



Research Report

Review of Isolated and Special Needs Isolated Funding and Expenditures

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Prepared for

THE HOUSE INTERIM COMMITTEE ON EDUCATION
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BUREAU OF LEGISLATIVE RESEARCH
One Capitol Mall, 5TH Floor | Little Rock, Ark., 72201 | (501) 682-1937

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INTRODUCTION

The Adequacy Study statute (A.C.A. §10-3-2102) requires the Education Committees to "review and continue to evaluate the costs of an adequate education for all students." As part of the steps necessary for accomplishing that duty, the statute calls for the Education Committees to review expenditures from isolated funding. Isolated funding is additional money provided to school districts with geographic challenges, such as a rugged road system or low student density, which increase certain districts' costs. There are two types of isolated funding: **isolated funding** and **special needs isolated funding**. The purpose of this report is to explain how these funding types are distributed, how districts spend the money they receive and provide data on the performance of districts that receive funding. This report focuses primarily on funding provided and spent in the 2014-15 school year.

BACKGROUND

Isolated Funding

The General Assembly appropriated \$175,000 annually for "Aid to Isolated Districts" beginning with the 1984-85 school year. Act 917 of 1995 created a new version of isolated funding replacing the previous program, and Act 1194 of that same legislative session increased the appropriation to \$2.5 million beginning in 1996-97. Act 1318 of 1997 specified in statute for the first time the criteria used to determine which districts are considered "isolated school districts" (A.C.A. §6-20-601). (Previously, the criteria had been established by ADE rule.) Districts were defined as isolated if they had fewer than 350 students **and** they met at least four of the following five criteria:

- Had long distances (at least 12 miles) to the neighboring districts' high school.
- Had low student density of bus riders (fewer than 3 students per square mile).
- Were large geographically (greater than 95 square miles).
- Had low proportion of hard-surfaced roads (less than 50% of the district's bus route).
- Contained geographic obstacles, such as lakes, rivers, and mountain ranges, isolating schools that may have otherwise closed and consolidated.

During the Second Extraordinary Session of 2003, the General Assembly passed Act 60, which called for the consolidation of any school district with fewer than 350 students. Because districts previously qualified as isolated districts only if they had fewer than 350 students, Act 60 could have effectively ended all districts' eligibility for the funding. To ensure that isolated districts that were consolidated continued to receive isolated funding, Act 65 of the Second Extraordinary Session of 2003 created isolated *school areas*. (See Appendix A for definitions of "isolated district," "isolated school area" and "isolated school.") The law specified that any district that received isolated funding in the school year that began before Act 60 took effect would become an isolated school area and would continue to receive isolated funding. The statute identified 56 former school districts eligible for funding and specified the amount of per-student isolated funding the school area would receive. For example, the law indicates that the district that received the former Hatfield School District (Mena) would receive \$42 for each student in Hatfield, and the district that merged with the former Alread School District (Clinton) would receive \$2,219 for each student in Alread. (For a list of all specified isolated school areas and the per-student funding amount for each, see Appendix B.) The law restricted the use of isolated funding to only the "operation, maintenance and support of the isolated school area" §6-20-603(d).

Act 60 of the Second Extraordinary Session of 2003, which called for the consolidation of districts under 350 students (average daily membership, or ADM), also prohibited the closure of isolated schools. The statute defined *isolated schools* as those that met the criteria of an isolated school *district* before being consolidated. A year later, however, Act 1397 of 2005 allowed for the closure of isolated schools and created a process districts could use for this

purpose. The potential school closures led to questions about whether districts would continue to receive isolated funding after closing an isolated school. Addressing these questions, Attorney General Opinion No. 2005-115 opined that “a school district that completely closes an isolated school will receive no additional funds for that school.” As a result, when a district closes schools in designated isolated school areas, the district stops receiving isolated funds, resulting in decreasing amounts of isolated funding distributed statewide. In 2003-04, there were 113 isolated schools in 44 school districts. By **2014-15**, only **39** isolated schools remained in **18** districts.¹

Act 1131 of 2011, however, clarified a provision that allows districts to continue receiving isolated funding even after closing an isolated school under certain conditions. That act permitted a school district to requalify for isolated funding if the district begins using the isolated school “for an alternative learning environment [ALE] program or other regular classroom teaching.” In those cases, the district submits its applicable ADM to the state to request funding. In 2012-13, three school districts received a total of nearly \$30,000 using this provision. In 2011-12, the Mena School District received isolated funding when it temporarily used one of its closed isolated school buildings for middle school students displaced by tornado damage.

In **2014-15**, a total of **23** districts received isolated funding. The payments ranged from a total of **\$54** for one district (**Nevada School District**) to **\$414,810** for another (**Jasper**). The average isolated funding payment in **2014-15** was **\$110,795**.

Year	Districts That Received Isolated Funding	Isolated Schools	Isolated Funding
2010-11	33	47	\$3,195,384
2011-12	27	47	\$2,881,991
2012-13	27	44	\$2,693,633
2013-14	23	41	\$2,690,925
2014-15	23	39	\$2,548,281

Special Needs Isolated Funding

In 2005, legislators successfully argued that isolated districts needed additional funding and persuaded the General Assembly to pass Act 1452 of 2005, which created the Special Needs Isolated Funding Program (A.C.A. §6-20-604). The act’s language noted that new requirements under ADE’s Standards for Accreditation of Arkansas Public Schools “disproportionately increased the cost of operations for school districts that contained isolated schools.” The act also noted that “school districts which contained isolated schools need additional funding to provide an adequate education for students attending schools in those districts.”

Act 1452 specified the criteria districts must meet to receive special needs isolated funding:

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

¹ A total of **23** districts received isolated funding in **2014-15**, plus **one** district that used former isolated school buildings for ALE programs and **two** districts that closed isolated schools in **2014-15**, but continued to receive funding based on the number of students in the isolated school in the prior year. In addition, **three districts** received a small amount of fund due to the “starburst” distribution of the Stephens School District.

Districts that qualify for special needs isolated funding receive an additional amount equal to either 20%, 15%, 10%, or 5% of the districts' foundation funding for each student in the isolated school area as described in the table below. The percentage received depends on a district's ADM, student density, and the number of isolated schools in the district.

