesses schools under two rating systems: gains and status ratings. A gains score measures a school's performance based on changes in individual students' learning; for example, the improvements made in the test score of individual 4th graders over their individual scores as 3rd graders. The gains rating differs from the school improvement status in that school improvement is based on changes in a single grade from one year to the next; for example, 3rd grade test scores in 2011 compared with 3rd grade test scores in 2010. Gains scores are between 5, for "schools of excellence for improvement," and 1, for "schools in need of immediate improvement."

In 2010, the state started using a new measure, called a status rating. A school's status rating is a measure of the number of students who score advanced, proficient, basic and below basic. While the school improvement status is based on the percentage of students who are proficient or not, the status score weights each of the four performance categories. For example, a school with 25 proficient students and 25 advanced students would get a higher status score than a school with 50 proficient students. Status ratings range from 5, "schools of excellence," to 1, "schools in need of immediate improvement." When a school receives a status rating of 1 for two consecutive years, students in those schools will be allowed to switch to the school with a rating of 3 or higher closest to each student's residence (A.C.A. § 6-18-227). School districts must also provide supplemental educational services to affected students (A.C.A. § 6-15-2103). The 2010-11 school year was the first year schools were given a status rating, meaning 2012-13 will be the first time the sanctions under this program will apply. Seven schools had a status rating of 1 in the 2010-11 school year, making them the only schools that may be affected by sanctions beginning in 2012-13 (if they receive a rating of 1 for a second year). Those schools, most of which are alternative learning programs, are:

- Accelerated Learning Program, Little Rock
- W.D. Hamilton Learning Academy, Little Rock
- Felder Alternative Academy, Little Rock
- Belle Point Alternative Center, Fort Smith
- Springdale Alternative School, Springdale
- Arkansas School for the Deaf Elementary
- Arkansas School for the Deaf High School

Arkansas Comprehensive School Improvement Plan

As part of the state's school accountability system, all Arkansas public schools and school districts are required to develop an Arkansas Comprehensive School Improvement Plan (ACSIP) (A.C.A. § 6-15-426 et seq.). An ACSIP is an annual planning and fund distribution document guiding the schools' and districts' strategies for improving student achievement. The plan is also used as the school's application for all federal programs administered by ADE, under the No Child Left Behind Act. The plan must include activities based on the school's greatest needs and document the performance of student subgroups if the subgroups did not make AYP.

The General Assembly passed Act 807 of 2007, which requires ADE to monitor each school's and district's compliance regarding its ACSIP. ADE assigned the responsibility for monitoring district and school use of ACSIP to the Division of Academic Accountability. Mr. John Hoy, Assistant Commissioner for the Division of Academic Accountability presented information about the ACSIP monitoring process in February 2012. The Division has six employees who visit each school on a six-year rotating schedule to determine whether the schools are implementing the actions described in their ACSIP. Monitors spend a day in each school checking to see how well money is being spent towards the ACSIP strategies as well as other items. ADE also is required to evaluate the research districts cite as support for their chosen strategies (A.C.A. § 6-15-426(i)).

Curriculum Frameworks and Common Core

The Arkansas student testing and school accountability system is built around the state curriculum frameworks, which describe what students must know and be able to do in each academic content area. Arkansas's existing curriculum frameworks are currently being replaced with the Common Core State Standards (CCSS). In January 2012, Dr. Laura Bednar presented information to the Education Committees on the state's progress toward adopting Common Core standards.

The Common Core is a state-led effort to ensure that students are competitive in a global marketplace. The new learning standards were designed to provide a clear and consistent framework common across all states to ensure that first graders in one state, for example, are learning the same math and literacy content as first graders in another state. Forty-five states, including Arkansas, have formally adopted the Common Core State Standards. Arkansas is implementing the Common Core standards over a three-year timeframe. The state began implementing the kindergarten through 2nd grade standards in 2011-12. Grades 3 through 8 are scheduled for implementation in 2012-13, and high school grades 9 through 12 begin in 2013-14.

In addition to adopting Common Core, ADE has also been involved in a 23-state (and Washington D.C.) consortium — Partnership for Assessment of Readiness for College and Careers (PARCC) — that is developing the student assessments for the Common Core curriculum. The PARCC assessments will replace Arkansas's current Benchmark exams and are expected to be ready for implementation in the 2014-15 school year in math and English language arts, grades 3 through 11. Dr. Bednar said the development of science standards and student assessments could be in the future. Arkansas is currently involved in the development of the Next Generation Science Standards, which is an effort being undertaken by a collaboration among the National Research Council, the National Science Teachers Association, the American Association for the Advancement of Science and Achieve, the nonprofit education reform organization behind the development of Common Core standards.

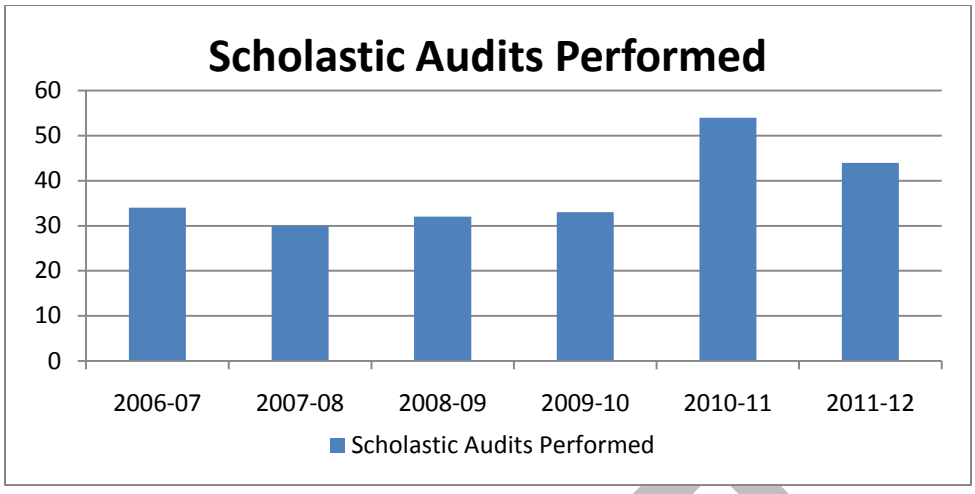
All of the PARCC assessments will be online, which may require an increase in bandwidth for some schools and districts. Additionally, the first year the PARCC assessments are used, a decline in student test scores — an "implementation dip" — in test scores can be expected. There also could be an effect on test scores before the PARCC assessments are implemented, when schools are teaching the Common Core standards, but testing students with the Benchmark tests.

Dr. Bednar cautioned that the transition to Common Core and PARCC assessments will likely require adjustments in other areas. For example, students typically take keyboarding in 7th or 8th grade, but because Common Core assessments eventually will be given online to 3rd graders, educators now are trying to decide whether keyboarding should be introduced in earlier grades. Moving keyboarding to elementary grades then will affect teacher licensure, since it is now part of the middle school license.

Scholastic Audit

One initiative that ADE uses to support schools in school improvement is the scholastic audit. A scholastic audit is a detailed review of a school's learning environment, efficiency, and academic performance. ADE contracts with individual educators (often retired) and sends them in teams to selected schools to perform the audits. The audit teams analyze the strengths and limitations of the schools' instructional and organizational effectiveness and make recommendations to improve teaching and learning. Schools are measured against nine general standards, and a scholastic audit provides the schools with three to five recommendations for each standard. Dr. Laura Bednar, ADE's Assistant Commissioner for the Division of Learning Services, presented information about scholastic audits in February 2012.

Current ADE rules require schools in year three, four or five of school improvement to participate in a scholastic audit, though not every school in those stages of school improvement has been audited. Since ADE began conducting scholastic audits in the 2006-07 school year, 227 audits have been performed.



The results of the audit are intended to drive the school improvement efforts in each audited school. However, schools are not required to implement the recommendations cited in the written audit report, and ADE does not go back into a school to reaudit to ensure that problems are corrected. ADE does continue monitoring audited schools through other parts of the school improvement process. Dr. Bednar said schools' use of the scholastic audit and implementation of its recommendations are areas in which the school improvement unit is working to improve.

ADE previously used its own operating funds to pay for the scholastic audits. Now, however, ADE requires the school districts to pay ADE for the cost of the scholastic audit. On average a scholastic audit costs $25,000 to $30,000. Scholastic audits for larger schools with more programs and staff are usually more expensive than those completed for smaller schools.

Distress Programs

School districts are locally operated, but the state shares the responsibility for ensuring students receive an adequate education. To uphold that obligation the state has three programs to identify struggling districts, provide corrective guidance and sanction those that continue to perform poorly. The state's three distress programs are 1.) academic distress for districts with low student achievement, 2.) fiscal distress for districts with serious financial problems and 3.) facilities distress for districts that are unable to build or maintain safe school buildings.

Academic Distress

Academic distress is the state designation for districts that have demonstrated for a sustained period of time a lack of student achievement on the state-mandated or criterion-referenced tests. The legislative mandate for this program was established by Act 1467 of 2003 and Act 35 of the Second Extraordinary Session of 2003 (A.C.A. § 6-15-431).

Current ADE rules allow districts to be placed in academic distress if 75% or more of their students score below basic on criterion-referenced tests (Rule 10.04 of the Emergency Rules Governing the Arkansas Comprehensive Testing, Assessment, and Accountability Program and the Academic Distress Program). Once a district has been designated as being in academic distress, the State Board of Education may take a number of actions, including suspending or removing some or all of the school board members, requiring the superintendent to step down, or requiring the district to consolidate with another district. No district in recent years has been designated as being in academic distress.

ADE is in the process of revising its Academic Distress rules to align with the state's ESEA Flexibility Waiver. Under the new rules, which may become effective as early as January 2013, a district may be placed in academic distress if it meets either of the following criteria:

- 49.5% or less of its students test proficient or advanced on the state Benchmark assessments. The percentage will be based on the weighted average of math and literacy for the most recent three years.

- Has a Priority School within the district that has not made progress required under the school's Priority Improvement Plan. The Priority School designation and the Priority Improvement Plan are new concepts developed through ADE's Flexibility application. The document introduces a new process for identifying struggling schools. It calls for the five percent of schools with the lowest percentage of students testing proficient in the state to be designated Priority Schools. Once a school has been designated as a Priority School, it will undergo a diagnostic analysis and needs assessment, which will be used to develop a three-year Priority Improvement Plan.

The purpose of the change is to give ADE:

> "the authority to identify a district that does not have a clear path for a student to go from kindergarten through Grade 12 without having to enter a Priority School that is not making progress. The intent in this case is for a district to be identified as in Academic Distress when a Priority School does not make the progress expected under the Priority School's Priority Improvement Plan (PIP). Under these circumstances, district autonomy is greatly reduced and the ADE becomes a very active partner not only in that school, but in all schools within that district, in the allocation of district human capital and financial resources and in the governance of the Priority School. This could include removing the local school board and/or superintendent and moving forward with state governance of the district."[1]

Fiscal Distress

The fiscal distress program identifies any fiscal condition that, if not corrected, would have a negative impact on the district's ability to provide educational services (A.C.A. § 6-20-1901 et seq.). ADE and the State Board of Education can place a district in fiscal distress for a variety of financial problems including a declining balance that jeopardizes the district's fiscal integrity; material failure to properly maintain facilities; and insufficient funds to cover payroll, benefits, and/or tax obligations. Mr. Tony Wood presented the Education Committees with information on this topic in November 2011.

There are a number of operational issues that frequently lead to fiscal distress, including general overstaffing, an over-reliance on debt service mills to cover operational expenses and the failure to adjust staffing levels when facing a declining enrollment.

Once determined to be in fiscal distress, a district is prohibited from incurring any additional debt without ADE approval and must file an improvement plan with ADE. With recommendations and technical assistance from ADE, the district has two years to improve its fiscal status. ADE recommendations may include consolidation. Any district that fails to make adequate improvements within two years can be consolidated or reconstituted. (Districts can be in fiscal distress for longer than two years if they are designated in the middle of a school year. Those districts can be held in fiscal distress for the next two full school years.) To address the needs of such districts, ADE can replace the superintendent, appoint a new superintendent, suspend the local board or require fiscal training for the district staff or board, among other options.

[1] Arkansas ESEA Flexibility Request, June 18, 2012 Resubmission.

In addition to the formal fiscal distress designation, ADE also operates an early intervention system that has been beneficial for districts. Act 798 of 2009 authorizes ADE to provide professional consultation when a district shows early signs of problems that may lead to a fiscal distress designation (A.C.A. § 6-20-1904). Six districts were in early intervention at the time of Mr. Wood's November 2011 presentation.

Fifteen school districts were in fiscal distress during some part of the 2011-12 school year. Of those 15, four were removed from fiscal distress during the year and five were added. Of the four districts removed, the average time spent in fiscal distress was 20 months.

Districts in First Year of Fiscal Distress	Placed on Fiscal Distress	Removed from Fiscal Distress	Duration in Fiscal Distress	Previous History of Fiscal Distress
Forrest City	December 2009	April 2012	2 years, four months	No
Yellville Summit	December 2009	November 2011	1 year, 11 months	No
Armorel	May 2010	November 2011	1 year, 6 months	No
Strong-Huttig	January 2011			No
Dermott	April 2011			No
West Side	April 2011			No
Earle	May 2011	April 2012	11 months	No
North Little Rock	May 2011			No
Pulaski County Special	May 2011, State Take Over June 2011			Yes
Helena-West Helena	September 2010, State Take Over June 2011			Yes
Hermitage	December 2011			Yes
Cutter Morning Star	December 2011			No
Brinkley	April 2012			No
Hartford	April 2012			Yes
Western Yell County	April 2012			Yes

Two districts — Helena-West Helena and Pulaski County Special — were taken over by the state in 2011-12 as a result of their extensive financial problems. Of the 15 districts in fiscal distress, a third had been in fiscal distress before.

Facilities Distress

The facilities distress program was designed to provide state oversight and assistance to those school districts that fail to properly maintain their academic facilities in accordance with state laws (A.C.A. § 6-21-811) and related rules. Under the law, the Commission for Arkansas Public School Academic Facilities and Transportation (Facilities Commission) may place a district in facilities distress for any of the following:

- Material failure to properly maintain academic facilities
- Material violation of local, state, or federal fire, health, or safety code provisions or laws
- Material violation of building code provisions or laws
- Material failure to provide timely and accurate facilities master plans to the Division of Public School Academic Facilities and Transportation Division (Facilities Division)

- Material failure to comply with state laws regarding purchasing, bid requirements or school construction
- Material default on any district debt obligation
- Material failure to plan and progress satisfactorily toward accomplishing priorities set by the Facilities Division and the district's master plan

After a district has been placed in facilities distress, the Commission for Arkansas Public School Academic Facilities and Transportation can take a number of actions, including requiring the superintendent to step down, requiring the school district to operate without a local school board or prohibiting the district from spending money on any activity that is not part of providing an adequate education.

Only one district, the Hermitage School District, has been placed in facilities distress under the Academic Facilities Distress Program. Hermitage's designation was the result of building code and procurement law violations associated with a renovation project. The district was placed on facilities distress in July 2008, and the Facilities Commission removed it from the list in September 2009.

In January 2012, Mr. Tony Wood, ADE's Deputy Commissioner, and Dr. Charles Stein, Director of the Division of Public School Academic Facilities and Transportation, presented the Education Committees with information about the Partnership Program, which provides state financial participation for the construction and renovation of academic school facilities. One part of their presentation described the potential for a facilities distress designation for districts that are unable to persuade voters to pass a millage increase to pay for needed facilities. Because the state's funding program for school construction is a partnership between the state and local school districts, districts that are unable to raise their share of the project funding due to a millage failure may have a difficult time providing adequate facilities for their students. Generally, when a district's millage increase fails, districts are able to amend their plans and successfully avoid the facilities distress designation. Sometimes that may mean substituting construction plans with temporary portable classrooms or eliminating part of the proposed project and returning to voters for a second, reduced millage proposal.

For additional information about the state's facilities funding program, see page 36.

School Case Studies

To help illustrate how schools are faring under ACTAAP and ESEA, the Bureau of Legislative Research, in November 2011, presented case studies on three Arkansas schools: Wonder Elementary in West Memphis, Osceola Middle School in Osceola and Dollarway High School in Pine Bluff. The schools were studied to understand the differences between a struggling school that successfully raised student test scores and struggling schools that were unable to make much progress at all. All three schools had high levels of poverty and were losing students every year. The BLR reviewed documentation on each of the schools and visited each campus, speaking with the superintendent, the principal and teachers.

The BLR chose Wonder Elementary for study because, at the time, the school was the only school in the state to have been in year six or higher of school improvement and then be removed from the list. In 2005, just 34% of Wonder's students were proficient in literacy and 25% proficient in math. But by 2011, 81.6% of students were proficient in literacy and 87.9% were proficient in math. The BLR identified several factors that may have contributed to Wonder's successful reform effort.

- Stable leadership with the same superintendent and principal for the last 25 years.
- A productive relationship between the school's staff and its school improvement consultants.

- Formative testing that allowed teachers to better understand what their students were learning and improve students' test taking abilities. The school also incorporated writing in every part of the school day, from morning journal writing to oral activities while standing in the lunch line.
- A district-wide, district-developed curriculum pacing guide that ensured that teachers across the district teach the same material on the same day. The pacing guide also allowed school-to-school comparisons of students' progress.

The BLR studied Osceola Middle School because it had been unable to make much progress in raising student achievement over the previous five years. In 2010, just 18.6% of Osceola Middle's students were proficient in math, the lowest rate of math proficiency of any traditional school. The BLR identified several factors that may have contributed to Osceola Middle's inability to improve student achievement:

- A general lack of accountability among the school personnel, which resulted in a high rate of teacher absenteeism.
- A history of fiscal distress and accreditation violations.
- An open enrollment charter school in the community that attracted some of Osceola's best students.

Fortunately, Osceola Middle made significant improvement in 2011, with a 20 percentage point gain in math and a 10-point increase in literacy. The school's gains may have been the result of a new superintendent focused on district reform and a $665,000 school improvement grant the school used to purchase more intensive school improvement consulting services from JBHM.

The BLR examined Dollarway High School because like Osceola Middle, ADE deemed it a "persistently lowest achieving" school. Dollarway High School has faced a number of challenges, including:

- A rapid turnover in superintendents — three in four years.
- A history of fiscal distress.
- Dilapidated buildings.
- A disorderly campus environment, with students frequently out of class roaming the campus.
- Disillusioned teachers and teachers who are resistant to trying new strategies, coupled with a salary schedule well below surrounding districts.

Like Osceola, Dollarway made promising gains in 2011, increasing its proficiency in literacy from 14% in 2009 to 41%. And the school pulled up its math proficiency from 11% in 2009 to 26% in 2011.

In studying the three schools and drawing on lessons learned in a previous case study, the BLR identified the following factors distinguishing a school that is able to improve from one that is not:

- The way school districts are managed is very important. A lack of efficiency and accountability in managing budgetary issues and grants appears to also be reflected in leadership and the handling of personnel.
- In schools that are in the process of "turning around" student performance in a positive direction, principals have taken an aggressive, "hands-on" approach to shaping curriculum, expectations of students and teachers, school culture, personnel decisions, and absenteeism/discipline.

- A prominent complaint of principals at struggling schools was the presence of ineffective teachers. In successful schools, ineffective teachers are dismissed if they are unable to meet performance expectations. Retaining ineffective teachers appears to be a major factor in distinguishing schools that struggle in student performance from successful schools.
- In successful schools, teachers benefit from having well-educated, highly motivated academic coaches with several years of classroom teaching experience in their area of concentration. Unsuccessful schools appear to rely instead on professional development regimens characterized by irrelevant, single sessions that lack of follow-up practice.
- Teachers in higher performing schools appear to have spent more time designing, implementing, monitoring and evaluating curriculum than teachers in struggling schools.