Statute	Number of Isolated Schools	District's Prior Year 3 Qtr ADM	Density Ratio	% of Foundation Received
6-20-604(c)	Has <u>one</u> or more isolated school	500 or less	1.3 students or less per sq. mile	20%
6-20-604(d)	Has <u>two</u> or more isolated schools serving every grade in K-12	501 to 1,000 (or more for funding for an isolated school that has been annexed or consolidated into the district)	1.4 ² students or less per sq. mile	15%
6-20-604(e)(1)	Has <u>one</u> or more isolated school	None specified	None specified	10%
6-20-604(e)(2)	Has <u>one</u> or more isolated school AND the school district closed an isolated facility serving students in grades 7-12	None specified	None specified	10%
6-20-604(f)	None specified	Less than 500	2 students or less per sq. mile	5%

Example Calculation of Special Needs Isolated Funding

In **2014-15**, the Hillcrest School District had two isolated schools, a prior year ADM of **379.97** for the district, and a density ratio of **1.28** students per square mile, making the district eligible for special needs isolated funding at the 20% level. That year the per-student foundation funding rate was **\$6,521**. As a result of the calculation below, the district received **\$495,557** in special needs isolated funding (plus an additional amount described in the next section).

Eligible Percentage		Foundation Funding Rate	=	School ADM	=	
20%	X	\$6,521	=	\$1,304.20	X	379.97 = \$495,557

In **2014-15**, **two** districts qualified for special needs isolated funding at the **20%** level; **one** qualified at the **15%** level, **12** were funded at the **10%** level, and **9** were funded at the **5%** level. These payments ranged from a little over **\$41,000** (Bryant) to more than **\$869,000** (Jasper). The table below shows the districts that qualified under each funding level and the payment they received in **2014-15**.

District	2014-15 Payment	Special Needs Isolated %
Deer/Mt. Judea	\$463,682	20%
Hillcrest	\$495,557	20%
Jasper	\$869,125	15%
Bryant	\$41,415	10%
Cedar Ridge	\$85,725	10%
Cossatot River	\$90,153	10%
DeWitt	\$49,247	10%
Emerson-Taylor	\$205,477	10%
Harmony Grove	\$113,544	10%
Huntsville	\$130,922	10%
Melbourne	\$87,258	10%
Mountain View	\$269,004	10%
Ouachita River	\$121,871	10%
Ozark Mountain	\$253,100	10%
Searcy County	\$89,827	10%

District	2014-15 Payment	Special Needs Isolated %
Augusta	\$138,786	5%
Dermott	\$137,971	5%
Hermitage	\$149,060	5%
Hughes	\$112,331	5%
Kirby	\$111,816	5%
Mineral Springs	\$132,321	5%
Nevada	\$135,541	5%
Strong-Huttig	\$126,481	5%
Viola	\$134,681	5%

² Subsequently increased to 1.5 in Act 27 of 2015.

Like isolated funding, which districts must spend on resources that support the isolated schools, special needs isolated funding must be spent on the operation of the isolated school areas. Because districts that receive special needs isolated-small district funding do not necessarily have any isolated schools, their funding may be considered unrestricted.

Act 1052 of 2007 added a provision that is particularly germane to this report. That Act specified that special needs isolated funding is **not a necessary component of an adequate education**. Specifically, the provision states:

“Funding provided under this section is in addition to and in excess of the amount of funds necessary to provide an adequate education as required by the Arkansas Constitution and cannot be relied upon beyond the expiration date of an appropriation made for the purposes of this section.” §6-20-604

Special Needs Isolated-Transportation Funding

Act 1052 of 2007 added another provision to the special needs isolated funding statute. The new provision established a distribution methodology for any special needs isolated funding that remains after districts receive their first round of special needs funding. This funding is known as **special needs isolated transportation funding**. Any undistributed special needs isolated funding is divided equally among all districts that received special needs isolated funding, with one exception: districts that received funding at the 5% rate (known as **special needs isolated small district funding**) do not qualify for the transportation funding. All funding that districts receive as part of the second round of special needs isolated funding must be spent on transportation. In **2014-15**, the **fifteen** districts listed in the table below each received transportation funding in the amount of **\$254,188**.

2014-15 Special Needs Isolated Transportation	
Cedar Ridge	\$254,188
Cossatot River	\$254,188
Bryant	\$254,188
DeWitt	\$254,188
Deer/Mt. Judea	\$254,188
Emerson-Taylor	\$254,188
Harmony Grove	\$254,188
Hillcrest	\$254,188
Huntsville	\$254,188
Jasper	\$254,188
Melbourne	\$254,188
Mountain View	\$254,188
Ouachita River	\$254,188
Ozark Mountain	\$254,188
Searcy County	\$254,188

Because isolated funding that is not distributed is transferred to special needs isolated (SNI) funding, the amount of funding available for transportation depends, in part, on the amount of isolated funding distributed. As districts close isolated schools, more isolated funding is transferred to special needs isolated funding. The amount of SNI transportation funding each district receives also depends on the number of districts eligible to receive it.

The following table shows the number of districts that received special needs transportation funding each year and the amount of the funding each district received.

	District Receiving SNI Transportation Funding	Per-District SNI Transportation Funding	Total Funding for SNI Transportation
2008-09	12	\$290,685	\$3,488,220
2009-10	10	\$382,154	\$3,821,540
2010-11	10	\$385,056	\$3,850,560
2011-12	11	\$333,812	\$3,671,932
2012-13	11	\$341,833	\$3,760,163
2013-14	15	\$244,193	\$3,662,895
2014-15	15	\$254,188	\$3,812,820

In **2014-15**, **24** districts received a total of about **\$8.3** million in total special needs isolated funding, including transportation funding.

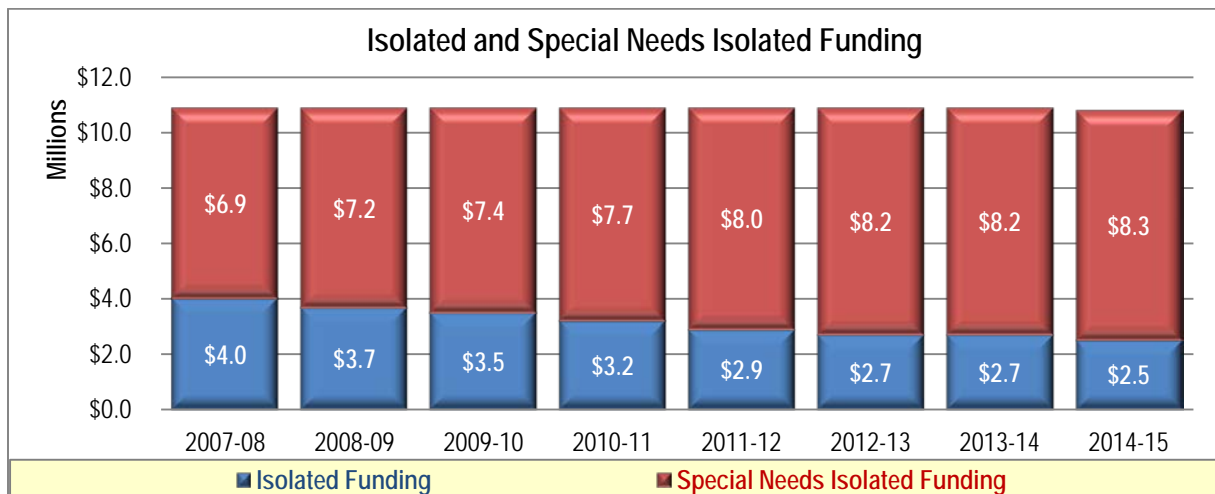
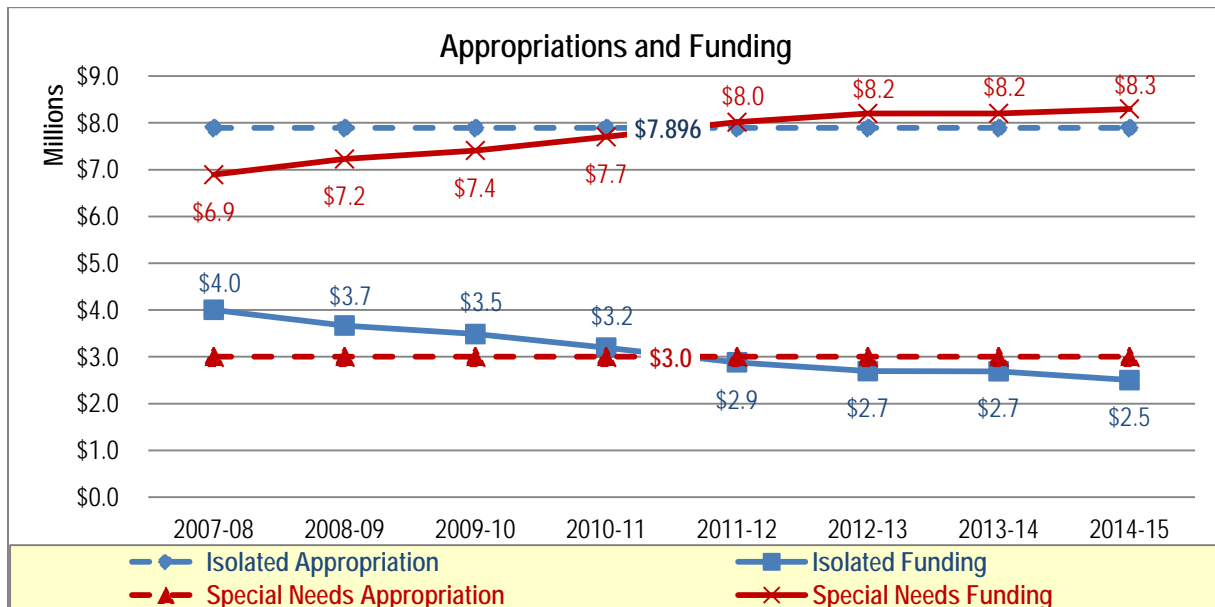
Year	Districts That Received Special Needs Isolated Funding	Total Special Needs Isolated Funding
2010-11	20	\$7,700,607
2011-12	21	\$8,014,006
2012-13	22	\$8,202,364
2013-14	24	\$8,205,066
2014-15	24	\$8,347,715

Transfer of Excess Isolated Funding to Special Needs Isolated

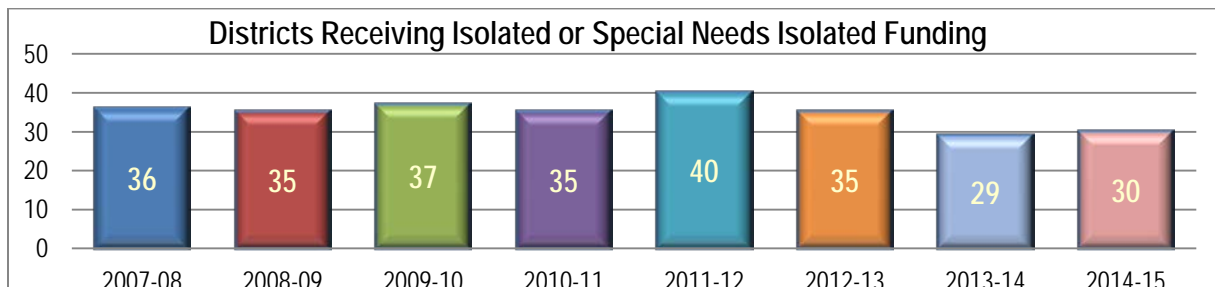
When the special needs isolated program was created, districts had just been given the legal authority to close isolated schools, but they were no longer permitted to receive isolated funding for the schools they closed. As the number of isolated schools decreased, less isolated funding would be distributed to districts. To ensure isolated funding continued to support isolated districts, Act 2131 of 2005 included special language requiring any unused isolated funding to be transferred to the special needs isolated funding program. Similar language has been included in the Public School Fund appropriation bills every year since.

For the last **ten** years, the isolated funding appropriation has been set at nearly **\$7.9** million, while the special needs isolated appropriation has been established at **\$3** million. During that time, the actual isolated funding provided to districts has gradually decreased as districts have closed isolated schools. The undistributed isolated funding then has been transferred to special needs isolated funding; resulting in gradually increasing special needs funds. Nearly **\$11** million is distributed to districts from the two funding programs each year.