Section 6: Special Education

Students with disabilities are assured special education services through the federal Individuals with Disabilities Education Act (IDEA), and the services are funded by the US Department of Education. There were 54,780 special education K-12th grade students in Arkansas public schools in the 2010-11 school year, making up 11.7% of the total enrollment in the state[2]. In March 2012, Ms. Martha Kay Asti, ADE's Special Education Division Manager, presented information about the state's special education programs and funding.

In Arkansas, 12 disabilities qualify students for special education:

- Autism
- Deaf-blindness
- Hearing impairment, including deafness
- Emotional disturbance
- Intellectual disability (formerly known as mental retardation)
- Multiple disabilities
- Orthopedic impairment
- Specific learning disability
- Speech or language impairment
- Traumatic brain injury
- Visual impairment, including blindness
- Other health impairment

The "other health impairment" category includes chronic or acute health problems that result in limited strength, vitality or alertness that adversely affects a child's educational performance. These health problems include asthma, attention deficit disorder or attention deficit hyperactivity disorder, diabetes, epilepsy, a heart condition, hemophilia, lead poisoning, leukemia, nephritis, rheumatic fever, Tourette's Syndrome and sickle cell anemia. The 12 disabilities that qualify for special education mirror the 13 disabilities named in the IDEA, except that Arkansas combines hearing impairment and deafness into one category.

Each special education student has an individualized education program (IEP), which serves as the plan for his or her specialized instruction. The IEP is developed by a team of individuals that includes parents. The team reviews a variety of assessment data specific to the individual student to design the IEP. The IEP determines the goals that outline performance associated with the student's grade level. The IEP also describes the special education and related services to be provided.

Identifying Special Education Students

In the last five or six years, educators have begun implementing a process known as Response to Intervention (RTI) to more accurately identify those students at risk for learning and those that may have disabilities. Through this process, schools form an RTI team, which then identifies students having academic or behavioral challenges. The team examines the student's progress in reading and math, through assessments, such a Dynamic Indicators of Basic Early Literacy Skills (DIBELS). For the students who are not progressing as expected, the RTI team determines what interventions could be put in place. One student might receive one-on-one help to give more individualized instruction, while another student might need more intensive help or more specific strategies. If a student is still not progressing, the RTI team could refer the child to

[2] Calculation made using data retrieved from https://adedata.arkansas.gov/statewide/State/EnrollmentByGrade.aspx?year=21&search=&pagesize=10

special education. Throughout the RTI process, educators gather a tremendous amount of data on the child so that when a decision is made to refer the student for special education, educators have a lot of information on which to make that decision.

ADE has supported districts' implementation of RTI through federal grants. Eight years ago, ADE's special education division received a five-year state improvement grant, which the division used to provide positive behavioral supports training to school districts and response to intervention strategies to help schools build RTI teams. When that grant expired, ADE applied for a state personnel development grant. The state is now in the third year of that grant.

Some students with disabilities have a 504 plan, rather than an IEP. These students are not considered special education, but they are allowed accommodations that help them participate in general education classrooms. Examples of 504 accommodations include allowing a hearing impaired child to sit close to the teacher or allowing a diabetic child to test his or her blood sugar during the school day. These 504 plans are required under Section 504 of the Rehabilitation Act of 1973, which protects disabled individuals from discrimination based on their disability and requires school districts to provide a free appropriate public education to qualified students. It is broader than the IDEA, covering all students with a physical or mental impairment that substantially limits one or more major life activities.[3] Students who are covered by IDEA are also protected by Section 504, but not all students covered by Section 504 are considered special education students under IDEA. While IEPs outline the specialized instruction special education students are to receive, 504 plans specify the accommodations each covered student needs to participate in the general education classroom.

Additionally, the process for identifying students under 504 is not prescriptive as it is under IDEA. It's up to each district to have a 504 coordinator and determine how the evaluation process is handled. Schools do not receive any funding to develop, implement or monitor 504 plans.

Student Assessment

Special education students are required to participate in state assessments. IEP teams must decide whether each special education student will take the regular Benchmark exam, will take the Benchmark with accommodations, or, for a very small percentage of students with significant cognitive disabilities, will take an alternate portfolio assessment. In 2010-11, 28,207 special education students took the state assessments. Of those who were tested in literacy, about 31% tested either proficient or advanced. Of those who tested in math, Algebra or Geometry, about 41% tested proficient or advanced.[4]

Special Education Funding

The matrix provides foundation funding for 2.9 special education teachers for each school of 500 students (see page 52). However, there are additional state and federal funds that support schools' special education obligations. The main source of funding is the federal IDEA Part B funding (also known as Title VI-B). That funding must be used to pay the excess costs of providing a free and appropriate public education. Districts can use the funding to pay for:

- Special education teachers and administrators
- Related services personnel
- Materials and supplies for students with disabilities

[3] http://www2.ed.gov/about/offices/list/ocr/504faq.html
[4] Calculated based on data retrieved from http://normessasweb.uark.edu/schoolperformance/beta/stachievement/index

- Professional development for special education personnel or general education teachers who teach students with disabilities
- Specialized equipment or devices

In FY11, the state received $111,392,193 in Part B, Section 611 funds, which support school-age special education students' needs. Of that amount, school districts received a total of $99,275,356, or about $1,812 per special education student. (Part B funds are not distributed to districts based on the number of special education students in each district. The $1,812 per student represents a statewide average.) The state also receives $5,279,320 in Part B, Section 619 funds, which support services for special education preschool students. Of that amount, $5,002,277 was provided to school districts for the education of 7,236 students. On average districts received $691 per student.

School districts with special education students that require services exceeding $15,000 (after Medicaid, Part B, and available third-party funding is applied) are eligible for reimbursement from the state funding known as Special Education Catastrophic Occurrences. These students may be tube fed, for example, or they may require nursing assistance all day long. In 2010-11, 111 districts received Catastrophic funding for 487 students. The state spent a total of $11,000,000, or about $22,597 per student.

ADE's Special Education Division administers the following other funding programs:

- Arkansas Easter Seals
- Early Childhood Special Education
- Human Development Center Education Aid
- Residential Center/Juvenile Detention
- Special Education Services (provides funding to support Extended School Year services to eligible students with disabilities)
- Youth Shelters
- Juvenile Treatment Centers (formerly known as the Serious Offender Program)

Additionally schools can become Medicaid providers and bill for services in the areas of audiology, personal care, vision/hearing screenings, occupational therapy, physical therapy, speech therapy, mental health services. Districts have to pay a match of 29 to 30 percent of the Medicaid service. Some districts bill Medicaid directly, while others use vendors in billing Medicaid.

Section 7: Teacher Salaries and Licensure

Teacher Salaries

In August 2012, the BLR presented a report on teacher salaries in Arkansas. With an average teacher salary of $47,031 in 2010-11 ranked fifth among surrounding states. The state's minimum teacher salary, $29,244 was the third highest minimum teacher salary. (The BLR used NEA salary data for classroom teachers to compare Arkansas to other states. Salary data provided elsewhere in this section comes from ADE.) Among the 16 Southern Regional Education Board (SREB) states, Arkansas ranked 13th on average teacher salary and 9th on minimum teacher salary. When the cost of living was considered, Arkansas ranked 11th among the SREB states in average teacher salary.

2010-11 Teacher Salaries: Arkansas and Surrounding States			
Surrounding States	**Average**	**Surrounding States**	**Minimum**
1. Louisiana	$49,634	1. Oklahoma	$31,600
2. Oklahoma	$49,039	2. Mississippi	$30,900
3. Texas	$48,261	3. **Arkansas**	**$29,244**
4. Tennessee	$47,043	4. Tennessee	$29,215
5. **Arkansas**	**$47,031**	5. Texas	$27,320
6. Mississippi	$46,818	6. Louisiana	$27,102
7. Missouri	$46,411	7. Missouri	$25,000

2010-11 Teacher Salaries: Arkansas and SREB States			
SREB States	**Average**	**SREB States**	**Minimum**
1. Maryland	$65,113	1. Maryland	$40,400
2. Delaware	$57,934	2. Alabama	$36,144
3. Georgia	$53,906	3. Oklahoma	$31,600
4. Virginia	$51,559	4. Georgia	$31,586
5. Kentucky	$50,038	5. Mississippi	$30,900
6. Louisiana	$49,634	6. North Carolina	$30,430
7. South Carolina	$49,434	7. Florida	$30,000
8. Oklahoma	$49,039	8. Virginia	$29,500
9. Alabama	$48,282	**9. Arkansas**	**$29,244**
10. Texas	$48,261	10. Tennessee	$29,215
11. West Virginia	$47,253	11. South Carolina	$28,943
12. Tennessee	$47,043	12. Kentucky	$28,930
13. Arkansas	**$47,031**	13. Texas	$27,320
14. North Carolina	$46,850	14. Louisiana	$27,102
15. Mississippi	$46,818	15. Delaware	$26,967
16. Florida	$46,702	16. West Virginia	$25,651

*Sources: Average teacher salaries come from the National Education Association's *Rankings and Estimates: Rankings of the States 2010 and Estimates of School Statistics 2011, December 2010, Summary Table G, Column 9. Minimum salary data was collected from the various states' education agencies' websites or key contacts.*

Arkansas's average teacher salary increased 1.96% from 2009-10 to 2010-11. Of the surrounding states, Oklahoma, Mississippi and Missouri have outpaced Arkansas's rate of increase. Among the SREB states, Arkansas had the sixth highest rate of increase in average teacher salary.

The minimum teacher salary is established in A.C.A. §6-17-2403(c) at $29,244. That salary was first set for the 2008-09 school year, but it has not been increased since. Thirteen districts use the statutory minimum as their beginning salary. Many districts set their salary schedules with a

minimum salary above the one defined by law. The highest minimum salary offered by an Arkansas district has increased from $41,132 in 2007-08 to $43,222 in 2010-11.

Minimum District Salary	2007-08	2007-08 District Disparity	2010-11	2010-11 District Disparity
Low	$28,897		$29,244	
High	$41,132	$12,235	$43,222	$13,978

Source: ADE's Salary Reports, Teacher Salary Schedule Analysis, 2007-08 and 2010-11

While the disparity among districts' beginning salary is increasing, the disparity among the districts' average teacher salary is decreasing. (These calculations use data from ADE, which calculates average salaries differently from NEA.)

Average District Salary	2007-08	2007-08 District Disparity	2010-11	2010-11 District Disparity
Lowest Average District Salary	$31,296		$33,821	
Highest Average District Salary	$58,958	$27,662	$56,359	$22,538
Average State Salary	$45,393		$46,823	

Source: ADE's Annual Statistical Reports

The following table provides the districts with the highest and lowest average teacher salaries.

Highest Average Teacher Salaries		Lowest Average Teacher Salaries	
Springdale	$56,359	Hermitage	$33,821
Fayetteville	$55,897	Viola	$33,865
Rogers	$55,837	Drew Central	$34,515
Fort Smith	$53,899	Western Yell County	$35,698
Bentonville	$53,594	Deer/Mt. Judea	$35,977

Teacher Licensure Waivers

State law (A.C.A. § 6-17-309) prohibits teachers from teaching a grade level or subject matter for which they are not certified for more than 30 days. However, school districts that have a difficult time filling needed teachers may apply to the State Board of Education for a waiver. Their application includes a letter outlining the steps they have taken to fill those positions. Dr. Karen Cushman, ADE's Assistant Commissioner, Division of Human Resources, presented information on licensure waivers in November 2011. The following table shows the 10 licensure areas with the highest number of requested waivers for the 2010-11 school year.

Licensure Area	# of Waivers	% of All Waivers
Special Education	508	36.9%
Gifted & Talented	121	8.8%
Library Media	96	7.0%
Middle Childhood Education	91	6.6%
School Counselor	88	6.4%
Secondary Sciences	52	3.8%
Building Level Administrator	46	3.3%
$5^{th}/6^{th}$ Endorsement	44	3.2%
Mathematics	35	2.5%
Social Studies	34	2.5%
All Others	262	19.0%
TOTAL	**1,377**	**100%**

The area with the greatest number of waivers is special education, making up nearly 37% of all waivers. At the time of Dr. Cushman's presentation there were 444 special education teachers in classrooms who were not licensed to teach special education. In an effort to reduce the number of special education waivers, ADE is considering changing the special education licensure. Currently, someone who wants to teach special education must get an undergraduate degree in a content area and be licensed that area. Then that teacher must take additional master's level courses to add special education certification to their license. Many aspiring teachers choose not to get special education certification because it requires an additional year of training but offers no increase in salary. ADE has proposed changes to the licensure rules, that would allow for a K-12 special education license, requiring only an undergraduate degree in special education.

In some content areas, such as P.E., there is not a shortage of certified teachers in the state, but ADE is granting waivers. Waivers for such areas are frequently granted in rural areas where a teacher needs to teach two subjects, such as biology and P.E., to avoid the need for a full-time P.E. teacher. Some school districts apply for a waiver to avoid having to hire a full-time P.E. teacher for one period of P.E. Also on the waiver list are 12 District-Level Administrator waivers, which means 12 superintendents or assistant superintendents in the 239 school districts are not fully licensed.

Dr. Cushman also provided information on two programs outside the traditional teacher certification process through which college graduates can become licensed to teach: the Non-Traditional Licensure Program (NTLP) and the Master of Arts in Teaching (MAT). The programs allow people with degrees in fields outside of teaching, for example in biology, to become a certified teachers. ADE's Non-Traditional Licensure Program allows participants to teach with a provisional license while completing the requirements of an Arkansas teaching license. Participants take instructional modules in the summer and one Saturday a month for two years. Over the past three years, the number of NTLP teachers has remained fairly steady at just over 215 people. The following table shows the number of teachers participating in Year One of the NTLP program in 2010-11.

Grade Level/Licensure Area	#
Early Childhood	38
Mathematics	32
English	26
Business	21
Middle Childhood	19
P.E., Wellness and Leisure	18
Life/Earth Science	16
All Others	47
TOTAL	**217**

ADE continues to allow people to obtain P-4 licensure through NTLP, despite the fact that there is an abundance of P-4 certified teachers, many of whom cannot find jobs. However, the number of P-4 NTLP licenses is declining from 48 in 2010 to 24 in 2012. Those 24 people are in Year Two of the program, and ADE is no longer allowing people to obtain the P-4 license through the NTLP.

The other nontraditional route to teacher certification, the MAT program, is offered by eight institutions of higher education. These MAT programs are designed for people with college degrees in areas other than teaching who want to become certified to teach.

Institution	Program	2011 Graduates
Arkansas State University at Jonesboro	Teaching	0 (Program started in 2010. No students were eligible to graduate in 2011.)
Arkansas Tech University	Teaching	0 (Program started in 2010. No students were eligible to graduate in 2011.)
Henderson State University	Teaching	12
Southern Arkansas University, Magnolia	Teaching	8
University of Arkansas, Fayetteville	Childhood Education	72
	Secondary Education	64
University of Arkansas, Monticello	Teaching (secondary only)	47
University of Arkansas at Pine Bluff	Teaching	0
University of Central Arkansas	Teaching	79
TOTAL		**282**

Act 1178 of 2011 changed various aspects of teacher licensure, including reciprocity and the non-traditional licensure. A new Provisional Professional Teaching License is also now available. This type of non-traditional licensure is intended for someone who has work experience in a content area and wants to go into the teaching field.

Another new measure affecting educator licensure was Act 586 of 2011. That legislation called for ADE to develop and sponsor a superintendent mentoring program for first-year superintendents. The program was to begin in the 2011-12 school year.

Teacher Licensure: Disciplinary Actions

Dr. Cushman also presented information in November 2011 on disciplinary actions taken against educators by the Arkansas Professional Licensure Standards Board. She noted that there were 126 allegations of wrongdoing reported to the board in 2010-11, and the board closed 58 of those cases during the year. The majority of the allegations (68, or 54%) involved inappropriate relations with students. Of the 58 that were closed, 32 did not offer enough evidence to warrant investigation. Of the 26 that merited investigation, six allegations were not founded, seven resulted in a written letter of concern and 13 resulted in Board action. Actions the board can take range from probation or license suspension and a $75 to $100 fine, to the permanent revocation of a teacher's license. Of the 13 cases in which board action was taken in 2010-11, three resulted in permanent license revocation.

Section 8: Academic Facilities

Academic Facilities and the Partnership Program

Ensuring the integrity and suitability of academic school buildings is part of the state's obligation to provide an adequate education. Since 2005, the state has managed four main funding programs designed to help schools pay for school building construction and renovations: Immediate Repair, Transitional, Catastrophic and Partnership. Immediate Repair and Transitional were created as temporary programs, and both have expired.

In January 2012, Mr. Tony Wood, ADE's Deputy Commissioner, and Dr. Charles Stein, Director of the Division of Public School Academic Facilities and Transportation, presented information about the state's main facilities funding program, the Partnership Program.

Under the program, the Division of Public School Academic Facilities and Transportation helps schools identify immediate and long-term building needs and distributes funding for a portion of the cost of necessary construction. The Division awards funding based on a district's Wealth Index, where the state pays a larger percentage of poorer districts' construction costs than it pays for wealthier districts. The program funds new construction projects and major renovations, not general repair or maintenance. Only projects that cost $150,000 or more, or those that cost more than $300 per student qualify for Partnership funding. However, that minimum project cost may be waived for projects that correct a life or safety hazard (e.g., the installation of fire alarms). Neither a fiscal distress designation nor an academic distress designation negatively impacts a district's chances for state approval of its facilities projects. However, ADE must give approval for a district in Fiscal Distress to proceed with and spend district funds on an approved Partnership project.

School districts are required to submit facilities master plans by February 1 of each even-numbered year. Districts may submit Partnership Program project applications for the next funding cycle by March 1 of even-numbered years. Partnership Program projects must be included in the district's Master Plan.

There are two types of projects that qualify for Partnership Program funding.

- Warm, Safe and Dry Projects: Partnership funding will support the complete replacement of certain building systems, including a new roof, HVAC system, plumbing system and electrical system.
- Space Projects: Projects designed to increase or convert school space may also qualify for Partnership Program funding. These projects include new schools, building additions, and converting existing space to a different use.

Space projects are then analyzed to estimate their costs and the state's share of those costs, using the state standards contained in the Program of Requirements (POR). The Division of Public School Academic Facilities and Transportation calculates the total amount of space needed based on the student count and the amount of existing space serving those students. The project's square footage is then multiplied by a market-based project cost factor (e.g., $130 per square foot). The total qualifying costs of a 10,000 square foot addition at $130 per square foot would be $1.3 million. A district with a wealth index of .35 would receive funding for 65% of that calculated cost, or $845,000.

All of the approved projects are prioritized with Warm, Safe and Dry projects being the first priority, and Space projects being the second priority. The approved projects are then ranked according to three factors: academic facilities wealth index, facility condition index (the cost to

renovate the facility divided by the cost to replace the facility; generally a facility should be replaced if the facility condition index is greater than .65), and the district's ten-year growth percentage. The project ranking determines which projects are actually funded when total cost of all projects exceeds the amount of funding available.

The following table shows the number of approved projects for the past four program cycles and the state's financial commitment for those projects.