The following charts show that while the appropriation levels of isolated and special needs isolated funding have remained unchanged over the last ten years, the actual funding for isolated has decreased and special needs isolated has increased.



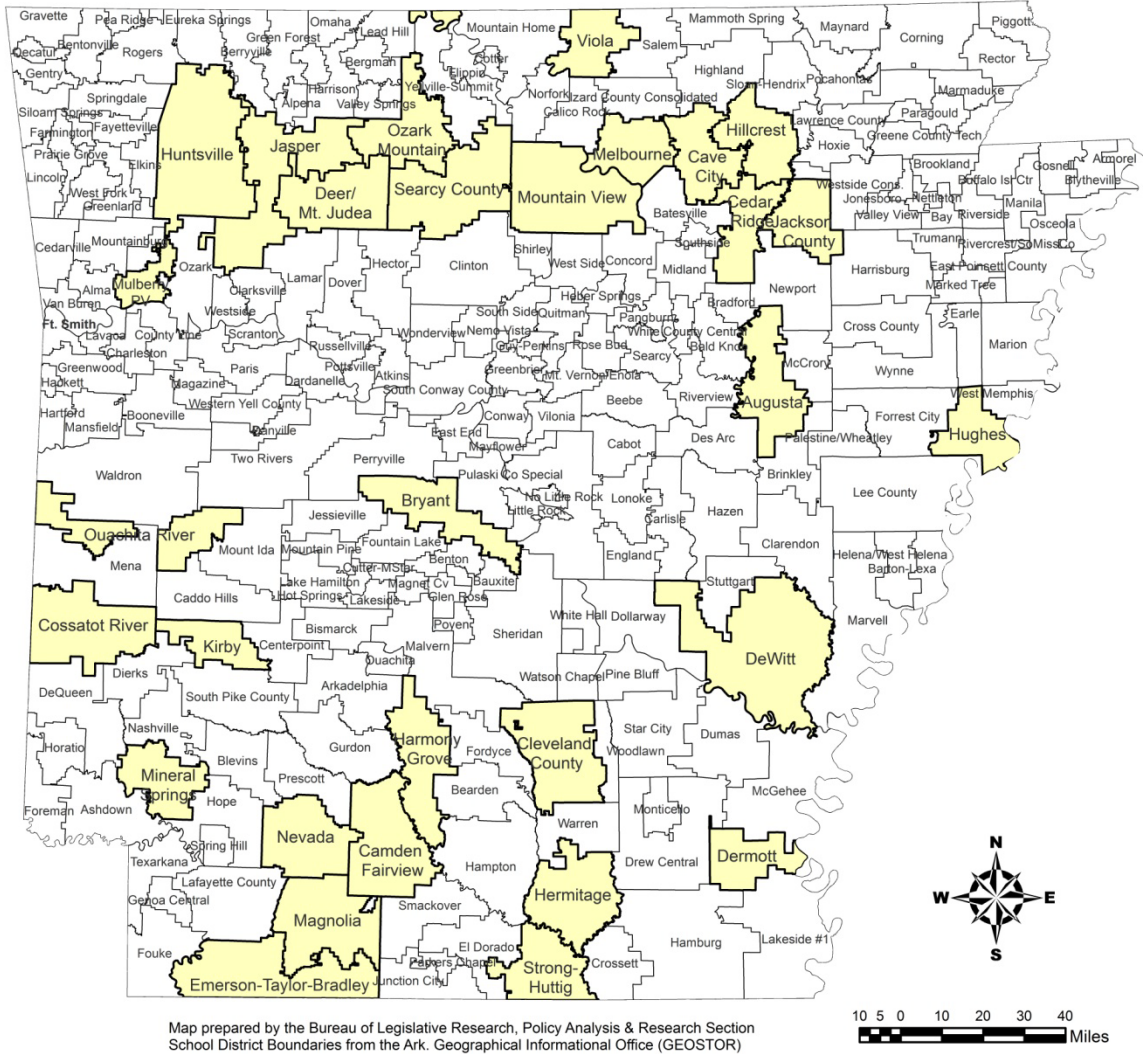
In **2015**, a total of **30** districts received some type of isolated or special needs isolated funding. The number of districts receiving funding increased in 2015 due to the “starburst” of the Stephens School District. In addition to the Nevada School District, already a recipient of Special Needs Small District Funding, the Magnolia School District and the Camden – Fairview School District also received Isolated Funding in 2015.



Note: In 2012-13, 35 districts received isolated or special needs isolated funding and only 34 districts recorded expenditures from this funding source.

The following map shows the location of the 30 districts that received funding in 2014-15.

School Districts Receiving Isolated or Special Needs Isolated Funding, 2014-15



EXPENDITURES

Generally, districts collectively spend all or most of the isolated and special needs isolated funding they receive. Districts received about **\$10.9** million on average over the last three years and spent **\$11** million.

Year	Funding	Expenditures
2012-13	\$10,895,997	\$9,756,906
2013-14	\$10,895,991	\$11,438,714
2014-15	\$10,895,996	\$11,825,609

Districts' total end-of-year balances of isolated and special needs isolated funds have been fairly erratic over the last few years, with no discernible trend. (Districts can carry over fund balances from one year to the next, allowing collective fund balances to accumulate.)

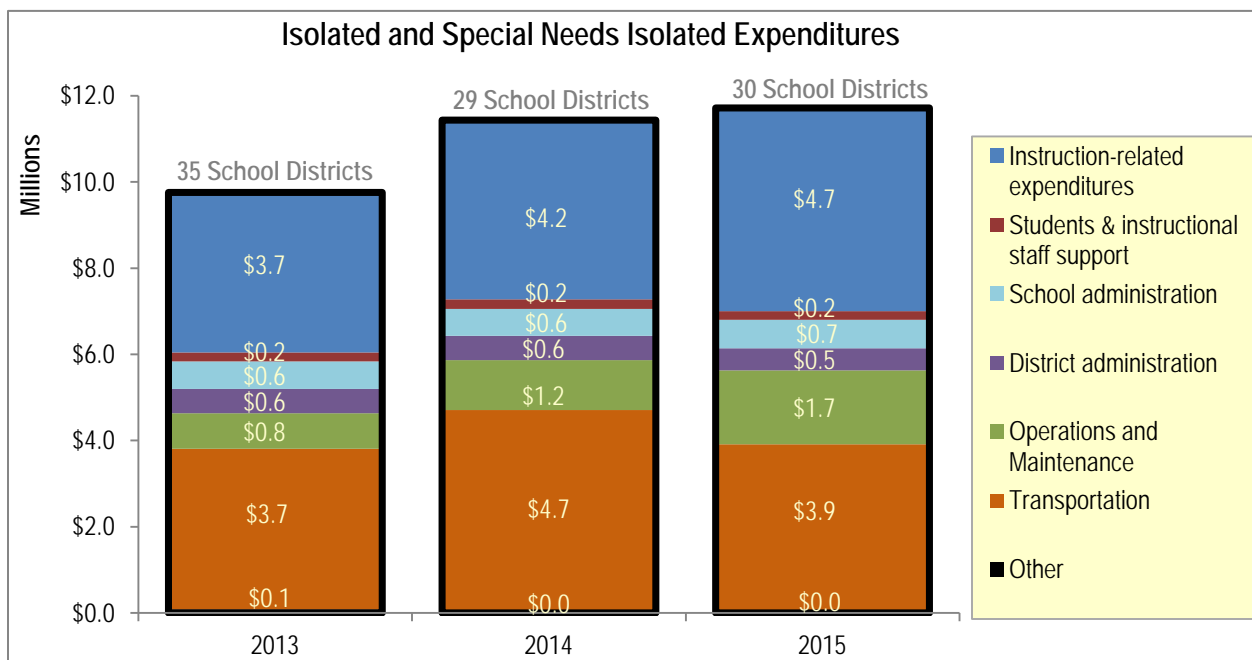
Year	Total Year End Isolated Balance	Districts with Ending Fund Balances
2011-12	\$5,373,231	36
2012-13	\$6,512,321	30
2013-14	\$6,053,635	30
2014-15	\$5,124,136	29

Use of Funds

As mentioned previously, state statute permits districts to spend isolated funding only to support isolated schools. Special needs isolated funding, on the other hand, is considered unrestricted except for the transportation portion of the funding.

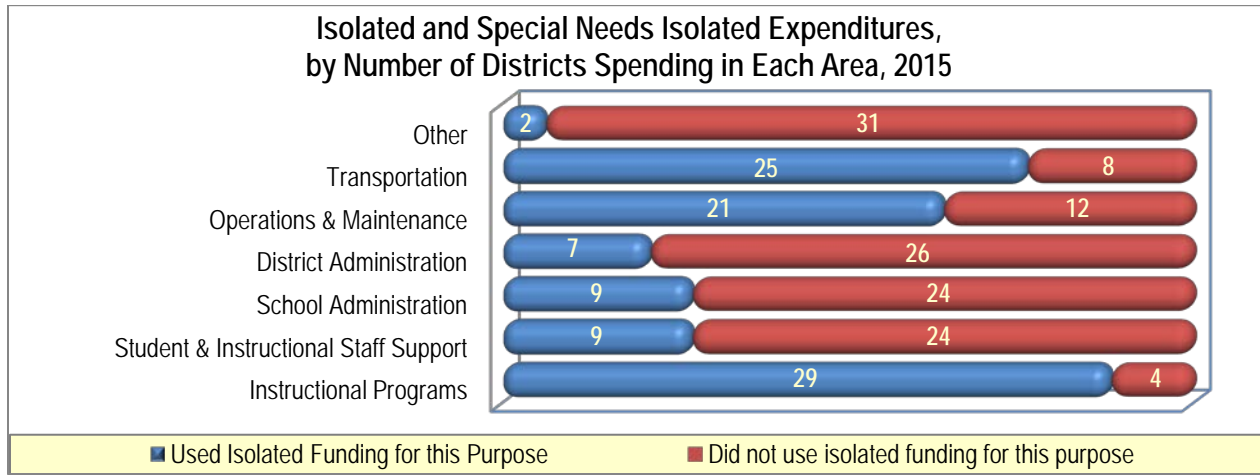
Funding Type	Restricted Use
Isolated	Operation, maintenance and support of the isolated school area
Special Needs Isolated	Operation of the isolated school area
Special Needs Isolated (Small District)	None
Special Needs Isolated (Transportation)	Transportation costs for the isolated school area

The following chart indicates that districts typically spend the majority of isolated and special needs isolated funding on instruction-related expenditures and transportation costs. In **2014-15**, **79%** of isolated expenditures were made in these two areas. A description of each category of expenditures appears below the chart.



- **Instruction-Related Expenditures:** Teacher salaries and instructional materials for core subjects, career education, special education and elective courses (e.g., band, choir, art, drama, gifted and talented).
- **Students & Instructional Staff Support:** Student support services may include attendance and social work services, guidance counseling, school nurses, etc. Instructional staff support services may include expenses associated with curriculum development, professional development, the library/media services, and technology-related services.
- **School Administration:** Expenditures for school principals' offices.
- **District Administration:** Expenditures for general administration (school board administration and superintendent's office) and central services (accounting, auditing, personnel services, etc.)
- **Operations and Maintenance:** Operations and maintenance of buildings (custodians, plumbers, electricians, etc.) and grounds services.
- **Transportation:** Operational costs of student transportation services, servicing and maintenance

The following chart shows the districts that reported expenditures—of any amount—in each category. This chart shows that the majority of districts receiving isolated or special needs isolated funding most commonly spending these dollars on transportation and instructional programs.



ADE indicates that the department does not routinely monitor how districts spend restricted isolated dollars. However, they do verify that districts are appropriately spending this funding when asked to do so by Legislative Audit or other entities. Furthermore, it may be difficult to determine that any particular isolated funding expenditure does or does not support an isolated school, as required by statute. It is possible to determine whether districts are spending their special needs transportation funds on transportation. According to expenditure data in the Arkansas Public School Computer Network (APSCN) system, only a small fraction of special needs transportation funding is spent on non-transportation-related items.

SCHOOL DISTRICT CHARACTERISTICS

Because isolated funding is provided to compensate districts for challenges associated with their locale, it is important to understand the size and student density of school districts in the state.