Program Cycle	# of Projects	Total State Financial Share Committed
2006-07	1,158	$205.3 million
2007-09	378	$265.0 million
2009-11	244	$107.3 million
2011-13	219	$163.3 million

The 2011-13 budget cycle is the first year in which the projects are broken into Year One and Year Two projects, a reflection of the switch from biennial legislative sessions to annual fiscal sessions. In Year One of the cycle, 168 projects were approved with state financial participation of $143.1 million. There were 51 Year Two projects representing a state commitment of $20.2 million. Through the life of the Partnership Program, the state spent $668,803,014 on school facilities through the end of FY2012.

Because it can take years to complete a building project, the amount of money approved and committed to a project in a year is not necessarily the same as the amount of money actually spent in that year. The following chart shows the total amount of money the Legislature allocated to the Partnership Fund since its inception and the amount of total expenditures.

Fiscal Year	Total Revenue	Total Expenditures	Ending Fund Balance
FY2005	$20.0 million	$0	$20.0 million
FY2006	$52.4 million	$30.6 million	$41.8 million
FY2007	$89.2 million	$83.1 million	$47.9 million
FY2008	$501.1 million	$105.0 million	$444.1 million
FY2009	$49.1 million	$122.5 million	$370.7 million
FY2010	$34.5 million	$113.4 million	$291.8 million
FY2011	$55.2 million	$120.8 million	$226.2 million
FY2012	$56.0 million	$93.4 million	$188.8 million
FY2013 Estimated	$59.7 million	$95.0 million	$153.5 million

After FY2013, $120.9 million of committed Partnership Program state funds remain to be expended.

There are two sources of reoccurring Partnership Program funds:

1.) General Revenue funds allocated to the program. For each of the last two years, that amount has been $34.8 million.
2.) Debt Service Funding Supplement. Prior to the Partnership Program's creation, school districts received state support for building construction and bonded debt service through three programs. All three were scheduled to be gradually phased out beginning after the 2005-06 fiscal year when the Partnership Program was established. While the programs' payments to districts are reduced each year, state funding appropriated to the programs continued at the 2005-06 level. The amount left over after payments is then transferred to the Partnership Program Fund. In the first year, FY2007, it was about $5.2 million. In FY2012, the transferred amount increased to about $22.7 million.

So far, there has not been a single qualified project that has not been funded. However, a number of projects that districts submit for funding do not qualify. In 2011-13, school districts applied for funding for a total of 302 projects. Of those, 219 were approved for funding, and 83 were disapproved.

Other issues Mr. Wood and Dr. Stein covered included:

- **Declining Enrollment and Consolidation**
  Districts that fall below 350 ADM for two consecutive years are required to consolidate with other districts. The potential for consolidation presents critical questions related to the need to replace or renovate substandard facilities. The Partnership Program approval process considers a school district's student enrollment projections. When a project is proposed by a district that is projected, over the next decade, to dip under 350 students, the Facilities Division closely reviews the project to determine whether it would be a prudent and resourceful expenditure of school funds.

  The Facilities Division applies such caution to keep the state from spending state dollars on school buildings that may soon close. Although school buildings may be partially funded with state funding, they are considered school district assets. If schools are closed after a district consolidation, the state cannot reclaim its facilities investment.

- **Equity of Facilities Among School Districts**
  School districts are permitted to build larger and higher quality facilities than what is funded under the Partnership Program, but they must use local funds for work done in excess of the program standards. This local district flexibility, at times, leads to a disparity in the facilities provided in wealthy districts and in poorer districts.

- **Limiting Partnership Funding to Full System Repairs**
  Because the matrix provides funding for school operation and maintenance—including facility repairs—the Partnership Program was set up to pay for systems (plumbing, roof, electrical) replacement, not systems repair. This arrangement, however, may create situations in which district personnel may decide to stop maintaining those systems and structures so they can more rapidly qualify for a system replacement through the Partnership Program. Mr. Wood said this may be an area of the program that should be revisited to ensure that districts serve as good stewards of the funding and provide proper facilities maintenance.

Section 9: Special Topics: Bandwidth and Transportation

During the adequacy study, the Education Committees requested additional information on two education topics: bandwidth and transportation. The following information describes the presentations made for each.

Bandwidth

The Arkansas Association of Educational Administrators (AAEA) surveyed school district superintendents and directors of educational cooperatives about broadband problems and limitations in schools. The AAEA received 226 responses, or 89%. Dr. Richard Abernathy presented the findings in February 2012.

- 75.6% of respondents said their districts had experienced bandwidth problems in the previous year.
- 45.5% of respondents experienced problems, such as computers locking up, when attempting to submit reports required by ADE.
- 70.9% of districts that responded indicated they would like to implement certain technology initiatives but can't due to bandwidth limitations.
- 62.8% of districts that responded indicated that they have purchased additional bandwidth.

Many respondents complained about the disruption that too little bandwidth causes for schools. The lack of sufficient bandwidth causes schools to place restrictions on the use of some websites, creates problems on teacher training days, and inhibits teachers' incorporation of technology in the classroom curriculum. Dr. Abernathy said schools do not currently have adequate broadband to handle the online assessments that will accompany the Common Core curriculum. (See page 21 for more information about the Common Core State Standards.) Several respondents said the lack of local providers prohibited them from taking advantage of the Bandwidth for Educational Enhancement (BEE) program, a Department of Information Systems (DIS) program providing low-cost, bandwidth with minimal technical support.

Some districts said they could not afford to buy more bandwidth. Figures obtained from DIS showed that the agency charges school districts $643-$1,495 per month for 1.54 Mbps of bandwidth, the amount of bandwidth provided by the one T-1 line that every district is provided through the Arkansas Public School Computer Network (APSCN). Many districts, however, need as much as 100 to 150 Mbps. Dr. Abernathy also noted that when he was the superintendent of the Bryant School District, the bids his district received from local private providers ranged from $419.80 per month for 100 Mbps to $4,278 per month.

Dr. Abernathy also questioned the wisdom of Act 1050 of 2011, which prohibits school districts from accessing bandwidth from any government provider except the Department of Information Systems (DIS). That means school districts cannot receive services through the Arkansas Research and Education Optical Network (ARE-ON), the state's only publicly owned fiber optic network. ARE-ON currently serves the state's four-year universities and, using federal grant funding, is expanding to serve all 22 state-supported two-year colleges. Because ARE-ON is a public entity, Act 1050 prohibits local school districts from accessing that network. Districts can receive services only through DIS or a private provider, where available.

Mr. Bill Abernathy, Executive Director of the Arkansas Rural Education Association, also addressed the committee asking that the Legislature conduct a needs assessment to determine what technology infrastructure school districts need and problems they have encountered accessing high speed internet services.

Transportation

Supplemental Transportation Funding

Act 57 of the Second Extraordinary Session of 2003 requires the Legislature to review "transportation variability" as part of its biennial adequacy evaluation. Transportation has been part of the matrix since its inception in 2004, with funding distributed to districts on a per-student basis. However, the state's consultants who helped develop the matrix suggested there may be a better method of distributing transportation funding, considering the wide variability in transportation costs. They noted that one district spent $67 per student, while another spent $695 per student. "We anticipate proposing a method of funding transportation costs," they wrote in their 2006 report, "that will vary by district depending on characteristics (i.e., population density, road conditions, distances and number of students transported, etc.).[5] The consultants recommended that transportation be removed from the per pupil matrix and a transportation categorical program be created. The consultants also recommended the distribution method be replaced by a standards-based formula in the future. Although each biennial adequacy study has examined transportation expenditures since the 2006 report, the General Assembly has not altered the method of distribution.

However, in 2011, the General Assembly passed Act 1075, which appropriated $500,000 for supplemental transportation funding. The legislation contained special language directing ADE to use the one-time funding to "address extraordinary transportation needs of public school districts." The legislation also directed ADE to draft rules and regulations to establish how those funds would be distributed. In December 2011, Mr. Mark White, ADE staff attorney, presented draft rules to implement that law, and in January 2012, Mr. Tony Wood, ADE Deputy Director readdressed the issue. In 2011-12 the foundation funding amount provides $303.80 per student for transportation expenses. Under the supplemental transportation rules, any district that spent state foundation funding of more than 120% of the $303.80 ($364.56) per student on transportation was eligible for a share of the $500,000 supplemental funding. After those districts were identified, the funding was distributed proportionally to them based on how far above the $364.56 their transportation expenditures were. The supplemental funding ranged from $3,593.52 provided to the district receiving the lowest amount to $30,977 provided to the district that received the highest amount. The rules received final approval in March 2012.

Transportation Funding Distribution Options

The Education Committees, in both the 2008 and 2010 adequacy studies, determined that state-funded transportation for public education may be a necessary component to providing students with an equitable opportunity for an adequate education to the extent that a student would not otherwise be able to realize this opportunity but for such transportation being provided by the state. In September 2012, the Bureau of Legislative Research presented additional information on transportation funding distribution options the General Assembly could consider for FY14 and FY15. In the 2010-11 school year, districts received $297.50 per student for transportation, and they spent on average $274.41 per student. Although the funding amount is close to the average expenditure, spending varies widely from one district to the next. Some districts spend about $100 per student on transportation, while others spend over $1,000 per student. About two-thirds of the districts are underfunded, while one-third are overfunded.

The state has amended its transportation funding distribution many times over the last 50 years. Between 1961 and 1997 district transportation funding was provided based on the number of students transported. In 1991 the Legislature passed Act 840 of 1991 which restricted the use of transportation funding to transportation related expenditures and required districts to return unspent funds. In 1997, the state repealed the existing funding formula and replaced it with a

[5] Odden, A., Picus, L.O., and Goetz, M. Recalibrating the Arkansas School Funding Structure, Final Report, August 30, 2006, page 61.

high cost transportation funding formula. It was repealed in 2005 and replaced with the current method of funding transportation on a per-student basis in the matrix. Like other components of the matrix, transportation funding is unrestricted, allowing districts to spend it on transportation or other needs as they see fit.
Today the four major funding sources for transportation are:

- Foundation funding
- Isolated funding
- Desegregation funding
- Federal funding

In FY11, districts spent $178 million statewide on transportation from those four funding sources. That amount does not include transportation for activities such as sports events. It represents only the expenditures for driving students to school and back home. The Pulaski County districts spent $25 million of the $71 million they received in desegregation funding on transportation costs. Currently about 61% of students statewide are bus riders.

To examine the drivers of districts' transportation expenditures, the BLR examined a number of variables including cost, ADM, district area in square miles, number of bus riders, daily linear route miles, the number of buses and ratios of those variables (e.g., ADM per route mile). The data indicate that 90% of the variation in district expenditures is explained by the variation in route miles. ADM, on which the current funding model is based, explains a significant amount of the variation in district expenditures — about 79% — but not as much as route miles. However, the best model uses a combination of miles, riders and ADM to determine transportation costs.

If the state were to distribute transportation funding based on a model that used a combination of these three variables, 150 districts would receive more transportation funding than they currently receive under the current per-student distribution method, while 89 would receive less. If all transportation funding sources—including isolated funding, desegregation (if available) and federal funding—were combined and distributed to schools under the under the model, 203 school districts would receive more transportation funding, while 36 would receive less.

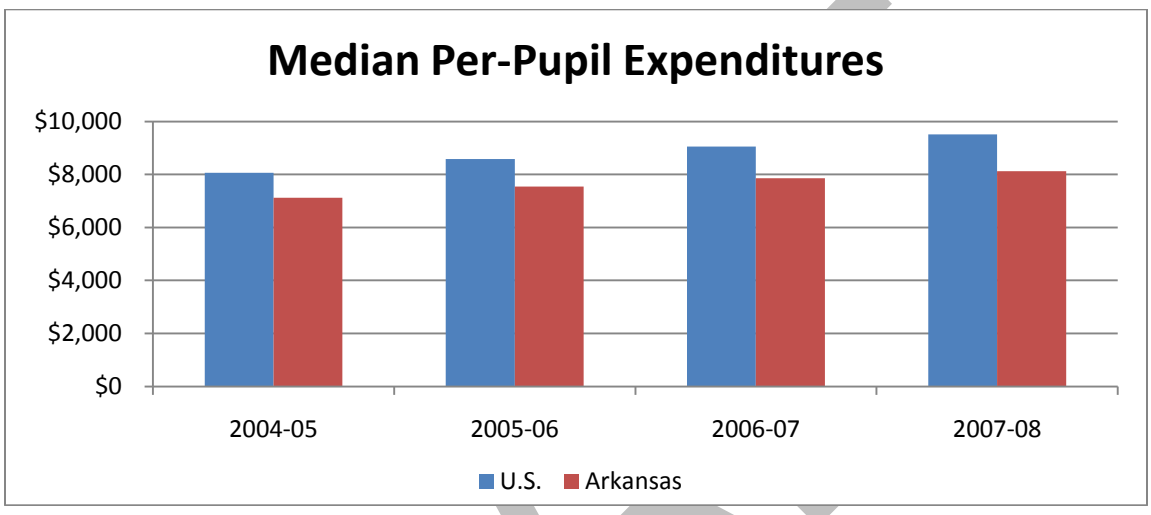
The BLR report provided several options for addressing transportation funding:

- Continue distributing transportation funding by ADM as a line item in the matrix.
- Pull the $309.90 (the amount of funding districts receive for transportation in FY2013) out of the matrix and create a transportation categorical.
- Leave $127 in the matrix (the minimum amount spent by all districts for transportation) and remove the remainder to create a transportation categorical for districts with higher transportation costs.

None of these options would require any more funding than what is currently being sent to school districts.

Section 10: State Disbursements

Arkansas's median per-pupil expenditure from all funding sources is below the U.S. median and has grown at a slower pace. In 2004-05, nine states spent less on education, but by 2008-09 (the latest year for which median per-pupil expenditures are available), just four states spent less. The expenditures in the chart below represent the total expenditures, including instruction-related expenditures, support services, and other elementary/secondary current expenditures, but they do not include expenditures on capital outlay, other programs and payments to state and local governments, interest on long-term debt and payments to private schools and charter schools.



Median Per-Pupil Expenditures					
	U.S.	% Increase	Arkansas	% Increase	Arkansas State Rank
2004-05	$8,061		$7,127		10th lowest
2005-06	$8,587	6.5%	$7,547	5.9%	8th lowest
2006-07	$9,056	5.5%	$7,859	4.1%	6th lowest
2007-08	$9,509	5.0%	$8,119	3.3%	6th lowest
2008-09	$9,791	3.0%	$8,307	2.3%	5th lowest

Source: National Center for Education Statistics, Median expenditures per pupil and median payments per pupil to other districts, private schools, and charter schools for public, elementary and secondary regular school districts, by type of expenditure and state: FY2005-FY2009

This section of the report describes the selected funding disbursed from state accounts to school districts and other entities. It provides a broad overview of the funding impact that the enactments of the General Assembly have had, beginning with the Second Extraordinary Session of 2003.

The following table provides the actual funding levels authorized for K-12 education for FY2004-05 through FY2011-12 that have been allocated from the following funds:

	Department of Education Public School Fund Account	General Education Fund-Department of Education Fund Account	Educational Excellence Trust Fund-Department of Education Public School Fund Account	Educational Excellence Trust Fund-Dept of Education Fund Account	Educational Facilities Partnership Fund Account and DPSAF&T Fund Account	Educational Adequacy Fund	Total All Selected Funds
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	**$2,448,402,197**
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**

State Disbursements to Local School Districts

The Division of Legislative Audit staff prepared an annual report entitled, *Department of Education Grants Summarized by the Division of Legislative Audit For the Year Ended June 30, 2011*, which detailed education funding disbursed by the state to each school district, charter school, education service cooperative, and other organization. The funding is disbursed from the Public School Fund, the Department of Education Fund, the Education Facilities Partnership Fund, the Division of Public School Academic Facilities and Transportation Fund, the Property Tax Relief Trust Fund, federal funds, and cash funds. The report detailed 34 types of funding distributed to districts through the Public School Fund, in addition to foundation funding and categorical funding. The report also recorded 35 types of federal funds disbursed to districts.

The report documented nearly $2 billion provided to the districts through foundation and categorical funding in FY2010-11. (Not included in these disbursements is the URT funding that all districts have as part of the per-student foundation funding.) Districts also received other types of funding from the Public School Fund totaling $270,243,083, and they received $733,167,168 in federal funds, nearly $300 million more than they received two years earlier.

State Disbursements of Selected State Funding

The following tables show the total state-level expenditures for each type of funding. The expenditures include both the funding provided to the school districts and funding provided to public charter schools. The expenditures discussed in other sections of this report exclude the funding of and spending by charter schools.

Foundation Funding

The state's system for funding public schools is made up of a base per-student amount, known as foundation funding (A.C.A. § 6-20-2301 et seq.). Each district receives the foundation funding amount multiplied by its ADM.

State Expenditures: Foundation Funding				
	2009-10	**2010-11**	**2011-12**	**2012-13**
Per student	$5,905	$6,023	$6,144	$6,267
Total	**$1,788,683,790**	**$1,812,845,186**	**$1,849,578,494**	**$1,891,315,753 Budgeted**

*Total expenditures include enhanced funding, but do not include state funding generated by the uniform rate of tax.

Enhanced Funding

The General Assembly provided enhanced educational funding in the amount of $35 per student for FY2009-10 and did not provide any enhanced funding in FY2010-11, FY2011-12 or FY2012-13. The General Assembly made clear in A.C.A. § 6-20-2305(a)(2)(c)(ii)(b) that this enhanced funding was in excess of the amount required to provide an adequate education and "cannot be ensured and may not be relied on beyond the 2007-2009 biennium."

State Expenditures: Enhanced Funding				
	2009-10	**2010-11**	**2011-12**	**2012-13**
Per student	$35	$0	$0	$0
Total	**$16,166,269**	**$0**	**$0**	**$0 Budgeted**

URT Actual Collection Adjustment

The General Assembly also provided appropriation and funding for a URT actual collection adjustment. That funding is designed to ensure that each district receives state foundation funding aid based on the full 98 percent of URT collections, which is the percent of tax

collections that the state foundation formula assumes each district will collect. If a district collects more than 98 percent of its URT, it must return the excess to the state.

State Expenditures: URT Actual Collection Adjustment			
2009-10	**2010-11**	**2011-12**	**2012-13**
$34,191,012	$22,433,883	$17,448,228	$34,500,000 Budgeted

National School Lunch Act

National School Lunch Act (NSLA) funding is the Arkansas categorical funding program for schools with high percentages of students in poverty. Each district qualifies to receive one of three NSLA funding levels based on the percentage of its students who qualify for the federal National School Lunch program. These NSLA per-student funding levels and total state expenditures are shown in the following table. (For more information about NSLA funding and programs, see page 62.)

State Expenditures: NSLA Funding				
	2009-10	**2010-11**	**2011-12**	**2012-13**
90% or < NSLA Students	$1,488	$1,488	$1,518	$1,549
70% but <90% NSLA Students	$992	$992	$1,012	$1,033
<70% NSLA Students	$496	$496	$506	$517
Total	**$161,448,823**	**$171,723,589**	**$183,753,763**	**$197,020,038 Budgeted**

Alternative Learning Environment

An Alternative Learning Environment (ALE) is a student intervention program that seeks to eliminate traditional barriers to student learning for students at risk (A.C.A. § 6-18-508 and 6-18-509). These at-risk students need smaller classes, more individualized and specialized instruction, and additional services that are integrated into their academic expectations. The following table shows the per-student (full-time equivalent, or FTE) amount established for ALE funding and the amount the state disbursed or will disburse to the districts each year since 2009-10. (For more information about ALE funding and programs, see page 64.)

State Expenditures: ALE Funding				
	2009-10	**2010-11**	**2011-12**	**2012-13**
Per ALE Student/FTE	$4,063	$4,063	$4,145	$4,228
Total	**$20,529,609**	**$21,019,743**	**$22,341,560**	**$21,775,797 Budgeted**

English Language Learners

English Language Learners (ELL) funding is the state categorical funding program that supports students who are not proficient in the English language. The following table shows the per-student amount established for ELL and the total amount the state disbursed to the districts each year since 2009-10. (For more information on ELL funding and program, see page 66.)

State Expenditures: ELL Funding				
	2009-10	**2010-11**	**2011-12**	**2012-13**
Per ELL Student/FTE	$293	$293	$299	$305
Total	**$9,410,735**	**$10,143,571**	**$11,103,313**	**$12,162,924 Budgeted**

Professional Development

Professional development (PD) for educators is a critical factor in the effort to improve student performance and ensure highly qualified teachers in the classroom. The Arkansas Accreditation Standard 10.01.3 requires that all teachers have 60 hours of professional development each school year. The following table shows the per-student amount established for PD and the amount the state disbursed to the districts each year since 2009-10. (For more information about PD funding and programs, see page 68.)

State Expenditures: PD Funding				
	2009-10	**2010-11**	**2011-12**	**2012-13**
Per Student	$50	$50	$51	$52
Total	**$23,052,341**	**$23,146,436**	**$23,796,221**	**$24,170,187 Budgeted**

Isolated Funding

There are two types of isolated funding: Isolated Funding and Special Needs Isolated Funding.

- Isolated Funding

  The isolated funding program was created by Act 1318 of 1997 (A.C.A. § 6-20-601). It was designed to provide additional funding to school districts with geographic challenges, such as a rugged road system or low student density, which made expenses, such as bus transportation, more expensive. One of the funding criteria under the 1997 statute was that a school district have fewer than 350 students.

  Then during the Second Extraordinary Session of 2003, legislation called for the consolidation of any school district with fewer than 350 students. To ensure that the isolated districts that were consolidated continued to receive isolated funding, Act 60 and 65 of the Second Extraordinary Session of 2003 created the definition for isolated *schools* and provided continued isolated funding for the annexed isolated districts.

  A.C.A. § 6-20-603 lists 56 isolated areas and specifies the per-student funding amount provided to the school districts containing them. When schools in those areas are closed, the district stops receiving the isolated funds, resulting in decreasing expenditures statewide.

State Expenditures: Isolated Funding			
2009-10	**2010-11**	**2011-12**	**2012-13**
$3,485,235	$3,195,384	$2,881,991	$7,896,000 Budgeted

In FY2010-11, 33 school districts receive isolated funding[6]. The following five districts received the most isolated funding.

District	FY2010-11 Isolated Funding
Jasper	$395,832
Cossatot River	$327,384
Ozark Mountain	$309,796
Deer/Mount Judea	$281,290
Mountain View	$227,243

[6] Department of Education Grants Summarized by the Division of Legislative Audit for the Year Ended June 30, 2011.

Once the isolated funding has been distributed, the remaining funding allowed through the isolated funding appropriation is distributed to districts eligible for special needs isolated funding.

- Special Needs Isolated Funding

  Act 1452 of 2005 created the Special Needs Isolated Funding Program to provide additional funding to another group of isolated districts, defined under separate, but related criteria:

  ➢Districts must have been part of a consolidation or annexation.
  ➢The local school board must have determined that combining the isolated school to one district campus would be "impractical or unwise."
  ➢The State Board of Education must verify that the school or district meets the requirements established under the isolated funding program (A.C.A. § 6-20-601). However, unlike the original isolated funding program, districts with more than 350 students can qualify for special needs isolated funding.

  Districts that qualify for special needs isolated funding receive either 20%, 15%, 10%, or 5% of the districts' foundation funding in additional funding to operate their isolated schools. The percentage received depends on a district's ADM, student density, and the grade levels served in isolated schools. Any funding that remains after this distribution is then divided equally among the districts that received special needs isolated funding, with one exception: Districts in the 5% category do not receive this second round of special needs isolated funding. All funding that districts receive as part of the second round of special needs isolated funding must be spent on transportation.

State Expenditures: Special Needs Isolated Funding			
2009-10	**2010-11**	**2011-12**	**2012-13**
$7,410,757	$7,700,607	$8,014,006	$3,000,000 Budgeted

In 2010-11, 20 districts received special needs isolated funding[7]. The following five districts received the most special needs isolated funding:

District	FY2010-11 Special Needs Isolated Funding
Jasper	$1,195,523
Deer/Mount Judea	$833,625
Ozark Mountain	$652,116
Mountain View	$619,050
Emerson-Taylor	$570,613

Student Growth Funding

Growth funding is the additional funding schools receive to handle increasing numbers of students. A.C.A. §6-20-2305(c)(2)(A) provides funding in the amount of per-student foundation funding multiplied by the number of students by which a districts' ADM increased over the previous year. (The calculation multiplies 1/4 of the foundation funding by the increase each quarter in a district's ADM.)

[7] Department of Education Grants Summarized by the Division of Legislative Audit for the Year Ended June 30, 2011.

State Expenditures: Student Growth Funding			
2009-10	2010-11	2011-12	2012-13
$28,480,965	$31,634,876	$31,728,269	$30,756,966 Budgeted

In 2010-11, 110 districts received student growth funding[8]. The following five districts received the most student growth funding.

District	FY2010-11 Student Growth Funding
Springdale	$3,655,253
Bentonville	$2,814,473
Fayetteville	$1,723,667
Bryant	$1,331,264
Rogers	$1,140,860

Declining Enrollment Funding

A.C.A. §6-20-2305(a)(3)(A)(i) provides additional funding for school districts that have experienced a decrease in ADM from the average ADM of the previous two years. The funding is designed to provide extra money to schools to help them deal with a decrease in foundation funding resulting from the loss of students. To calculate declining enrollment funding, districts subtract the average ADM for the previous two years from the ADM for the previous year and multiply that amount by the per-student foundation funding amount.

State Expenditures: Declining Enrollment Funding			
2009-10	2010-11	2011-12	2012-13
$17,083,250	$9,947,466	$13,228,937	$14,342,035 Budgeted

In 2010-11, 90 districts received declining enrollment funding[9]. The following five districts received the most declining enrollment funding.

District	FY2010-11 Declining Enrollment Funding
Helena-West Helena	$796,391
Pulaski County Special	$528,488
Forrest City	$449,105
Dollarway	$413,328
Pine Bluff	$301,180

State FY12 Budgets and FY13 Appropriations

In the May 2012, the Bureau of Legislative Research presented a comprehensive overview of the authorized FY12 budgets and FY13 appropriations for the three primary authorizations to spend K-12 funding.

- Appropriations for local school district funding payable from the Public School Fund
- Appropriations for ADE's operations
- Appropriations for the Division of Public School Academic Facilities and Transportation

The ADE appropriations payable from the Public School Fund authorize grants and aid for local school districts. There are 69 line items in the appropriations bills, which became Act 1075 in the 2011 Regular Session and Act 269 of the 2012 Fiscal Session. These line items include

[8] Department of Education Grants Summarized by the Division of Legislative Audit for the Year Ended June 30, 2011.
[9] Department of Education Grants Summarized by the Division of Legislative Audit for the Year Ended June 30, 2011.

appropriations for foundation funding and the categorical funds, but they also include appropriations for the Arkansas Better Chance program, which funds Pre-K programs, as well as the payments for court ordered desegregation.

For FY12, there was a total appropriation of about $2.673 billion and a budget of about $2.659 billion, which represented a $13.55 million difference. ADE budgets a little less than they're authorized to spend. For FY13, the appropriations were about $2.733 billion or about $59.5 million more than the FY12 appropriations.

The appropriations are primarily funded by General Revenue allocated through the Revenue Stabilization Law, the Educational Adequacy Fund and the Educational Excellence Trust Fund. Other sources of funding include fund balances, transit tax revenues, Temporary Assistance for Needy Families (TANF) fund transfers, E-Rate Credit and an off-the-top General Revenue allocation for Desegregation Settlement Expenses.

There are other appropriations to the Department of Education that help the agency serve Arkansas's schools, such as the Elementary and Secondary Education and Child Nutrition appropriations payable from federal funds and Medicaid Administration Claiming and Medicaid Reimbursement appropriations. These appropriations in the ADE Operations Appropriation Act totaled $1.077 billion in FY12 and $1.076 in FY13. The decrease was the result of a decision to eliminate a $950,000 appropriation for School District Millage Rollback Compensation. That appropriation that was enacted during the early 2000s to address the effect of Amendment 79 to the Constitution, which equalized real and personal property rates. Some districts experienced a funding reduction as a result of that equalization, and this appropriation was an attempt to compensate for that loss. The appropriation had continued to be made each year even though the districts had been made whole, so in the 2012 Fiscal Session, the General Assembly decided to discontinue that appropriation.

The BLR report also addressed the appropriation of the Division of Public School Academic Facilities and Transportation. Although the Division's appropriations are not part of the Public School Fund, they are a key part of addressing the adequacy needs of school districts. The funding helps school districts provide warm, safe and dry facilities statewide. The Division has an operating appropriation and two line items: Academic Facilities Catastrophic and Academic Facilities Partnership. Its total appropriations for FY12 were $156.1 million, and the Division budgeted $156.06 million, or $48,738 less than the total appropriation. For FY13, the Division received appropriations of $156.14 million, or $38,202 more than FY12 appropriations. Appropriations for FY12, including the Public School Fund appropriations, the Department of Education appropriations, and the Facilities Division appropriations, total about $3.906 billion. Appropriations for FY13 total $3.965 billion.

	FY2012 Budget	FY2013 Appropriation
Public School Fund	$2,659,823,294	$2,732,894,022
Department of Education	$1,073,114,455	$1,076,075,784
Division of Public School Academic Facilities and Transportation	$156,056,630	$156,143,570
TOTAL	**$3,888,994,379**	**$3,965,113,376**

The funding described above does not included the revenues collected through the Uniform Rate of Tax (URT), which is the property tax revenue each county is constitutionally required to collect for the operations and maintenance of schools. The URT is the first 25 mills on the assessed valuation of all real, personal and utility property. URT totaled about $991.7 million in FY12.

Section 11: District Use of Foundation Funding

This section examines district use of foundation funding. It summarizes a report the BLR presented to the Education Committees in August 2012. The report, "The Resource Allocation of Foundation Funding for Arkansas School Districts," compared district expenditures of foundation funding with the funding provided through the matrix. This section of the report also includes information on measures of inflation and deflation.

Foundation Funding

The state's system for funding public schools is made up of a base per-student amount, known as foundation funding (A.C.A. § 6-20-2301 et seq.). Each district receives the foundation funding amount multiplied by its ADM. Foundation funding makes up 52.7% of districts' total revenue. To examine a full year of funding and expenditures, the BLR examined districts' use of their 2010-11 foundation funding, which was set at $6,023 that year.

Foundation funds are primarily accounted for in two funds known as the Salary Matrix and Operating Matrix Funds. The primary other available funding sources for the Salary and Operating Matrix funds are excess property taxes and fund balances. For this analysis, the BLR allocated expenditures from current revenues to foundation funds based on the ratio of foundation funds and other unrestricted funding sources available within the Salary Matrix and Operating Matrix Funds. Expenditures and other uses from the Salary Matrix and Operating Matrix fund in excess of current year foundation funding of $6,023 were assigned in the BLR's analysis to the other funding sources of the Salary Matrix and Operating Matrix funds.

FTE data are based on data from staffing numbers reported by the districts for the Salary Matrix and Operating Matrix Fund, with an appropriate allocation to foundation funding based on the methodology used to allocate expenditures to foundation funding, as explained above.

Foundation Funding					
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Per student	$5,789	$5,905	$6,023	$6,144	$6,267

The formula for arriving at the per-student funding amount is known as the matrix. The matrix calculates the per-student funding based on the cost of personnel and other resources for operating a prototypical school of 500 students. In general the matrix is divided into three parts:

- **School-level salaries** of 33.665 teachers and other pupil support staff, a principal and a secretary. The matrix also determines how many of which type of teachers and other personnel are needed.
- **School-level resources** including instructional materials and technology-related expenses.
- **District-level resources**, which include funding for operations & maintenance, districts' central offices and transportation expenses.

2010-11 Matrix			
School-Level Salaries			
	Positions	**Average Salary and Benefits**	**Per-Pupil Amount For a School With 500 Students**
Non-Administrative Staff	33.665	$58,214	$3,919.68
• Classroom Teachers	24.94		$2,903.79
• Special Education Teachers	2.9		$337.66
• Instructional Facilitators ○ 2 FTEs for instructional facilitators, including .5 FTEs for an instructional facilitator with technology expertise ○ .5 FTEs for an assistant principal	2.5		$291.09
• Librarian/Media Specialist	.825		$96.05
• Guidance Counselor & Nurse ○ 1.11 FTE for a counselor ○ 0.67 FTE for a nurse ○ 0.72 FTE for additional student services personnel	2.5		$291.09
Administrative Staff	2		
• Principal	1	$91,409	$182.83
• Secretary	1	$36,845	$73.69
School-Level Resources			
Technology			$209.10
Instructional Materials			$169.80
Extra Duty Funds			$53.00
Supervisory Aides			$53.50
Substitutes			$61.40
District-Level Resources			
Operations and Maintenance			$604.50
Central Office			$399.00
Transportation			$297.50
TOTAL			**$6,023**

School-Level Salaries

School-level salaries includes those for traditional classroom teachers, special education teachers, instructional facilitators, librarians, counselors, nurses, principals, and other health and clerical support. Funding for the total school-level personnel group constitutes 69.3% of the per-pupil funding contained in the FY2010-11 matrix.

School-Level Non-Administrative Staff

The district average for non-administrative school-level positions was lower than the positions provided for with matrix funds. The following table compares the matrix number for all non-administrative school-level staff with the average number for all districts.

2010-11 Non-Administrative Staff			
Staff	**Matrix Number**	**District Average Per 500 Students**	**Difference**
Non-administrative school-level total	33.665	30.75	-2.92

The average teacher salary in the matrix is used to compute costs for the standards-based 33.665 school-level positions in the matrix. Since the base average salary was set at $39,000 for 2005, it has been increased incrementally each year. To that annual base average salary, another 22% of that amount has been added for benefits, as well as a flat rate of $1,572 for health insurance. The average teacher salary with benefits in the matrix for 2010-11 is $58,214. The actual average teacher salary with 22% added in benefits was $58,696.

Of the state's 239 districts, 197 (82%) had averages plus benefits below the average teacher salary and benefits in the matrix. Higher salaries in larger districts appear to be driving the statewide average salary higher. The 24 districts (10%) with the highest average teacher salaries employ over one-third (35%) of the FTE teachers in the state. In other words, the funding for the average teacher salary and benefits in the matrix meets or exceeds the average teacher salary in 82% of the districts in the state. (For more information on teacher salaries, see page 32.)

The following pages examine each of the line items making up the 33.665 positions.

Classroom Teachers

Many studies consider the quality of the classroom teacher to be the most important factor in student achievement. In 2011, schools statewide spent $1.238 billion on classroom teachers. This equates to approximately $2,707.94 per student. The matrix funded $2,903.76 per student for classroom teachers for FY2010-11.

2010-11 Classroom Teachers Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$2,903.76	$2,707.94	-$195.85	$1.238 billion

The average number of classroom teachers is slightly lower than the staffing level established in the matrix. The following table compares the matrix number for classroom teachers with the average number for all districts.

2010-11 Classroom Teachers			
Staff	**Matrix Number**	**District Average per 500 Students**	**Difference**
Classroom Teachers	24.94	24.19	-0.75

The matrix separates classroom teachers into two groups. The first group, referred to in this report as core teachers, includes teachers whose primary responsibility in lower grades is to serve as the primary classroom teacher. In higher grades, core teachers' primary responsibility is to teach in one or more of four academic areas: literacy, math, science, and social studies. The second group, referred to as non-core teachers, includes educators who teach physical education, art, or music (PAM), or other electives.

The matrix sets the number of core teachers needed at 20.8 and the number of non-core teachers needed at 20% of that number. Twenty percent of 20.8 core teachers is 4.16 (or 4.14, the number in the matrix resulting from rounding) non-core teachers per 500 students.

Special Education

Special education students are those defined as having an individual education plan (IEP). There are 54,780 special education students statewide, making up approximately 11.7% of the total student population.

In 2011, schools statewide spent $156.8 million on special education teachers. This equates to approximately $342.92 per student. The matrix funded $337.65 per student for special education teachers for FY2010-11. The expenditures per student for all students equates to 5.76% of the overall matrix, rather than 5.61% of the matrix provided funding.

2010-11 Special Education Teachers Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$337.66	$342.92	$5.26	$156.8 million

The average number of special education teachers is slightly higher than the staffing level established in the matrix. The following table compares the matrix number for special education teachers with the average number for all districts.

2010-11 Special Education Teachers			
Staff	**Matrix Number**	**District Average per 500 Students**	**Difference**
Special Education Teachers	2.9	2.93	0.03

Instructional Facilitators and Assistant Principals

An instructional facilitator, according to ADE, is responsible for helping teachers improve classroom instruction by providing instructional support in the elements of research-based instruction and by demonstrating the alignment of instruction with curriculum standards and assessment tools. This matrix item established a staffing level of 2.5 instructional facilitators, which includes a .5 FTE assistant principal and two instructional facilitators, including a .5 FTE instructional facilitator with technology expertise.

In 2011, schools statewide spent $54 million on instructional facilitators. This equates to approximately $117.98 per student. The matrix funded $291.09 per student for instructional facilitators for FY2010-11.

2010-11 Instructional Facilitators Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$291.09	$117.98	-$173.11	$54 million

The staffing level established in the matrix for instructional facilitators/assistant principals is more than three times the average number of instructional facilitators/assistant principals, funded with foundation funding, in the districts. The following table compares the matrix number for instructional facilitators/assistant principals with the average number for all districts.

2010-11 Instructional Facilitators/Assistant Principals			
Staff	**Matrix Number**	**District Average Per 500 Students**	**Difference**
Instructional Facilitators	2.5	0.68	-1.82

Librarians and Media Specialists

State Standards for Accreditation (16.02.3) for library media specialists require schools with fewer than 300 students to have a 1/2 time library media specialist (0.5 per 300 is 0.83 per 500); schools with 300 to 1,499 students must have a full-time library media specialist (1.0); and schools with 1,500 or more students must have two library media specialist (two per 1,500 is 0.67 per 500).

In 2011, schools statewide spent $52.8 million on librarians and media specialists. This equates to approximately $115.52 per student. The matrix funded $96.05 per student for librarians for FY2010-11.

2010-11 Librarians Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$96.05	$115.52	$19.47	$52.8 million

The average number of librarians is 0.93 per 500 students, while the staffing level established in the matrix is 0.825. The following table compares the matrix number for librarians with the average number for all districts.

2010-11 Librarians			
Staff	**Matrix Number**	**District Average Per 500 Students**	**Difference**
Librarians	0.825	0.93	0.11

Counselors and Nurses

The matrix established a staffing level for counselors and nurses of 2.5 positions. These positions may also include speech therapists, social workers, psychologists, and family outreach workers. The 2.5 positions are divided as follows:

1.11 positions for a counselor
0.67 positions for a nurse
0.72 positions for additional student services personnel
2.50

In 2011, schools statewide spent $108.6 million on counselors and nurses. This equates to approximately $237.58 per student. The matrix funded $291.09 per student for counselors and nurses for FY2010-11.

2010-11 Counselors and Nurses Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$291.09	$237.58	-$53.51	$108.6 million

On average, districts staff about 81% of the counselor and nurse positions funded by the matrix. The following table compares the matrix number for counselors and nurses with the average number for all districts.