Geographic Size

More than half of Arkansas's school districts in **2014-15** were smaller than 200 square miles. About **83%** of districts (**196**) were larger than 95 square miles, which was one of the criteria districts could meet to qualify for isolated funding under §6-20-601 (the original isolated funding program before the consolidation of school districts under 350 ADM). The average district size in **2015** was **227** square miles.

	2014-15 # of Districts	% of Districts
100 square miles or less	44	19%
101-200 square miles	86	36%
201-300 square miles	47	20%
301-400 square miles	30	13%
More than 400 square miles	29	12%
Total	236	100%

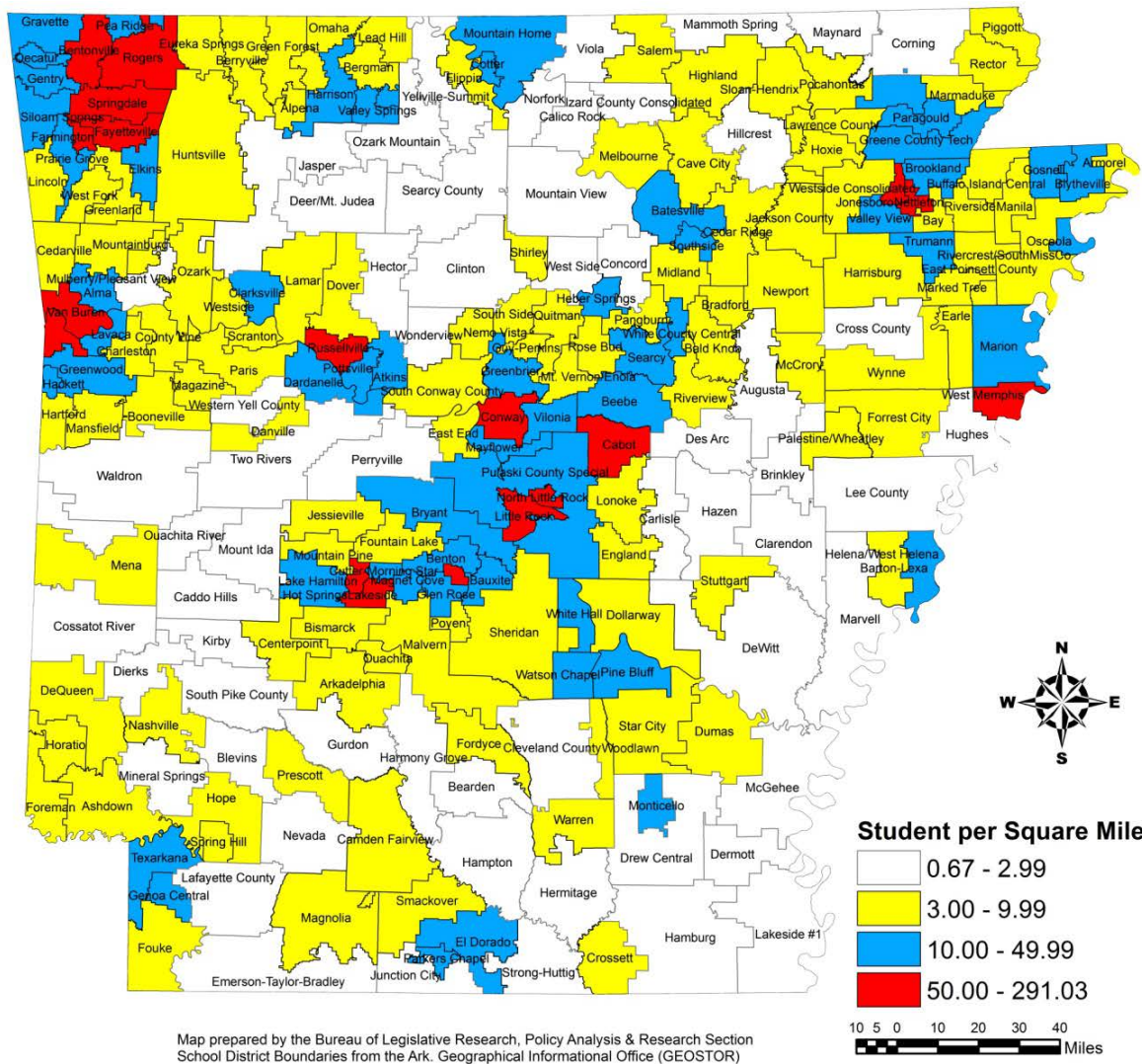
Source: 2014-15 Annual Statistical Report, http://www.arkansased.org/divisions/fiscal-and-administrative-services/publication-and-reports/report_categories/annual-statistical-reports

The largest district in terms of geographic size is Dewitt School District. With **922** square miles, Dewitt is **150** square miles larger than the second largest school district (Waldron, **764** square miles). The table below shows the largest and smallest school districts in terms of geographic size.

Five Smallest Districts	Square Miles	Five Largest Districts	Square Miles
Harmony Grove (Saline)	22	Dewitt	922
North Little Rock	29	Waldron	764
Hackett	30	Huntsville	740
Cutter-Morning Star	32	Hamburg	732
Farmington	33	Pulaski County Special	730

Student Density

Because Arkansas is primarily a rural state, most school districts are sparsely populated. The map below shows each district by its student density. The districts with no color are those with fewer than three students per square mile. **Sixty** of the **236** school districts operating in **2014-15 (25%)** had student density levels lower than three students per square mile.



Source: 2014-15 Annual Statistical Report, http://www.arkansased.org/divisions/fiscal-and-administrative-services/publication-and-reports/report_categories/annual-statistical-reports

Even though statewide density is **8.67** in **2014-15**, school districts averaged about **15** students per square mile. The district with the highest student density was **North Little Rock**, while the district with the lowest student density was **Marvell**.