2010-11 Counselors and Nurses			
Staff	**Matrix Number**	**District Average Per 500 Students**	**Difference**
Counselors and Nurses	2.5	2.02	-0.48

School-Level Administrative Staff

The school-level administration line item includes funding for principals and school-level secretaries. Principals must provide the operational management and instructional leadership to make schools run smoothly and to improve student achievement. The duties of school clerical personnel are too numerous to list completely, but they include record-keeping, answering phones, managing the office, and serving as a liaison to parents.

Principals

The matrix established staffing for principals at a level of one per 500 students. Standards require that every school employ at least a half-time principal, and schools with 300 or more students must have a full-time principal. Schools of 500 students or more must have a full-time principal and a half-time assistant principal, instructional supervisor, or curriculum specialist.

In 2011, schools statewide spent $85.7 million on principals. This equates to approximately $187.38 per student. The matrix funded $182.83 per student for principals for FY2010-11.

2010-11 Principals Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$182.83	$187.38	$4.55	$85.7 million

The average number of actual principal positions is slightly lower than the staffing level established in the matrix. The following table compares the matrix number for principals with the average number for all districts.

2010-11 Principals			
Staff	**Matrix Number**	**District Average Per 500 Students**	**Difference**
Principals	1	.99	-0.01

School-Level Secretaries

Clerical support is not required by state standards. However, the Legislature believed that, as a practical matter, there is a clear need for clerical support. Therefore the matrix established staffing for clerical support at a level of one secretary position per 500 students.

In 2011, schools statewide spent $46.5 million on school secretaries. This equates to approximately $101.76 per student. The matrix funded $73.69 per student for school secretaries for FY2010-11.

2010-11 School Secretaries Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$73.69	$101.76	$28.07	$46.5 million

The average number of clerical positions is more than one and a half times the staffing level established in the matrix. The following table compares the matrix number for clerical support with the average number for all districts.

2010-11 School Secretaries			
Staff	**Matrix Number**	**District Average Per 500 Students**	**Difference**
Clerical support	1	1.67	0.67

School-Level Resources

School-level resources in the matrix are defined as technology expenditures, instructional materials, extra-duty funds, supervisory aides, and substitute teachers.

Technology

In FY2010-11, the matrix provided $209.10 per student for districts' technology needs, such as computers, an operating system, printers, and copiers. (Technology staff are funded by other matrix line items. The matrix funds one full-time technology coordinator in the central office line item and one-half FTE technology instructional facilitators in the instructional facilitator line item.)

In 2010-11, districts collectively spent $53.5 million from foundation funds on technology, including administrative technology services. This equates to approximately $117.01 per student in 2010-11, compared with $209.10 funded in the matrix. This is $92.09 less than the amount provided by the matrix.

2010-11 Technology Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$209.10	$117.01	-$92.09	$53.5 million

The level of foundation or matrix funding needed to adequately provide for educational technology purposes is complicated by the fact that districts receive significant technology funding from other sources. Non-foundation funding for technology includes other state-funded technology programs, such as distance learning, and portions of NSLA categorical funding. A few districts have mills dedicated for capital outlay used for technology. Federal sources and support include Title I, Title IID, and the E-Rate Program. In FY2010 and FY2011 districts used American Recovery and Reinvestment Act funding extensively for educational technology, which should reduce equipment needs for some time.

Instructional Materials

The line item known as "instructional materials" includes the following items:

- Textbooks
- Workbooks, worksheets and other consumables
- Pedagogical aides, such as math manipulatives and science supplies
- Library materials including books, other instructional materials and/or services such as subscriptions to electronic databases
- $500 for each elementary school teacher for instructional materials, books and supplies

State statute (A.C.A. § 6-21-401 et seq.) requires districts to provide all textbooks and other instructional materials to students in grades K-12 without cost to the student. Act 288 of 2011 added "digital resources, including the availability of any equipment needed to access to the digital resources" among the instructional material options school must provide. And state standards require a minimum of 3,000 volumes or eight books per student, whichever number is larger. ADE reports that no district has been cited for violations concerning instructional materials or libraries in the last two years.

In 2011, districts statewide spent $60.6 million on instructional materials. This equates to approximately $132.50 per student. The matrix funded $169.80 per student for instructional materials for FY2010-11.

2010-11 Instructional Materials Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$169.80	$132.50	-$37.30	$60.6 million

Extra Duty Funds

Schools use extra duty funds to pay stipends for teachers who coach and those who supervise after-school clubs or other extracurricular activities.

In 2011, districts collectively spent $74.2 million from foundation funds on extra duty pay. This equates to $162.32 per student. The matrix provided $53 per student in extra duty funding for FY2010-11. On average, districts spent $109.32 more on extra duty than the amount provided by the matrix. The following table shows the total and per-student expenditures for 2010-11.

2010-11 Extra Duty Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$53.00	$162.32	$109.32	$74.2 million

Supervisory Aides

School districts hire supervisory aides to help students on and off buses in the morning and afternoons and to supervise lunch and recess periods. In FY2010-11, districts collectively spent $4.1 million from foundation funds on supervisory aides. This equates to approximately $8.87 per student, compared with $53.50 funded in the matrix. This is $43.63 less than the amount provided by the matrix. The following table shows total expenditures and per-student expenditures for 2010-11.

2010-11 Supervisory Aides Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$53.50	$8.87	-$43.63	$4.1 million

Substitutes

In 2011, districts collectively spent $21.4 million from foundation funds on substitute pay. This equates to approximately $46.85 per student in 2010-11, compared with $61.40 funded in the matrix. This is $14.55 less than the amount provided by the matrix. The following table shows total and per-student expenditures for 2010-11.

2010-11 Substitutes Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$61.40	$46.85	-$14.55	$21.4 million

District-Level Resources

District-level resource expenditures include operations and maintenance, central office expenses, and district transportation expenses. Expenses that are not covered explicitly in other matrix line items are grouped together and combined with central office expenses in the central office line item. Examples of these types of expenses paid from foundation funding include certain athletic expenditures and expenditures for instructional aides.

Operations and Maintenance

Act 1426 of 2005 known as the Arkansas Public School Academic Facilities Program Act established within the state's foundation funding a dedicated 9% of foundation funding for the purposes of paying utilities, custodial, maintenance, repair, and renovation activities and related personnel costs.

In FY2010-11, districts collectively spent $343.3 million from foundation funds on operations and maintenance. This equates to approximately $750.72 per student, compared with $604.50 funded in the matrix. This is $146.22 more than the amount provided by the matrix.

2010-11 Operations and Maintenance Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$604.50	$750.72	$146.22	$343.3 million

It is not possible to tell from the data maintained in the state data warehouse whether the increased costs are due to additional consumption of utilities or higher utility costs. To enable a study of the need for adjustments in this line item, the school districts could be required to add one or two fields to the accounting records that indicate the fuel or water consumption level and the rate so that the information is not difficult to retrieve when needed.

Central Office

The central office component of the matrix includes classified and clerical salaries and benefits coded as central office, excluding expenses coded as principal's office. The central office line item also includes expenditures other than salaries and benefits coded as central office.

In 2010-11, districts collectively spent $128.7 million from foundation funds on expenses that have been attributed to the central office matrix line item. This equates to approximately $281.33 per student, compared with $399.00 funded in the matrix.

2010-11 Central Office Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$399.00	$281.33	-$117.67	$128.7 million

Transportation

Transportation expenditures include school bus and district vehicle operations and maintenance, transportation personnel, insurance and equipment costs. They also include bus purchases and non-academic transportation. In FY2010-11, districts collectively spent $125.5 million from foundation funds on transportation expenses. This equates to approximately $274.41 per student in 2010-11, compared with $297.50 funded in the matrix. This is $23.09 less than the amount provided by the matrix.

2010-11 Transportation Funding and Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$297.50	$274.41	-$23.09	$125.5 million

The difference in expenditures for transportation from foundation funding now ranges from a low of $5.33 per pupil (Pulaski County Special) to a high of $786.11 per pupil (Hillcrest). Additional transportation funding is provided through other state support, such as desegregation, isolated and special needs isolated funding. Transportation costs in 2011 may also be lower than normal due to vehicle purchases of $6,714,952 that year from ARRA funding. For more information about transportation funding, see page 40.

Other Reconciling Items

Districts use foundation funding for purposes not specifically assigned to a line item in the matrix. The BLR's analysis has categorized these expenditures collectively as "other reconciling items." The following table describes these items generally and provides the districts' per-student expenditures for them:

Description	Per Pupil Expenditures From Foundation Funds
Supplies and objects other than salaries and benefits in instruction and instructional support not otherwise classified as instructional materials, technology, etc.	$97.83
Other instruction and instructional supports, such as preschool, summer school, homebound instruction, and selected instructional program coordinators	$56.49
Instructional aides and classified library support	$127.17
Substitutes related to instruction other than for classroom teacher	$10.10
Food service, community outreach, etc.	$9.32
Other financing uses, such as bonded indebtedness, not accounted for in the debt service fund and indirect costs	$40.28
Transfers to the Building and Debt Service Funds	$14.67
Miscellaneous reconciling items	$8.51
Total other reconciling items	**$364.37**

In FY2010-11, districts collectively spent $166.6 million from foundation funds on expenses not attributable to a matrix line item. This equates to approximately $364.37 per student. The expenditure per student for all students equates to 6.12% of the overall matrix.

2010-11 Other Reconciling Items Expenditures			
Matrix Amount	**Expenditures Per Student**	**Difference**	**Expenditures**
$0.00	$364.37	$364.37	$166.6 million

Summary of Foundation Funding Staffing and Expenditures

The tables in this section provide an overview of how districts' staffing and spending in 2010-11 compared with the matrix structure. Red numbers in the "Difference" column indicate line items in which districts spent less foundation funding or had fewer positions funded by foundation funds than the funding and staffing provided by the matrix. Blue numbers indicate where districts' spending and staffing exceeded the matrix.

2010-11 School-Level Staffing			
Staff	**Matrix Number**	**District Average per 500 Students**	**Difference**
Non-administrative school-level total	**33.665**	**30.75**	**-2.905**
• Classroom Teachers	24.94	24.19	-0.74
• Special Education Teachers	2.9	2.93	0.03
• Instructional Facilitators	2.5	0.68	-1.82
• Librarians and Media Specialists	0.825	0.93	0.105
• Counselors and Nurses	2.5	2.02	-0.48
Administrative school-level total	**2**	**2.66**	**.66**
• Principals	1	.99	-0.01
• Secretary	1	1.67	0.67
Total	**35.665**	**33.41**	**-2.26**

2010-11 Expenditures			
	Matrix Amount	**Districts' Actual Expenditures Per Student**	**Difference**
Classroom Teachers	$2,903.79	$2,707.94	-$195.85
Special Education Teachers	$337.66	$342.92	$5.26
Instructional Facilitators	$291.09	$117.98	-$173.11
Librarians and Media Specialists	$96.05	$115.52	$19.47
Counselors and Nurses	$291.09	$237.58	-$53.51
Principals	$182.83	$187.38	$4.55
School Secretary	$73.69	$101.76	$28.07
Technology	$209.10	$117.01	-$92.09
Instructional Materials	$169.80	$132.50	-$37.30
Extra Duty	$53.00	$162.32	$109.32
Supervisory Aides	$53.50	$8.87	-$43.63
Substitutes	$61.40	$46.85	-$14.55
Operations and Maintenance	$604.50	$750.72	$146.22
Central Office	$399.00	$281.33	-$117.67
Transportation	$297.50	$274.41	-$23.09
Other Reconciling Items	$0.00	$364.37	$364.37
Total	**$6,023.00**	**$5,949.46**	**-$73.54**

In a statewide context, districts are spending less on teachers and certified staff than what is provided in the matrix and more for the extra duty and operations and maintenance line items. They are also expending or transferring a substantial amount of foundation funds ($364.37 per student) for items that are not readily assigned to matrix line items. Additionally, higher poverty districts are spending much less foundation funding on their certified staff than districts with lower poverty levels. High poverty districts (those with 90% or more NSLA students) spent $735.19 less per student on classroom teachers than the matrix provides and they had 5.81 fewer teachers. Districts with 40% of NSLA students or less spent only $142.04 less per student than what the matrix provides for classroom teachers and had 2.37 fewer teachers. Similarly the districts with the highest student achievement spent, on average, about $300 more per student on classroom teachers than the districts with the lowest student achievement.

Measures of Inflation and Deflation

One option for addressing the foundation funding amount for the coming biennium is adjusting for estimated inflation or deflation. The General Assembly can adjust the foundation funding amount as a whole or the components of the matrix individually. Additionally, the categorical funding amounts may also be adjusted. (See Section 12 for more information about categorical funding.) In October 2012, the BLR presented information on inflationary estimates for FY2014 and FY2015. The BLR subscribes to the economic data and associated forecasting of two sources, Moody's Analytics and IHS Global Insight, both of which are recognized throughout the academic and business communities as the top two providers of economic information. The report presented the two sources' estimates for the Consumer Price Index-All Urban Consumers (CPI-U). The following table shows the quarterly projections from each source.

FY2014	**13Q3**	**13Q4**	**14Q1**	**14Q2**	**Average**
Moody's Analytics	2.6%	2.7%	2.8%	3.0%	2.775%
IHS Global Insight	2.0%	1.7%	1.9%	1.8%	1.850%
FY2015	**14Q3**	**14Q4**	**15Q1**	**15Q2**	**Average**
Moody's Analytics	2.7%	2.4%	2.2%	2.4%	2.425%
IHS Global Insight	1.7%	1.6%	1.9%	1.7%	1.725%

The difference between the two sources' estimates is the result of differing projections for energy prices. Global Insight is projecting a leveling off in the abnormally high energy costs of recent years, while Moody's Analytics anticipates that energy prices will continue to be higher than usual over the next couple of years.

The BLR report also provided the data by calendar year, with the estimates for the calendar year midpoint, which is the starting point for the state fiscal year.

Moody's Analytics

CY2013: 2.3%
Midpoint=2.55%
CY2014: 2.8%
Midpoint=2.65%
CY2015: 2.5%

IHS Global Insight

CY2013: 1.4%
Midpoint=1.60%
CY2014: 1.8%
Midpoint=1.75%
CY2015: 1.7%

The BLR report also provided average inflationary estimates for FY14 and FY15, at 2.194% and 2.138%, respectively, and a total average for both years of 2.166%.

The BLR also provided data comparing past inflationary adjustments the Legislature has provided for adequacy funding and the actual inflation that was realized.

Fiscal Year	Matrix Amount	Inflator Provided by Committees	Actual Inflation Realized
2009	$5,789	1.22%	-0.3%
2010	$5,905	2.00%	1.6%
2011	$6,023	2.00%	3.1%
2012	$6,144	2.00%	2.1%
2013	$6,267	2.00%	2.3% (projected)
5-year average		1.84%	1.76%

Section 12: District Use of Categorical Funding

In addition to foundation funding, districts receive four types of categorical funding. Three of the four categorical funds are intended for student populations with higher needs than the majority of students. These special needs groups include:

1.) Students in poverty
2.) Students who are not proficient in the English language
3.) Students who need the additional assistance of an alternative learning environment

The fourth categorical fund type benefits students through the provision of professional development training for teachers and other educators.

In August 2012, the BLR presented a report on categorical funding entitled "K-12 Education Categorical Funding Review."

National School Lunch Act

Arkansas ranks 5th in the nation for poverty among children under 18, according to the 2010 U.S. Census. The number of children in poverty grew by almost 24,000 from 2005 to 2010. The 2010 rate of children in poverty in Arkansas is more than 1 in 4, or 27.6%. The rate among all Southern Regional Education Board states is lower at 25.6%.

National School Lunch Act (NSLA) funding is the Arkansas categorical funding program that supports schools with high percentages of students in poverty. A.C.A. § 6-20-2301 defines NSLA students as students from low socio-economic backgrounds as indicated by their eligibility for free or reduced-priced meals under the National School Lunch Act. The federal poverty rate is approximately $20,000 for a family of four, while the free and reduced lunch eligibility level is 185% of the federal poverty level, or approximately $37,000 for a family of four. The NSLA state poverty funding program should not be confused with the federal school lunch program. The National School Lunch program is used only as the measure of poverty for the Arkansas categorical funding program.

Each district qualifies to receive one of three NSLA funding levels based on the percentage of its students who qualify for the federal School Lunch program. These funding levels are shown in the following table.

NSLA Per-Student Funding					
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
90% or > NSLA Students	$1,488	$1,488	$1,488	$1,518	$1,549
70%-<90% NSLA Students	$992	$992	$992	$1,012	$1,033
<70% NSLA Students	$496	$496	$496	$506	$517

Districts receive their designated funding amount for each NSLA-eligible student. For example, a district in which 89% of its student population was in poverty in 2010-11 would receive $992 for each NSLA-eligible student in its district. This funding is in addition to the foundation funding districts receive for each student. In 2010-11, 162 districts received NSLA funding at the $496 level, 71 districts received funding at the $992 level, and six districts received funding at the $1,488 level.

Much of the research on improving student achievement points to the necessity of providing additional learning time. The Arkansas General Assembly created NSLA funding in part to provide those types of opportunities through tutoring, extended day, and summer programs. The

funding formula law and related ADE rules specify how NSLA funding can be used in the schools. Some examples of appropriate uses include:

- Paying the salaries of class-size reduction teachers
- Funding research-based programs that are aligned with the Arkansas Content Standards
- Hiring academic coaches and/or instructional facilitators
- Hiring highly qualified classroom teachers
- Providing before and after-school academic program, including transportation
- Providing pre-K programs
- Hiring tutors, teacher's aides, certified counselors, licensed social workers, and/or nurses

In 2011, districts' NSLA expenditures totaled $154.3 million. The following table shows a breakdown of how districts spent NSLA funding.

	Student Academic Support	Additional Personnel	General Programs: PD & Parent Education	Misc.	Pre-K	Salaries Above Minimum	Special Education Programs
Statewide Expenditures Per Student	**7.2%**	**55.9%**	**2.8%**	**26.0%**	**4.4%**	**0.7%**	**1.1%**

NSLA Fund Balances

NSLA fund balances for FY2010-11 statewide totaled $26,652,021, or 15.7% of that year's NSLA funding. A two-month balance would be 16.7%. Fifty-one districts have a fund balance between 20% and 50% of the year's NSLA funding, while another 12 districts have balances over 50%. Twenty-nine districts used all of their NSLA funding, ending with a 0% NSLA fund balance. The majority of those 29 districts (23) received NSLA funding at the lowest rate, $496 per NSLA student.

NSLA Fund Balance	Districts
0%	29
>0%-20%	147
>20%-50%	51
>50%-100%	11
100%+	1

The significant NSLA fund balances that some districts have developed has been a concern for some legislators. Act 1220 of the 2011 Regular Session (A.C.A. §6-20-2305) requires school districts with large NSLA fund balances to begin reducing them. The law calls for districts to spend at least 85% of the NSLA allocation they receive each year. Districts with NSLA fund balances above 15% of their current year allocation are required to reduce their balance by at least 10% each year. If a district fails to comply, ADE may withhold a portion of that district's NSLA funding in the following year. The law also allows ADE to redistribute withheld funding to other districts. The law was applied for the first time to NSLA fund balances as of June 30, 2012, requiring any resulting fund balance reductions to apply in the 2012-13 school year.

In 2011-12, 53 districts had ending NSLA fund balances that exceeded 15% of their NSLA allocations that year. The overages ranged from $1,111,861 (Fort Smith) to $136 (Gurdon). On average, the districts required to reduce their NSLA fund balances in 2012-13, were over the 15% level by $160,435.

Other NSLA-Related Funding

In addition to the regular NSLA categorical funding, there are two other related state funding programs: NSLA growth funding and NSLA transitional adjustments.

1.) NSLA Growth Funding — Because NSLA funding is based on the prior year's enrollment data, a provision was made to provide NSLA Growth Funding for growing districts. Districts that have grown at least one percent for each of the three previous years qualify for NSLA Growth Funding. A total of $550,632 in NSLA growth funding was distributed to 15 districts in FY2010-11.

2.) NSLA Transitional Adjustments — NSLA transitional adjustments are made to help a district move from one level of NSLA funding to another. Using a transitional formula, NSLA funding provides a "smoothing" mechanism to ease the funding changes between established break points in the levels of eligibility for the funding. The transitioning formula triggers an increase or decrease in state categorical funding. Adjustments are made over a period of up to three years with districts either gaining or losing funding until the new level is reached. In 2010-11, 12 districts lost $7,705,119 in funding as a result of moving to a new level. No districts gained funding.

The BLR report also examined changes in the achievement gap between the percent of economically disadvantaged students testing proficient or advanced and the percent of all Caucasian students testing proficient or advanced. The analysis examined test data for 4th, 8th and 11th grades. It found the gaps were widest in the 11th grade and narrowest in the 4th grade. The gap has narrowed in all grades, but the most significant decrease in the gap was in 4th grade literacy. Overall, the gains were weaker in the 8th and 11th grades. (For more information on the achievement gap, see page 11.)

	Achievement Gap in 2009	Achievement Gap in 2011	Change in Gap
4th Grade Literacy	16.4	10.0	-6.4
4th Grade Math	13.3	10.5	-2.8
8th Grade Literacy	17.3	14.2	-3.1
8th Grade Math	20.9	19.5	-1.4
11th Grade Literacy	24.8	21.6	-3.2

Grade and Subject	% Proficient or Advanced	
	Economically Disadvantaged Students	All Students
4th Literacy	76.2%	81.7%
4th Math	76.1%	81.6%
8th Literacy	68.7%	76.9%
8th Math	52.6%	63.2%
11th Literacy	52.8%	65.1%

Alternative Learning Environments

An Alternative Learning Environment (ALE) is a student intervention program that seeks to eliminate traditional barriers to student learning for students at risk (A.C.A. § 6-18-508 and 6-18-509). Alternative education in Arkansas is based on the premise that all students can learn if they are provided with an environment conducive to their particular learning needs. These at-risk students need smaller classes, more individualized and specialized instruction, and additional services that are integrated into their academic expectations. Students qualify for ALE

services if they exhibit two or more of the following characteristics (ADE's Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of those funds, 4.02.1.1 and 4.02.1.2)

- Ongoing, persistent lack of attaining proficiency levels in literacy and mathematics (Students cannot be placed in ALE based on academic problems alone.)
- Abuse: physical, mental, or sexual
- Frequent relocation of residency
- Homelessness
- Inadequate emotional support
- Mental/physical health problems
- Pregnancy
- Single parenting
- Personal or family problems or situations
- Recurring absenteeism
- Dropping out of school
- Disruptive behavior

According to data collected by the state's ALE staff, the ALE population is 47.9% minority students and 67.7% male students. This can be compared with the overall student population that is 35% minority students and 51.2% male students, according to SY2011 data in the ADE Data Center.

Students' placement in ALE programs is not intended to be permanent. The BLR report described the length of time students typically stay in ALE programs. About 34% of students participating in ALE stay for 135 days or more. Another 22% stay between 90 and 134 days and 44% stay between 20 and 89 days.

A.C.A. § 6-18-508 requires every school district to establish an ALE program, which may be a cooperative program with one or more other districts. According to ADE, the majority of ALE programs are an extension of the traditional school opportunities, but some districts have established schools that are dedicated to ALE students. Most districts, however, do not have the financial stability or number of students to allow for full school alternative education.

ALE programs are funded based on the number of full-time equivalent students in the program in the previous year. In FY2010-11, a student in an ALE program must have been in the program for at least 20 days for the district to be eligible for funding. (Legislation passed in 2011 changed that requirement to 20 consecutive days.)

For most districts (184), ALE students make up less than 2% of the total student population. For one district, ALE students made up more than 5% of the total student population. Twenty-eight districts were not funded in 2010-11 because they had no ALE students in 2009-10. Districts may avoid providing ALE services by not designating students as meeting the minimum criteria established through ADE rules. There is no investigation by ADE to determine whether districts not providing these services are adequately meeting the needs of all their students.

Act 272 of 2007 set the categorical funding provided to districts for each ALE student at $4,063. There was no increase in funding until FY2011-12.

ALE Per-Student Funding					
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Per ALE Student/FTE	$4,063	$4,063	$4,063	$4,145	$4,228

In FY2010-11, every ALE full-time equivalent (FTE) student generated $6,023 in foundation funding in addition to $4,063 in ALE funding, for a total of $10,086 per student. District expenditures for ALE in FY2010-11 totaled $33,541,601 for 5,390 FTE ALE students, or $6,223 per FTE student.

The report also found that the majority of districts had ending ALE fund balances of 20% or less of that year's ALE funding allocation. However, nine districts had ALE fund balances of more than 100% of that year's ALE allocation.

ALE Fund Balance	Districts
0%	88
>0%-20%	79
>20%-50%	25
>50%-100%	10
100%+	9
TOTAL	211 Districts

Legislation passed in 2011 (Act 1118), repeals A.C.A. §6-18-508 and §6-18-509 concerning alternative learning environments and creates a new subchapter of the Arkansas Code, §6-48-101 et seq. The new law redefines ADE's responsibilities, including: (1) the method of calculating the funding for alternative learning environment students; (2) developing criteria for professional development and training for alternative learning environment teachers; and (3) developing rules for measuring the effectiveness of alternative learning environments. The new provisions went into effect July 1, 2011.

The law changed the funding of ALE by changing the eligibility for ALE funding to those students in ALE for at least 20 consecutive days. The law went into effect beginning with the 2011-12 school year. That year the total ALE FTEs statewide dropped from 5,390 in 2010-11 to 5,273 in 2011-12. That is the first drop in the number of ALE students since 2004-05. However, because ALE funding is based on a district's prior year ALE student count, the effect of the law on funding will not be apparent until 2012-13. ADE has budgeted $21.8 million for ALE in FY2013, down from $22.3 million spent in FY2012.

Act 1118 also requires ADE to evaluate each ALE program. During this adequacy study, ADE said its ALE unit evaluates the effectiveness of programs through visits with individual districts on-site. ADE provides technical assistance, rather than a more structured and documented monitoring process. The new law also requires ADE to submit an annual report to the House and Senate Education Committees that describes the information ALE programs are required to report as well as the effectiveness of ALE programs. The first report produced by ADE under the 2011 legislation in May 2012 did not include information on the effectiveness of ALE programs. ADE said subsequent reports will include the required information from school districts and their evaluations. ADE is collecting the information using a new electronic format for the program approval and an improved program assessment instrument. The program assessment instrument is designed to be a self assessment, but one page of the document will be used for ALE staff evaluations.

English Language Learners

English Language Learners (ELL) funding is the state categorical funding program that supports students who are not proficient in the English language. These students face the challenge of learning a new language in addition to the challenge of mastering the academic subject matter being taught in that language. Students qualify for ELL services based on how they score on

approved English proficiency assessments. The tests measure oral, reading, and writing proficiency and are administered in the fall of the current school year. Districts received $293 per ELL student in FY2010-11. The following table shows the per-student amount established for ELL since 2008-09.

ELL Per-Student Funding					
	2008-09	2009-10	2010-11	2011-12	2012-13
Per ELL Student/FTE	$293	$293	$293	$299	$305

ELL students make up an increasing portion of the overall student population. In 2005, 3.9% of the student population were ELL students, but by 2011, 6.8% of students were English language learners. In 2010-11, 144 districts received funding for a total of 31,325 ELL students.

In 2010-11 district ELL expenditures totaled $13 million. On average, those districts spent $415 per ELL student, significantly more than the $293 per ELL student they received in ELL funding. For the 90% of ELL students who also are eligible for free and reduced priced lunch, districts received $6,812, $7,308, or $7,804, depending on the concentration of students in poverty (see pages 45 and 62 for more information about NSLA categorical funding). In FY2010-11, 95 school districts did not have any ELL students. Fifty-seven percent of the ELL students in the state are served by four districts: Springdale (7,960), Rogers (4,672), Fort Smith (3,289) and Little Rock (1,955)

The ELL fund balance for districts averages $69.75 per ELL student, or about 23.8% of the $293 per student funding. The majority of districts with ELL programs (58%) had an ending ELL fund balance of more than 50% of that year's ELL funding allocation.

ELL Fund Balance	Districts
0%	25
>0%-20%	24
>20%-50%	11
>50%-100%	27
100%+	57
TOTAL	144 Districts

Like other categorical programs, ELL funding may be carried forward from one year to the next and can be transferred to other categorical programs. The use of ELL funding is restricted to categorical programs only.

ELL students performed fairly well on the 2011 state Benchmark exams in early grades, but in the 11th grade, just a quarter of ELL students tested proficient or advanced.

Grade and Subject	% Proficient or Advanced	
	Limited English Proficiency Students	All Students
4th Literacy	76.1%	81.7%
4th Math	76.3%	81.6%
8th Literacy	61.6%	76.9%
8th Math	43.4%	63.2%
11th Literacy	24.4%	65.1%

Professional Development

Professional development (PD) for educators is a critical factor in the effort to improve student performance and ensure highly qualified teachers in the classroom. The Arkansas Accreditation Standard 10.01.3 requires that all teachers have 60 hours of professional development each school year.

The FY2010-11 funding level for professional development was $50 per student, the same amount the state has paid for PD since the General Assembly first established PD funding in FY2004-05. The funding levels for FY2011-12 and FY2012-13 were increased by $1 each year. In FY2010-11, districts received $41.36 per student with the balance of the funding going to ADE for a statewide online PD program. ADE provides funding to the Arkansas Educational Television Network to provide web-based PD courses. The following table shows the per-student amount established for PD each year since 2008-09. During FY2010-11, districts spent $17,740,858 with an average per-ADM expenditure of $41.36.

PD Per-Student Funding					
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Per Student	$50	$50	$50	$51	$52

The majority of districts (81%) had an ending PD fund balance of less than 50% of that year's PD funding allocation. However, 13 districts had an ending PD fund balance of more than 100% of that year's funding allocation.

PD Fund Balance	Districts
0%	45
>0%-20%	92
>20%-50%	56
>50%-100%	33
100%+	13

In August 2012, the Bureau of Legislative Research presented additional information on professional development and teacher evaluations.

Research on Professional Development

The report described empirically-based, effective professional development. The report highlighted the following points:

- Research finds that opportunities for sustained, collegial PD of the kind that produces changes in teaching practice and student outcomes were much more limited in the United States than in most high-achieving nations. A lack of PD related to teaching students with special needs is a particular concern. Well under half of teachers in one national study reported access to PD on teaching students with disabilities or teaching ELL students.

- Existing research clearly affirms that single session, fragmented workshops have little if any positive impact on teaching or student achievement. However, individually-tailored, developmental PD plans, consisting of modeling, practice teaching, and classroom feedback from peers and academic coaches are effective in enhancing instruction and student performance.

- Evidence indicates that the following features of PD are related to knowledge accumulation, enhanced teaching skills and increased student performance:
  - PD approached as a coherent part of a school's educational reform. For substantial change to occur, the curriculum, assessments, standards, performance evaluations, and professional development should be seamlessly linked.
  - PD focused on specific curriculum content and pedagogies needed to teach that content effectively.
  - PD designed to engage teachers in active learning that allows them to make sense of what they learn in meaningful ways.
  - PD presented in an intensive, sustained and continuous manner over time. One meta-analysis reviewed nine experimental or quasi-experimental studies. It found that five of the six studies that offered substantial PD hours (30 to 100 hours) spread out over six to 12 months showed a positive significant effect on student achievement gains. The remaining three studies, which involved 5 to 14 hours of PD showed no statistically significant effect on student learning. In Arkansas, educators are required to have 60 hours of PD annually.
  - PD linked to analysis of teaching and student learning, including the use of formative assessments.
  - PD supported by coaching, modeling, classroom observation and feedback.
  - PD that is connected to teachers' collaborative work in school-based professional learning communities and learning teams.

Professional Development in Arkansas

In its survey of all 239 school districts and a random sample of 74 schools, the BLR collected data on sources of professional development. The survey data found that, on average, educators receive about 45.69% of their PD from district-developed activities. Educators receive another 28.88% from cooperatives, 7.96% from ADE, 4.41% from contracted services, and 2.98% from the ArkansasIDEAS portal maintained by the Arkansas Educational Television Network (AETN).

Research on Teacher Evaluation

Until very recently teacher evaluations nationally have been characterized by infrequency, lack of explicit expectations and rating criteria, limited useful feedback and no continuity across years. Systematic approaches to evaluating teacher effectiveness have emerged in the professional literature and state policy-making in response to emphases on evaluation and accountability in the No Child Left Behind Act and the Race to the Top funding criteria. Currently the most common method of teacher evaluation involves observing a teacher's instruction without considering student achievement scores on standardized tests. However many districts and states are moving toward performance-based assessments as a means for teacher evaluation. This method involves observation of teachers, but also assesses the teacher's instruction against an articulated set of performance standards.

Some states have taken an additional step and are linking student achievement gains to teacher evaluation and professional development. The most common methodology used to examine this linkage is value-added modeling (VAM), which attempts to quantify the "added value" that teachers produce in terms of student learning. VAM is the only systematic, statistical analysis of linkages between teaching and student achievement gains. In practice, however, results indicate that VAM is not able to fully isolate the effects of individual teaching from the impact of other teachers, school culture, and wide-ranging parental and community influences on student

achievement gains. This inadequacy is due to the unavailability or deficiency of data for some measures and the inability to identify an individual teacher's effects when multiple teachers are working with each student.

Teacher Evaluation in Arkansas

The BLR's survey of 74 randomly selected schools asked for the number of formative evaluations schools conduct annually. Formative evaluations are designed to support teachers and provide feedback for growth, rather than to rate them for employment decisions, as is done at the end of the year in summative evaluations. The survey found that the average number of formative evaluations reported by the surveyed schools is nearly the same for experienced and inexperienced, 3.21 and 3.75, respectively.

Most schools reported using an evaluation protocol with a rating scale (40 schools) or a checklist (17 schools) for summative evaluations. Principals reported spending an average number of 109.20 minutes of observing teachers in their classrooms during the school year.

The survey also asked principals about the number of teacher dismissals in their school due to performance over the past three years. The majority of schools (51) reported having no teacher dismissals. Another 13 said they had dismissed one teacher, six dismissed two teachers, three schools dismissed three teachers and one school reported dismissing four teachers.

In 2011, the Arkansas General Assembly enacted Act 1209, which created a teacher evaluation system to help ensure effective teaching, promote professional learning and provide feedback and support that encourages teachers to develop knowledge and skills that contribute to student achievement gains. The legislation is also intended to link evaluation procedures with curriculum standards, professional development and employment decisions. The evaluation system focuses on both teacher inputs and student outcomes by using a balance of "artifacts" of student and teacher performance (e.g., lesson plans, PD participation, samples of student work, formative and summative assessments). The selection of artifacts used in each district is a decision made jointly by the evaluator(s) and the teacher being evaluated.

The teacher evaluation system also uses a standardized framework with two components:

- Four teacher evaluation categories—the general areas in which teachers will be evaluated. These include 1.) planning and preparation, 2.) classroom environment, 3.) instruction and 4.) professional responsibilities.
- An evaluation rubric with four performance levels. These include 1.) distinguished, 2.) proficient, 3.) basic and 4.) unsatisfactory.

The Arkansas teacher evaluation system also links PD to individual teachers' learning needs identified through the evaluation process. Teachers and evaluators are required to develop PD plans in which at least half of the 60 hours required by law are directly related to the teacher's area of teaching and identified teaching needs. For teachers in intensive support status, all PD hours except those required by law must be directly related to the individual teacher's needs.

Summary of Categorical Funding

The following tables show how categorical funding was distributed to school districts and compares districts' spending in 2010-11 with the amount of categorical funding provided to them.

	Students	Districts Receiving Funding
ELL	31,325	144
ALE	5,390	211
NSLA	271,815	239
PD	NA	239

	Total District Expenditure	Per-Student Funding	Districts' Actual Per-Student Expenditure
ELL	$12,984,496	$293	$415
ALE	$33,541,601	$4,063	$6,223
NSLA	$154,285,659	90%+ poverty: $1,488 70%-<90% poverty: $992 >70% poverty: $496	$568
PD	$17,740,858	$41.36	$38.79

The significant categorical fund balances that some districts have developed, as noted in this section, has been a concern for some legislators. Act 1220 of the 2011 Regular Session (A.C.A. §6-20-2305) requires school districts with large categorical fund balances to begin reducing them. It requires each district with an aggregate categorical fund balance of 20% of the school district's total annual state categorical fund allocations to reduce the total balance by 10%. The reductions are to occur each year until the district's total fund balance is 20% or below its annual categorical fund allocation. If a district fails to comply, the law allows ADE to withhold a portion of the district's categorical funding in the next school year. The law was applied for the first time to categorical fund balances as of June 30, 2012, requiring any resulting fund balance reductions to apply in the 2012-13 school year.

In 2011-12, 45 districts had ending aggregate categorical fund balances that exceeded 20% of their categorical funding allocations that year. The overages ranged from $1,083,253 (Fort Smith) to $3,962 (Decatur). On average, the districts required to reduce their categorical fund balances in 2012-13, were over the 20% level by $179,850.

Section 13: Educational Equity and Efficiency

Equity

To gauge the equity of Arkansas's educational system, the BLR examined the variation in districts' per-pupil funding and expenditures. The BLR presented the "Arkansas School District Equity Analysis Report" during the May 2012 meeting.

District Revenue

The BLR used a variety of statistical measures to examine the equity in Arkansas's education funding and found it is distributed in a relatively equitable manner. In FY11, districts received on average $8,215.84 per student in a combination of unrestricted funding, such as foundation funding, and categorical funding. The difference between the funding level of the district receiving the greatest per student funding and the district receiving the lowest (the restricted range) was $2,766.08 per student. The report used statistical measures, including the coefficient of variation and the McLoone Index, to examine the equity in the distribution of state funding. The report also examined the relationship between property wealth and district revenue per pupil using two measures—the wealth-neutrality score and wealth elasticity. Based on these measures, the report found a "reasonably high degree of equity across all school districts in the state." The report also concluded that the categorical funding districts receive "to compensate for socioeconomically disadvantaged districts contributes to the equalization of revenues." Additionally, a decrease in the fiscal neutrality from 2009 to 2011 indicates the school districts' funding is becoming more equitable.

District Expenditures

The report also examined the equity in school district expenditures. The BLR divided the school districts into ten deciles based on property wealth and compared the average per-student expenditures of the districts in each decile. The analysis found a slight increase in the strength of the relationship between property wealth and district per student revenue from 2009 to 2011. However, the review found no evidence of a strong association between expenditures and districts' property wealth.

A similar analysis was conducted to examine the relationships between per student expenditures and:

- **Percentage of NSLA students**
  School districts with a higher percentage of NSLA students are spending more per pupil than districts with a lower percentage of NSLA students. Districts with the highest percentage of poverty have experienced the greatest increase in expenditures over the last three years.