Lowest Density Districts	Students Per Square Mile
Marvell	.7
Deer/Mt. Judea	.9
Hermitage	1.1
Augusta	1.1
Hampton	1.2

Highest Density Districts	Students Per Square Mile
North Little Rock	291
Little Rock	230
Fort Smith	206
Jonesboro	157
Springdale	111

Source: 2014-15 Annual Statistical Report, http://www.arkansased.org/divisions/fiscal-and-administrative-services/publication-and-reports/report_categories/annual-statistical-reports

CHARACTERISTICS OF DISTRICTS RECEIVING ISOLATED FUNDING

State law does not specify a particular purpose or aim (other than providing an adequate education) of providing additional funding for isolated districts. However, several legislative reports on the issue have discussed the additional challenges these districts presumably have, including the high cost of transportation, the difficulty of recruiting and retaining teachers and the increased overall cost of operations due to unavoidable inefficiencies. In 2006, the Adequacy Study Oversight Subcommittee examined isolated funding and special needs isolated funding. The Subcommittee's report discussed general challenges that small, isolated districts face, including the recruitment and retention of high-quality teachers and the effect of a small student population on a school's ability to consistently meet student achievement standards under No Child Left Behind. While noting these challenges, the Subcommittee questioned the existing methodology for identifying a school as isolated. In its 2006 Adequacy Report, the Subcommittee noted that the "[l]aw providing the requirements for funding isolated schools may need to be reconsidered... The designation of 'isolated' for purposes of additional funding could be reviewed, and a more streamlined determination of that designation could be developed."

The following tables reflect relevant statistics for isolated schools and districts receiving isolated and special needs isolated funding. In **2014-15**, the geographic area of the **30** districts receiving isolated or special needs isolated funding ranged from **125** square miles to **922** square miles, averaging **392** square miles. The student density of these districts ranged from **0.89** (Deer Mt. Judea) students per square mile to **25.6** (Bryant) students per square mile.

Isolated Districts

The following table shows that districts receiving isolated or special needs isolated funding tend to be larger geographically, have lower student density and have higher overall transportation expenditures per student. Districts receiving isolated funding tend have higher overall expenditures per student, higher concentrations of poverty on average and slightly lower levels of student achievement. They tend to have slightly fewer students per classroom teacher and slightly lower teacher salaries on average, but these differences are not statistically significant.

	Districts That Received Isolated or SNI Funding	Districts That Did Not Receive Isolated or SNI Funding
Average Square Miles*	392	203
Average Student Per Square Mile*	3.07	16.84
Transportation Expenditures Per Pupil*	\$609	\$436
Total Per Pupil Expenditure*	\$10,763	\$9,668
% Eligible for Free or Reduced Price Lunch	71.1%	65.3%
Average Ridership Ratio	75%	64%
Average Route Miles	926	1035

	Districts That Received Isolated or SNI Funding	Districts That Did Not Receive Isolated or SNI Funding
Average Proficiency in Literacy	29.33%	31.2%
Average Proficiency in Math	19.69%	22.4%
Average Students Per Classroom Teacher	11.74	14.00
Average Minimum Teacher Salary	\$31,098	\$33,539
Average Teacher Salary	\$41,575	\$44,411

Isolated Schools

In **2014-15**, **39** schools were designated as isolated under §6-20-603. (Several additional school buildings were being used as ALE programs.) The average percent of students who tested proficient or advanced on state assessments for the **39** isolated schools was marginally better than the average proficiency level of all schools statewide. In addition, the average graduation rate in the **15** isolated high schools exceeded the average graduation rate of all **266** high schools.

	Isolated Schools	All School Average
Average Proficiency in Literacy	34% (39 schools)	32% (1,058 schools)
Average Proficiency in Math	24% (39 schools)	23% (1,058 schools)
Graduation Rate, 2014	92.4% (15 high schools)	84.1% (avg. graduation rate of 276 high schools) (official state graduation rate was 84.6% of eligible students)
Graduation Rate, 2015	93.33% (15 high schools)	85.1% (avg. graduation rate of 266 high schools) (official state graduation rate was 84.9% of eligible students)

SCHOOL - LEVEL EXPENDITURE COMPARISONS

Beginning with the 1984 - 85 school year and continuing today, the Arkansas General Assembly has provided additional funding to isolated schools based on the notion that greater costs are incurred in the operation of such schools. Generally, but not always, that notion does hold true. The common driver of the higher per-student expenditures is the student/teacher ratio.

Reflected below are per-student cost comparisons of selected isolated schools and other schools within the same districts:

District	Isolated School/Cost	Other School/Cost
Dewitt	Gillett Elem. \$7,653	Dewitt Elem. \$5,422
Cedar Ridge	Cord-Charlotte Elem. \$8,330	Newark Elem. \$6,343
Melbourne	Mount Pleasant Elem. \$6,335	Melbourne Elem. \$5,812
Huntsville	St. Paul Elem. \$8,248	Watson Primary \$6,512
Jasper	Oark High \$10,789	Jasper High \$7,115
	Kingston High \$8,556	
	Oark Elem. \$9,106	Jasper Elem. \$6,532
	Kingston Elem. \$5,612	
Harmony Grove (O)	Sparkman High \$11,132	Harmony Grove High \$6,069
	Sparkman Elem. \$8,559	Harmony Grove Elem. \$5,522
Ouachita River	Oden High \$8,028	Acorn High \$5,390
	Oden Maddox Elem. \$8,357	Acorn Elem. \$5,990
Cossatot River	Umpire Elem. \$8,146	Van Cove Elem. \$6,574
		Wickes Elem. \$5,390
Bryant		Hill Farm Elem. \$5,138
		Salem Elem. \$5,229
		Bryant Elem. \$7,782
		Robert Davis Elem. \$5,235
		Collegetville Elem. \$5,038
		Hurricane Creek Elem. \$5,369
	Paron Elementary \$12,187	Springhill Elem. \$5,029
Mountain View	Rural Special Elem. \$5,774	Mountain View Elem. \$6,016
	Timbo Elem. \$5,665	
Emerson-Taylor-Bradley	Taylor High \$8,153	Emerson High \$9,177
		Bradley High \$6,925

CONCLUSION

As a rural state, Arkansas has a number of schools located in sparsely populated or remote areas. School districts range from 22 square miles in size to 922 square miles, and student density in those districts ranges from less than one student per square mile to nearly 300 per square mile. School districts in these communities may encounter geographic challenges, such as a rugged road system or low student density, that can increase costs due to longer bus routes or other unavoidable inefficiencies. To compensate for these challenges, the state has provided additional money, known as isolated funding, since 1983. There are two types of isolated funding in Arkansas: isolated funding and special needs isolated funding. Isolated funding is provided to certain designated districts, based on whether they consolidated with former districts that had been designated as isolated. When districts close isolated schools, they stop receiving isolated funding. Special needs isolated funding was created as a separate funding source to continue providing financial support to districts even as they closed isolated schools.