- **Percentage of minority students**
  Per-pupil expenditures are only moderately related to the percentage of minority students within a district. The analysis found districts with higher percentages of minority students spend slightly more per student than districts with lower percentages of minority students.

- **District size**
  Smaller districts spend slightly more per pupil than larger districts, but the difference was not significant.

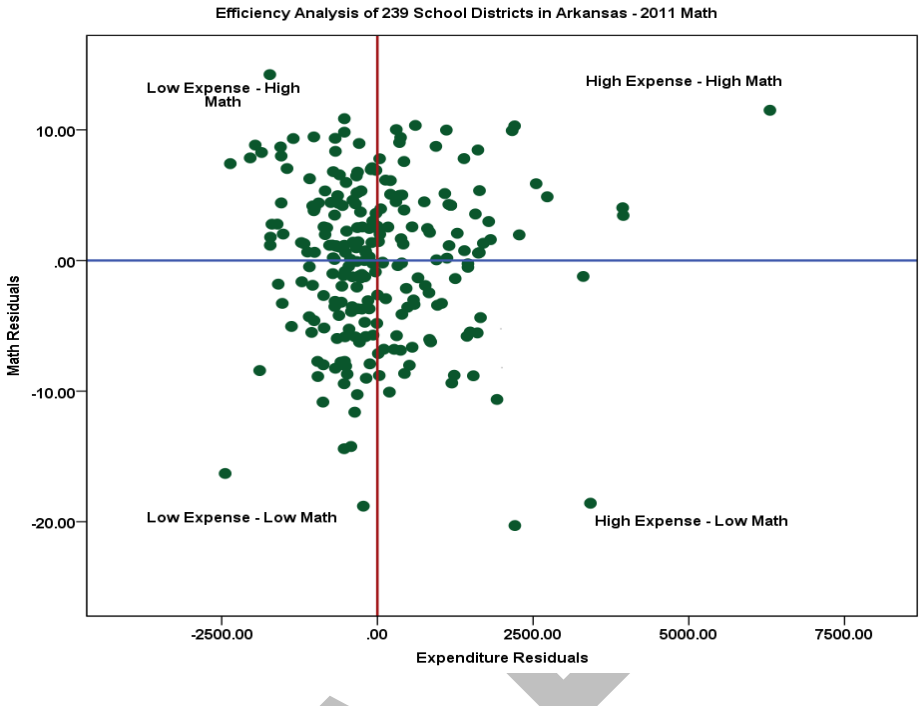
Efficiency

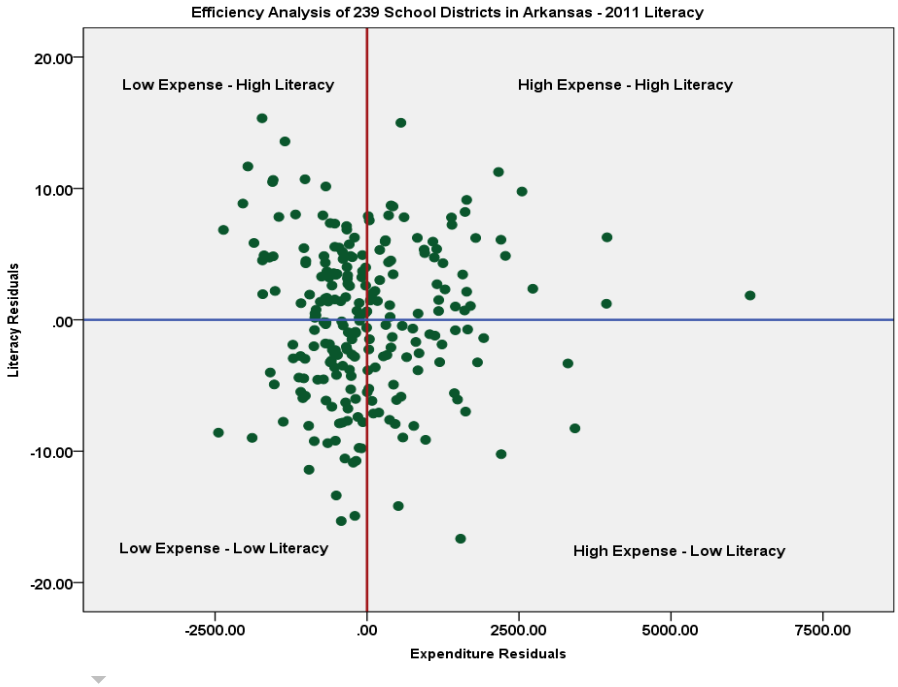
Increasingly, education researchers are using efficiency analyses as one indicator of educational adequacy, with the assumption that efficiency requires sufficient resources to provide all students with an adequate education. This method differs from others that rely more heavily on professional judgment. In May 2012, the BLR conducted an analysis of the efficiency of Arkansas school districts by examining the linear relationship between district expenditures and student performance. The report, "Examination of Efficiency of Arkansas School Districts in 2007 and 2011," also analyzed the relationship between expenditures and student remediation rates.

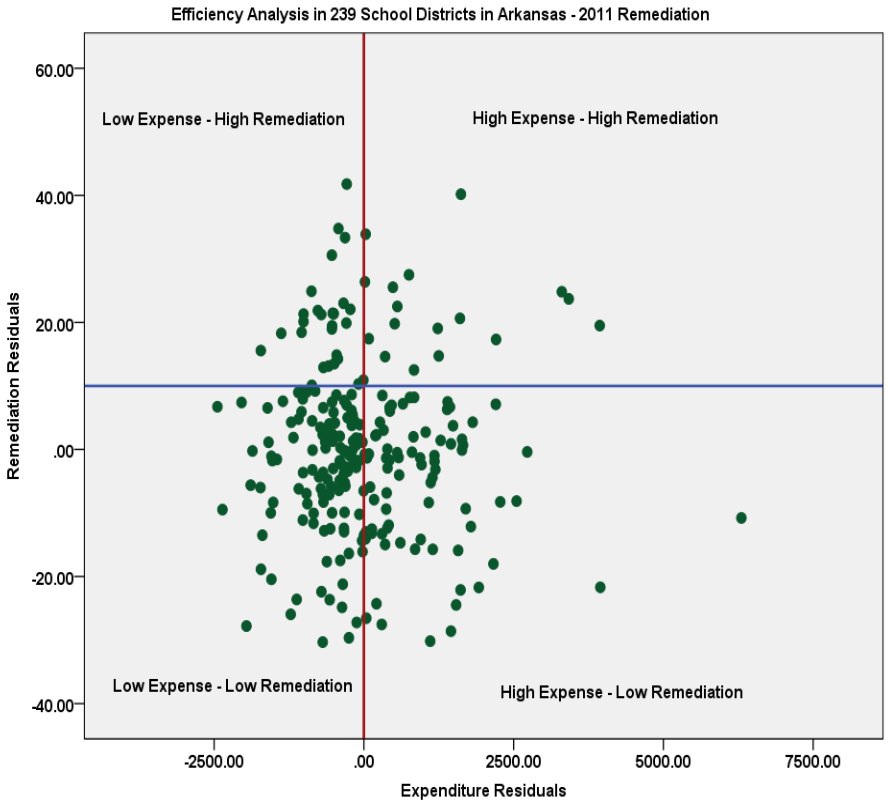
The statistic used to conduct efficiency analysis in the report was the ordinary least squares (or OLS) regression. This statistic was used to derive predictions based on the efficiency assumption of a linear relationship between per pupil expenditures and student performance on state ACTAAP exams and remediation rates. The predicted data on performance and on remediation are derived from the relationships between per-pupil expenditures and performance or remediation, after statistically controlling for race and NSLA percentages in multiple regression. Race and NSLA were selected from many factors based on their strength of association with performance and remediation.

Differences (or residuals) between each district's predicted data derived from regression analyses and the observed data provided by the National Office for Research on Measurement and Evaluation Systems (NORMES) and ADE were calculated, and districts were plotted across four quadrants based on these difference. Perfect efficiency assumes there is no difference (or zero residual) between predicted and observed data. Districts with lower than predicted expenses and higher than expected performance are classified as highly efficient, and about 30% of the Arkansas districts in 2011 were in this quadrant (or classification). Approximately, 20% of the districts were classified as highly inefficient, with higher than predicted expenses and lower than expected student performance. Other districts were classified as less efficient and inefficient. This classification system is often referred to as quadriform analysis in the professional literature.

The following charts show the resulting scatterplots when comparing student achievement in math and literacy, as well as remediation rates. Each dot represents one of the state's 239 school districts.


Efficiency Analysis of 239 School Districts in Arkansas - 2011 Math
Low Expense - High Math
High Expense - High Math
Low Expense - Low Math
High Expense - Low Math
Math Residuals
10.00
.00
-10.00
-20.00
-2500.00
.00
2500.00
5000.00
7500.00
Expenditure Residuals


Efficiency Analysis of 239 School Districts in Arkansas - 2011 Literacy
Low Expense - High Literacy
High Expense - High Literacy
Low Expense - Low Literacy
High Expense - Low Literacy
Literacy Residuals
20.00
10.00
.00
-10.00
-20.00
-2500.00
.00
2500.00
5000.00
7500.00
Expenditure Residuals



In this study, efficient districts differed from less efficient and inefficient districts by having fewer teachers and academic coaches; fewer expenditures for instruction, student support services, and instructional staff support; higher beginning teacher salaries; less remediation in all tested areas and fewer daily absences among students. These associated factors can offer valuable clues for policy-making. However, caution must be exercised in how these associations are interpreted because this cross-sectional study cannot test "causal" relations. Rather, the factors associated with efficiency categories in this study should be perceived as useful clues for further investigations, and as an empirical confirmation of information from other forms of assessing efficiency, such as professional experience and judgment.

The BLR performed similar analysis in 2010 and presented a report "Examination of Efficiency and Achievement Gaps in Arkansas School Districts." That efficiency analysis examined 2007 4th grade and 8th grade student achievement data. Similar results were found in both the 2010 and 2012 efficiency analyses.

Section 14: Public Comment

Four associations representing the interests of districts, schools and educators provided comments and/or recommendations on the state's educational funding system. This section summarizes their testimony.

Arkansas Association of Educational Administrators

The Arkansas Association of Educational Administrators (AAEA), which represents superintendents, principals, and other educational administrators, recommended a number of increases for various components of the matrix and for categorical funding. AAEA Executive Director Dr. Richard Abernathy discussed his group's recommendations during the March 2012 meeting of the Education Committees. The recommendations are summarized in the following table.

- **Add a cost of living adjustment (COLA) to the components of the funding matrix and the categorical funds to support personnel costs.**

  The AAEA requested that a cost of living adjustment be added each year to the matrix components intended to cover the salaries of certified and classified employees. The organization asked that the COLA be the same amount as the COLA used for state and local government payroll.

- **Increase operations and maintenance (O&M) funding by 3.9%**.

  The Association recommended a 3.9% increase in operations and maintenance matrix line item for each year of the coming biennium. The increase is necessary, Dr. Abernathy said, to reflect the average growth in O&M costs over the past six years. Dr. Abernathy noted that the average O&M per-student expenditure in FY10 was $895.79 and in FY11 $920.79, which is above the $604.50 provided in the matrix in 2011.[10] (The Bureau of Legislative Research's analysis found that districts spent $750.72 per student of their foundation funds on operations and maintenance [see page 58], though they also may use other funding sources for these expenditures.) Dr. Abernathy noted that bandwidth expenses are eating up an increasing portion of districts' O&M budgets. Bandwidth expenditures must be coded to utilities, an O&M expenditure, rather than technology, which exacerbates the increase in this expenditure category. Many districts are buying more bandwidth to enable schools to effectively use technology in the classroom (see page 39 for more information about districts' issues with bandwidth).

- **Develop a high-cost transportation funding category.**

  AAEA recommended the creation of a transportation categorical for districts with an "extremely high" number of route miles. Dr. Abernathy noted that the average per-student transportation expenditure in FY10 was $393 and $420 in FY11, which is above the $297.50 provided in the matrix in 2011.[11] (The Bureau of Legislative Research's analysis found that districts spent $274.41 per student from their foundation funds on transportation [see page 58], though they also may use other funding sources for transportation expenditures.)

[10] Annual Statistical Report, 2009-10 and 2010-11, retrieved from http://www.apscn.org/reports/hld/asr/asr.htm

[11] Annual Statistical Report, 2009-10 and 2010-11, retrieved from http://www.apscn.org/reports/hld/asr/asr.htm

AAEA indicated that other factors increasing transportation costs include changes to emission standards, increased salary costs and bus replacement costs.

- **Eliminate the salary requirements of the Educational Excellence Trust Fund.**

  The Educational Excellence Trust Fund (EETF) was created in 1991 to provide additional funding for teacher salaries. It was initially funded with a one-half of one percent increase in sales and use taxes. The amount of EETF funding that each district receives is based on a percentage of its total per-pupil foundation funding. Any funding that a district receives above the highest amount of funding it has received since 1992 must be used to increase salaries, a requirement that AAEA believes exacerbates the disparities in teacher salaries between growing districts and those with no growth. AAEA recommended eliminating the requirements of the Education Excellence Trust Fund, arguing that they have become unfunded mandates and added to the salary disparity among districts.

The AAEA also noted other issues that school districts are facing: the availability of adequate bandwidth, which Dr. Abernathy comprehensively covered in a separate presentation in February 2012 (see page 39), and the confluence of changes associated with the Common Core initiative, the PARCC assessments, and the Teacher Excellence and Support System (TESS) (see pages 21, 22 and 70 for discussions of each). Dr. Abernathy also noted the perennial issue of districts' fund balances. He noted that districts typically carry a fund balance of 15.8% to 18.4%, which covers about two months, an adequate amount to meet payroll and operating expenses in summer months. However, he noted several school districts carry unusually large fund balances, and he recommended that the annual required financial training for superintendents and business managers include information on the proper coding of fund categories.

Arkansas School Boards Association

In April 2012, Mr. Dan Farley presented the comments and recommendations of the Arkansas School Boards Association (ASBA). The issues he addressed are as follows:

- **Culture**

  The ASBA believes that changing a school's culture is "the most important and most difficult aspect of significantly improving Arkansas's future." To that end, the group recommended sufficiently staffing the Arkansas Leadership Academy to enable it to serve as a resource for best practices for struggling schools and provide the expertise to help districts implement those practices.

- **Common Core State Standards**

  The ASBA noted that Arkansas spends a significant amount of money on remediation in college because the current K-12 curriculum is not aligned with the college curriculum. The group believes implementing the Common Core State Standards (see page 21) will ultimately decrease the amount of money spent on remediation, but that decrease will not happen immediately, creating a "near-term funding challenge" with short term costs increasing.

- **Teacher Evaluation**

  The ASBA noted that the teacher evaluation required by Act 1209 of 2011 (see page 70) will increase the amount of time administrators spend evaluating staff to about three hours per evaluation. That new time requirement, the ASBA suggested, should be funded in the matrix.

The teacher evaluation system will also require new demands on instructional facilitators, which the ASBA believes should be funded in the matrix. The ASBA believes ADE also will need more staff to support districts needs as they implement both CCSS and the teacher evaluation system.

- **Bandwidth and Technology**

  The ASBA noted that implementing the Common Core State Standards as well as the increasing use of technology for educational purposes will require larger amounts of bandwidth than are currently available in some parts of the state. The organization recommended examining the technology line item in the matrix to ensure sufficient funding for bandwidth, hardware and software necessary for CCSS implementation.

- **Instructional Facilitators**

  ASBA recommended funding four instructional facilitators in the matrix, instead of the 2.5 currently funded. The instructional facilitator line item of the matrix is intended to fund instructional facilitators, a half-time assistant principal and an instructional facilitator with technology expertise. ASBA argued that funding should support two instructional facilitators, one assistant principal and a technology coach. Schools should not have to choose between hiring an instructional facilitator and an assistant principal. The ASBA also recommended the matrix fund a minimum of one full-time technology instructional facilitator, noting that there is a difference between a technology expert who can help a teacher with technology-related issues and a technology coach who can help teachers create lesson plans and incorporate the technology in the classroom.

- **Professional Development**

  Noting that the original Odden and Picus adequacy research recommended 100 to 200 hours of professional development, the ASBA noted its opposition to any attempt to decrease the 60 hours of professional development currently required. The group noted that school administrators are prohibited from stipulating teachers' use of their planning time, and the group argued this prohibition impedes schools' ability to foster collaborative professional development. The ASBA urged the Legislature to develop a way for administrators to organize collaborative PD activities during the school day.

- **School Year**

  ASBA said the current school year contributes to the achievement gap. Students from lower socioeconomic backgrounds tend to lose more ground over the summer than affluent students. The group supports the long-term goal of lengthening the school year, but suggested that an adequate short-term solution could be adding multiple breaks throughout the school year that are shorter than the summer break.

- **Seat Time**

  The ASBA argued that the adequacy study should consider whether changes to student seat time requirements are needed or whether students' knowledge of a subject and their ability to apply that knowledge should be the goal.

Arkansas Education Association

The Arkansas Education Association (AEA) represents teachers in Arkansas. In April 2012, Mr. Rich Nagel presented a variety of recommendations the Association advocates for preparing and retaining teachers as well as providing meaningful professional development:

- Educator preparation programs should be rigorous and stress high academic performance, extensive clinical practice and field experiences, knowledge of subject matter and knowledge of pedagogy, cultural competency, and child development and learning acquisition.
- Both traditional and non-traditional educator preparation programs should provide equal rigor, meet the same standards, and demonstrate the same level of performance.
- The state should provide incentives to encourage teachers to seek graduate degrees and additional resources to encourage more teachers to complete National Board Certification. To ensure the retention of teachers with graduate degrees and National Board Certification, the Association recommended the state fund a comprehensive working condition study similar to the one outlined in the state's Race to the Top application.
- Teacher salaries should be raised. The AEA supports increasing the state's minimum teacher salary to $40,000.
- Involve teachers in a more meaningful way in the planning, presenting and evaluation of professional development. Teachers should have greater access to online professional development and adequate notice of PD requirements. PD offerings should be individualized, available in the areas needed for each educator to improve his/her practice and embedded in the school day.
- Unlike the AAEA, the AEA does not believe the requirements of the EETF exacerbates disparities in teachers' salaries from one district to another. However, the group is willing to discuss the issue.

To improve student learning, the AEA supports the passage of legislation requiring greater restrictions on districts' use of foundation funding for those districts with low percentages of students who test proficient or advanced on state Benchmark assessments. The group believes the state's resources should be targeted to schools in the state designated as "Priority" or "Focus" schools under the state's ESEA Flexibility plan. (See page 17 for more information about the state's ESEA Flexibility plan.)The AEA also recommended expanding the state's pre-K program by eliminating the income limit to allow access for all three- and four-year-olds. The group also recommended ensuring that all public schools have access to adequate internet broadband for online assessments and training for educators and ensuring access to modernized career and technical education.

The AEA also recommended state support for an arts-infused delivery system of instruction. The association believes the adequacy study should recommend policies that address a broad range of issues, such as leveraging community assets and the underlying circumstances that create disadvantages for low income and minority students. The association asked that the adequacy study include the following recommendations for closing the achievement gap:

- Reintroduce state funding for school-based health clinics for under-served students.
- Aggressively implement strategies to provide high quality after-school and summer programs in schools.
- Reduce the class size in kindergarten through third grade.

Arkansas Rural Educators Association

Mr. Bill Abernathy, Executive Director of the Arkansas Rural Education Association (AREA), presented his organization's educational adequacy priorities during the April 2012 meeting. He said the state will need to identify the amount of broadband that is currently available in each school building as well as the amount of broadband that will be needed. That issue needs to be studied collaboratively with a cross-section of people, he said, the way that school facilities' needs were studied in 2005. Mr. Abernathy recommended studying the issue as part of the adequacy process.

The other issue Mr. Abernathy discussed was the long bus rides students in rural districts endure when schools are closed due to consolidation. He said in some districts, students get on the school bus in the morning and are dropped off 12 hours later. He asked if it was fair or reasonable for an elementary student to be on a bus for five hours a day. (The BLR survey of district-level survey found that, on average, about 2.6% of students have a one-way bus ride longer than an hour and a half.) Mr. Abernathy recommended limiting the number of hours a child can spend on the bus. He said school districts should be encouraged to reduce the size of the buses and consider breaking long bus routes into shorter ones.

Section 15: Recommendations

1. In March 2012 the House and Senate Education Committees passed a motion requesting the Education Department implement the following APSCN coding changes necessary to facilitate the collection of data for the following purposes. The motion specified that these coding changes should not be optional.

    - **School improvement provider accounting records—**The funding paid to external providers should be recorded at the school level. Coding is needed for vendors used in response to school improvement status requirements. This should be maintained for the expenditures of SIG grant funding as well as other revenue sources used for school improvement providers.

    - **Parental involvement efforts**—A coding method of tracking federal funds being used for parental involvement efforts is currently being developed. That coding methodology should be used for state funds as well.

    - **Teacher absentee reporting—**The information is currently being reported as Teacher Leave Total (Days). According to ADE, this measure is an optional field for districts to enter, and they use the same database field differently, depending upon whether the employee is salaried or hourly. Recording this data should not be optional and should be recorded uniformly by the districts. These changes should be implemented to be effective for the 2012-13 school year. Approximately 205 of the 239 school districts are already entering this information.

Appendix A: Acts 57, 1204, and 725, codified at A.C.A. § 10-3-2102

10-3-2102. Duties.

(a) During each interim, the House Committee on Education and the Senate Committee on Education shall meet separately or jointly, as needed, to:

(1) Assess, evaluate, and monitor the entire spectrum of public education across the State of Arkansas to determine whether equal educational opportunity for an adequate education is being substantially afforded to the school children of the State of Arkansas and recommend any necessary changes;

(2) Review and continue to evaluate what constitutes an adequate education in the State of Arkansas and recommend any necessary changes;

(3) Review and continue to evaluate the method of providing equality of educational opportunity of the State of Arkansas and recommend any necessary changes;

(4) Evaluate the effectiveness of any program implemented by a school, a school district, an education service cooperative, the Department of Education, or the State Board of Education and recommend necessary changes;

(5) Review the average teacher salary in the State of Arkansas in comparison to average teacher salaries in surrounding states and member states of the Southern Regional Education Board and make recommendations for any necessary changes to teacher salaries in the State of Arkansas established by law;

(6) Review and continue to evaluate the costs of an adequate education for all students in the State of Arkansas, taking into account cost-of-living variances, diseconomies of scale, transportation variability, demographics, school districts with a disproportionate number of students who are economically disadvantaged or have educational disabilities, and other factors as deemed relevant, and recommend any necessary changes;

(7) Review and continue to evaluate the amount of per-student expenditure necessary to provide an equal educational opportunity and the amount of state funds to be provided to school districts, based upon the cost of an adequate education and monitor the expenditures and distribution of state funds and recommend any necessary changes;

(8) Review and monitor the amount of funding provided by the State of Arkansas for an education system based on need and the amount necessary to provide an adequate educational system, not on the amount of funding available, and make recommendations for funding for each biennium.

(b) As a guidepost in conducting deliberations and reviews, the committees shall use the opinion of the Supreme Court in the matter of Lake View Sch. Dist. No. 25 v. Huckabee, 351 Ark. 31, 91 S.W.3d 472 (2002), and other legal precedent.

(c) The Department of Education, the Department of Career Education, and the Department of Higher Education shall provide the House Committee on Education and the Senate Committee on Education with assistance and information as requested by the House Committee on Education and the Senate Committee on Education.

(d) The Attorney General is requested to provide assistance to the House Committee on Education and the Senate Committee on Education as needed.

(e) Contingent upon the availability of funding, the House Committee on Education, the Senate Committee on Education, or both, may enter into an agreement with outside consultants or other experts as may be necessary to conduct the adequacy review as required under this section.

(f) The study for subdivisions (a)(1)-(4) of this section shall be accomplished by:

(1) Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program;

(2) Reviewing the curriculum frameworks developed by the Department of Education;

(3) Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program, § 6-15-401 et seq.;

(4) Reviewing fiscal, academic, and facilities distress programs;

(5) Reviewing the state's standing under the No Child Left Behind Act of 2001, 20 U.S.C. § 6301 et seq.;

(6) Reviewing the Arkansas Comprehensive School Improvement Plan process; and

(7) Reviewing the specific programs identified for further study by the House Committee on Education and the Senate Committee on Education.

(g) (1) The study for subdivision (a)(5) of this section shall be accomplished by comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including without limitation:

(A) Comparing teacher salaries as adjusted by a cost of living index or a comparative wage index;

(B) Reviewing the minimum teacher compensation salary schedule; and

(C) Reviewing any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

(2) Depending on the availability of National Education Association data on teacher salaries in other states, the teacher salary comparison may be prepared as a supplement to the report after September 1.

(h) The study for subdivision (a)(6) of this section shall be accomplished by reviewing:

(1) Expenditures from:

(A) Isolated school funding;

(B) National school lunch student funding;

(C) Declining enrollment funding;

(D) Student growth funding;

(E) Special education funding;

(2) Disparities in teacher salaries; and

(3) Any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

(i) The study for subdivision (a)(7) of this section shall be accomplished by:

(1) Completing an expenditure analysis and resource allocation review each biennium; and

(2) Reviewing any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

(j) The study for subdivision (a)(8) of this section shall be accomplished by:

(1) Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education;

(2) Adjusting for the inflation or deflation of any appropriate component of the system of funding public education every two (2) years;

(3) Reviewing legislation enacted or rules promulgated during the biennium covered by the study to determine the impact of the legislation and rules on educational adequacy-related public school costs; and

(4) Reviewing any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

HISTORY: Acts 2003 (2nd Ex. Sess.), No. 57, § 1; 2005, No. 723, § 1; 2007, No. 1204, § 1; 2011, No. 725, § 1.

Appendix B: Index of Adequacy Reviews Required by Acts 57, 1204 and 725

Statutory Requirement	Report Section
Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program	Section 10
Reviewing the curriculum frameworks developed by the Department of Education	Section 5
Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program	Section 5
Reviewing fiscal, academic, and facilities distress programs	Section 5
Reviewing the state's standing under the No Child Left Behind Act of 2001	Section 5
Reviewing the Arkansas Comprehensive School Improvement Plan process	Section 5
Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including: • Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index • Reviewing the minimum teacher compensation salary schedule	Section 7
Reviewing expenditures from isolated school funding	Sections 9 and 10
Reviewing expenditures from National School Lunch state funding	Sections 10 & 12
Reviewing expenditures from declining enrollment funding	Section 10
Reviewing expenditures from student growth funding	Section 10
Reviewing expenditures from special education funding	Section 6
Reviewing disparities in teacher salaries	Section 7
Completing an expenditure analysis	Section 13
Completing a resource allocation review	Sections 11 & 12
Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education	Section 15
Adjusting for the inflation or deflation of any appropriate component of the system of funding public education	Section 11
Reviewing legislation enacted or rules promulgated during the biennium covered by the study to determine the impact of the legislation and rules on educational adequacy-related public school costs	Pages 17, 23, 35, 40, 56, 63, 66, 70, and 71

Appendix C: Adequacy Study Presenters and Contributors

Experts, state agency officials, and members of the General Assembly provided information, data, and other assistance for the adequacy study.

Bureau of Legislative Research

- Mr. Richard Wilson, Assistant Director for Research Services
- Ms. Jerri Derlikowski, Administrator, Policy Analysis and Research Section
- Mr. Paul Atkins, Senior Research Specialist, Policy Analysis and Research Section
- Dr. Brent Benda, Senior Research Specialist, Policy Analysis and Research Section
- Ms. Lori Bowen, Senior Legislative Analyst, Legislative Fiscal Services Division
- Ms. Sarah Ganahl, Legislative Attorney, Legal Services Division
- Mr. Mark Hudson, Senior Legislative Analyst, Legislative Committee Staff
- Ms. Cheryl Reinhart, Legislative Attorney, Legal Services Division
- Ms. Nell Smith, Senior Research Specialist, Policy Analysis and Research Section
- Ms. Heather Tackett, Legislative Analyst, Policy Analysis and Research Section
- Ms. Rebeca Whorton, Legislative Analyst, Policy Analysis and Research Section

Arkansas Department of Education

- Dr. Tom Kimbrell, Commissioner
- Ms. Martha Kay Asti, Special Education Division Manager
- Dr. Karen Cushman, Assistant Commissioner, Division of Human Resources
- Dr. Laura Bednar, Assistant Commissioner, Division of Learning Services
- Mr. John Hoy, Assistant Commissioner, Division of Academic Accountability
- Dr. Charles Stein, Director, Division of Public Schools Academic Facilities and Transportation
- Mr. Tony Wood, Deputy Commissioner

Dr. Richard Abernathy, Executive Director, Arkansas Association of Educational Administrators
Mr. Bill Abernathy, Executive Director, Arkansas Rural Education Association
Dr. Diann Gathright, Superintendent, Mena School District
Dr. David Hopkins, Superintendent, Clarksville School District
Mr. Rich Nagel, Executive Director, Arkansas Education Association
Mr. Dan Farley, Executive Director, Arkansas School Boards Association

Appendix D: Lake View History and Legislative Response

Lake View v. Huckabee

The General Assembly's efforts to define and fund an adequate education were driven by a lawsuit filed in August 1992 by the Lake View School District in Phillips County. The lawsuit, filed as *Lake View v. Tucker*[12], claimed the disparity between public school funding for wealthy districts and for low-income districts was unconstitutional.

In 1995, the General Assembly changed its educational funding system to one that provides funding to districts based on the number of students, or average daily membership (ADM), equalized based on the wealth of the district. Then in August 1998, Pulaski County Chancery Court Judge Collins Kilgore dismissed the case without a trial.

On appeal, the Arkansas Supreme Court reversed the lower court's decision and held that the Chancery Court should determine whether the General Assembly's efforts corrected the funding disparities. In May 2001, Judge Kilgore found the Arkansas school funding system to be unconstitutionally inequitable and inadequate.

The case was appealed to the Arkansas Supreme Court, and on November 21, 2002, the court upheld Judge Kilgore's ruling, declaring the state's public school funding system inequitable and inadequate. The court cited the state's "abysmal" educational rankings, low Benchmark test scores, and the high need for remediation in college. Teacher salaries failed to keep pace with surrounding states and varied greatly within the state, hindering efforts to recruit and retain high quality teachers. The special needs of impoverished students, including those who were English language learners, were not being adequately met, nor were the needs of school districts in low-income areas and high-growth communities.

The Supreme Court noted that ADE had not defined an adequate education nor assessed whether the state's public school system provides one. The court ordered the state to define educational adequacy, examine the entire spectrum of the state's public education system, and monitor how state education funding is spent.

Legislative Response

To comply with the court's ruling, the General Assembly created the Joint Committee on Educational Adequacy during the 2003 Regular Session, and charged it with conducting an adequacy study. The committee hired school funding experts Lawrence O. Picus and Associates, which spent four months reviewing Arkansas school finance and adequacy issues and presented its final recommendations September 1, 2003.

During the Second Extraordinary Session of 2003, the General Assembly enacted 73 education bills into law[13], including a new funding formula, a comprehensive student testing and school accountability program and a school consolidation plan that eliminated all school districts with fewer than 350 students. The new state foundation funding formula calculated the amount of funding necessary for providing an adequate education. The Legislature also set each district's state funding level at $5,400 per student and paid for it with new taxes, which generated $400 million in additional revenue annually.

[12] The case was originally filed as *Lake View School District No. 25 of Phillips County, Arkansas v. Jim Guy Tucker*, Case No. 92-5318, In the Chancery Court of Pulaski County, Arkansas. Governor Huckabee was substituted as a party in 2000.

[13] See Summary of General Legislation, 84th General Assembly of the State of Arkansas, Second Extraordinary Session 2003, http://www.arkleg.state.ar.us.

The General Assembly also adopted legislation establishing that education is the state's top funding priority and must be funded first. Act 108's "doomsday" provision would force funding cuts to other state agencies if the funds in the Educational Adequacy Fund plus other resources available to the Department of Education Public School Fund Account of the Public School Fund "are not sufficient to meet the state's financial obligation to provide an adequate educational system as authorized by law."

Court Supervision

The Supreme Court released the state from court supervision in 2004, praising much of the General Assembly's work while noting that deficiencies still existed. But a year later after the 2005 legislative session, the Supreme Court reopened the case at the request of 50 school districts. The districts, led by the Rogers School District, argued that despite inflation and new state mandates placed on schools, the General Assembly failed to increase the $5,400 foundation funding in 2005-06. They claimed that the money schools received was not enough to provide an adequate education.

On December 15, 2005, the Arkansas Supreme Court again declared the public school funding to be unconstitutionally inadequate. The court said the state had not complied with two laws: its doomsday provision requiring education needs to be funded first and Act 57 of the Second Extraordinary Session of 2003 which required the state to study the cost of providing an adequate education. And despite a 2005 allocation of $120 million for school facilities, the court also found that the General Assembly "grossly underfunded" repairs and improvements for school facilities.

At the time of the Supreme Court decision, the Adequacy Study Oversight Subcommittee had already begun planning an interim study on education and eventually hired Lawrence O. Picus and Associates to reassess the foundation funding level. In addition, the General Assembly responded to the court's requirements in a special session in April 2006. The Legislature increased the per-student foundation funding from $5,400 to $5,486 for 2005-06 and $5,620 for 2006-07. It also added $42 per student for teacher retirement, bringing the total per-student funding amount to $5,528 in FY2005-06 and $5,662 in FY2006-07. The General Assembly also added $50 million for school district facilities for 2005-06, $10 million for districts with declining enrollment for 2006-07,and $3 million for isolated schools for 2006-07.

A year later in May 2007, the Supreme Court, in a historic decision signed by all seven of the participating justices, declared the Arkansas public school funding system constitutional.[14]

[14] *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 370 Ark. 139, __ S.W.3d __ (2007).

Appendix E: Glossary

Academic distress: The state designation for a district that has demonstrated a lack of student achievement on the state-mandated, norm-referenced or criterion-referenced tests for a sustained period of time. Currently districts are placed in academic distress if 75% or more of their students score below basic on criterion-referenced tests. However, ADE is amending this criteria.

Adequate yearly progress (AYP): The federal No Child Left Behind Act calls for all students to be proficient in literacy and mathematics by the 2013-2014 school year. In the meantime, schools' student test scores must meet designated targets, known as adequate yearly progress, toward meeting that goal.

Alternative Learning Environment funding: A state categorical funding program that provides extra money to school districts to help them educate students who need different learning environments due to social or behavioral factors that make learning difficult in the traditional classroom. School districts received $4,063 per ALE student in 2009 and 2010 in ALE categorical funding. In 2009, there were 4,964 ALE students in Arkansas.

Arkansas Comprehensive School Improvement Plan (ACSIP): A written plan schools and districts use to outline goals and activities that they believe will raise student academic achievement. It is written by schools and districts and approved by ADE.

Arkansas Comprehensive Testing, Assessment, and Accountability Program (ACTAAP): The state's student testing system in which every student and every school is required to participate. ACTAAP tests students to gauge their understanding of the state curriculum and uses the collective test scores to measure the quality of the education that schools provide.

Categorical funding: In addition to foundation funding school districts receive four groups of categorical funding. Three of the four categorical funds — English Language Learners (ELL), National School Lunch Act (NSLA), and Alternative Learning Environment (ALE) — are designed to help schools educate students with special needs. The fourth categorical fund — Professional Development (PD) — is designed to pay districts for providing staff professional development.

Criterion-referenced tests (CRT): State-developed exams, designed to test a student's mastery of a particular topic. The state's augmented Benchmark exam includes CRT questions that were customized to the Arkansas education standards, and it provides a norm-referenced test (NRT) score comparing Arkansas students to other students nationally.

English Language Learner funding: Students with limited English language proficiency. School districts received $293 per ELL student in 2009 and 2010 to help educate these students. ELL is one of the four categorical funds. In 2009, there were 27,589 ELL students in Arkansas.

Facilities distress: The state designation for a district that fail to properly maintain their academic facilities in accordance with state laws and related rules. Under the law, the Arkansas Commission for Arkansas Public School Academic Facilities and Transportation may place a district in facilities distress for problems including material violation of local, state, or federal fire, health, or safety code provisions or laws; material failure to comply with state laws regarding purchasing, bid requirements or school construction; material default on any district debt obligation; and material failure to plan and progress satisfactorily toward accomplishing priorities set by the Division and the district's master plan.

Fiscal distress: The state designation for a district having financial problems including a declining balance that jeopardizes the district's fiscal integrity; material failure to properly maintain facilities; and insufficient funds to cover payroll, benefits, and/or tax obligations.

Formative assessment: An ongoing process of frequently evaluating student's understanding — through quizzes, questioning, mid-lesson checks, etc. — to help teachers tailor lessons to student learning.

Foundation funding: "An amount of money specified by the General Assembly for each school year to be expended by school districts for the provision of an adequate education for each student" (A.C.A. § 6-20-2303). Foundation funding is the base per-student amount of state funding provided to school districts. Each district receives the foundation funding amount multiplied by its student count, or average daily membership. In 2008-09 foundation funding was set at $5,789 per student.

Matrix: The formula for calculating the foundation funding amount. The matrix is made up of individual items considered necessary for the operation of schools, including teachers, principals, and instructional materials. The matrix establishes a funding value for each item.

National School Lunch Act funding: State funding provided to school districts with high percentages of students in poverty. This state funding should not be confused with the federal National School Lunch Act. The state money is called NSLA funding only because it uses the federal act's eligibility criteria for free and reduced price lunches.

School districts whose student population consists of 90% or more students in poverty received $1,488 per NSLA student in 2009 and 2010. Those with 70%-90% poor students received $992 per NSLA student, and those with less than 70% received $496 per NSLA student. In 2008-09 there were 262,274 NSLA students in Arkansas.

Norm-referenced tests (NRT): National standardized exams used to compare students' performance with one another and make state-to-state comparisons. The state's augmented Benchmark exam includes CRT questions that were customized to the Arkansas education standards, and it provides an NRT score comparing Arkansas students to other students nationally.

Professional Development funding: One of the state's four categorical funds. State rules define professional development as "a coordinated set of planned learning activities that are based on research, are standards-based and continuous." All certified employees are required to receive 60 hours of such training annually. The state provides $50 per student to provide staff professional development. In FY2008-09, $41.33 of the $50 went to school districts and the remaining $8.67 funded the statewide online professional development program. That program is a partnership between ADE and AETN to offer online PD courses to all teachers across the state at no cost to the teachers or their school districts.

School improvement: The federal No Child Left Behind Act calls for all students to be proficient in literacy and mathematics by the 2013-2014 school year. In the meantime, schools' student test scores must meet designated targets, known as adequate yearly progress, toward meeting that goal. Schools that fail to meet those incremental targets for two years in a row are placed on the school improvement list. In 2009, 404 of the state's nearly 1,100 school were on school improvement and another 173 were on alert (meaning the school has failed to make AYP for one year).