Each year nearly \$11 million in isolated and special needs isolated funding is distributed statewide. In **2014-15**, **23** districts collectively received nearly **\$2.55** million in isolated funding, and **24** districts collectively received about **\$8.35** million in special needs isolated funding. A total of **30** districts received at least one type of isolated funding, and **17** districts received both types. Individually, districts received as little as **\$152** in total isolated payments (**Camden-Fairview**) or as much as **\$1.54** million (Jasper). Districts that received isolated or special needs isolated funding averaged about **\$363,000** in total funding.

Although the eligibility criteria used to distribute isolated funding is based as much on a district's historical status as its present condition, the funding does generally appear to support districts with challenges that are characteristic of rural and remote schools. Districts that received either type of isolated funding tend to be larger geographically, have lower student densities and have higher overall transportation expenditures per student.

Districts receiving isolated funding tend to have higher overall expenditures per student and slightly lower levels of student achievement than districts that do not receive either type of isolated funding. However, their performance may be more related to their higher concentrations of poverty. These districts also tend to have slightly fewer students per classroom teacher and slightly lower teacher salaries on average than other districts, but these differences are not statistically significant.

State law allows districts to spend isolated and special needs isolated funding only for items that support their isolated schools. Additionally, districts are permitted to spend the transportation portion of special needs isolated funding only on transportation expenditures for their isolated schools.

A review of districts' isolated funding expenditures indicates that districts spend most of their isolated funds (both types) on instruction-related expenses (e.g., classroom teacher salaries and instructional materials) and transportation. More than three-quarters of the total isolated expenditures are spent in those two areas. Smaller amounts are spent for operations and maintenance costs as well as school and district administrative expenses.

APPENDIX A: DEFINITIONS

Isolated District: (As defined by Act 1318 of 1997) A school district with a prior-year ADM of less than 350 that meets any four of the following five criteria:

1. Had long distances (at least 12 miles) to the neighboring districts' high school
2. Had low student density of bus riders (fewer than 3 students per square mile)
3. Were large geographically (greater than 95 square miles)
4. Had low proportion of hard-surfaced roads (less than 50% of the district's bus route)
5. Contained geographic obstacles, such as lakes, rivers, and mountain ranges, isolating schools that may have otherwise closed and consolidated.

Isolated School: (As defined by Act 60 of the 2nd Extraordinary Session, 2003) A school that qualified as an isolated school district before being annexed or consolidated into another district.

Isolated School Areas: (As defined by Act 65 of the 2nd Extraordinary Session, 2003) Certain named school districts that received isolated funding in 2003-04 before being consolidated or annexed.

APPENDIX B: ISOLATED SCHOOL AREAS(As defined by Act 65 of the 2nd Extraordinary Session, 2003)

County	Isolated School Area	Current School District	Per-Student Funding
Van Buren	Alread	Clinton	\$2,219
Desha	Arkansas City	McGehee	\$2,040
Randolph	Biggers-Reyno	Corning	\$763
Miller	Bright Star	Fouke	\$916
Marion	Bruno-Pyatt	Ozark Mountain	\$329
Dallas	Carthage	Malvern	\$1,938
Independence	Cord-Charlotte	Cedar Ridge	\$235
Woodruff	Cotton Plant	Augusta	\$733
Crittenden	Crawfordsville	Marion	\$642
Newton	Deer	Deer/Mt. Judea	\$853
Greene	Delaplaine	Greene County Tech	\$215
Desha	Delta Special	McGehee	\$952
Nevada	Emmet	Blevins	\$307
Sharp	Evening Shade	Cade City	\$115
Ashley	Fountain Hill	Hamburg	\$339
Yell	Fourche Valley	Two Rivers	\$1,603
Arkansas	Gillett	DeWitt	\$1,000
Lincoln	Gould	Dumas	\$765
Lincoln	Grady	Star City	\$560
Polk	Hatfield	Mena	\$42
Monroe	Holly Grove	Clarendon	\$868
Arkansas	Humphrey	DeWitt	\$328
Union	Huttig	Strong-Huttig	\$668
Cleveland	Kingsland	Cleveland County	\$394
Madison	Kingston	Jasper	\$661
Phillips	Lake View	Barton-Lexa	\$1,054
Searcy	Leslie	Searcy County	\$628
Lawrence	Lynn	Hillcrest	\$782
Columbia	McNeil	Stephens	\$329
Union	Mount Holly	Smackover	\$898
Newton	Mount Judea	Deer/Mt. Judea	\$622
Izard	Mount Pleasant	Melbourne	\$225
Johnson	Oark	Jasper	\$1,576
Montgomery	Oden	Ouachita River	\$671
Saline	Paron	Bryant	\$733
Yell	Plainview-Rover	Two Rivers	\$297
Franklin	Pleasant View	Mulberry/Pleasant View Bi-County	\$679
Randolph	Randolph Co.	Twin Rivers	\$444
Lawrence	River Valley	Hillcrest	\$106
Stone	Rural Special	Mountain View	\$788
Searcy	Saint Joe	Ozark Mountain	\$727
Madison	Saint Paul	Huntsville	\$123
Hempstead	Saratoga	Mineral Springs	\$1,407
Van Buren	Scotland	Clinton	\$1,841
Dallas	Sparkman	Harmony Grove	\$487
Ouachita	Stephens	Stephens	\$1
Stone	Stone County	Mountain View	\$367
Jackson	Swifton	Jackson County	\$458
Columbia	Taylor	Emerson-Taylor	\$353
Howard	Umpire	Cossatot River	\$2,152
Union	Union	El Dorado	\$45
Columbia	Walker	Magnolia	\$819
Newton	Western Grove	Ozark Mountain	\$375
Cleburne	Wilburn	Concord	\$978
Sharp	Williford	Twin Rivers	\$475
Washington	Winslow	Greenland	\$494

APPENDIX C: 2014-15 DISTRIBUTION OF ISOLATED AND ISOLATED SPECIAL NEEDS FUNDING

LEA		County	District	Isolated Funding	Special Needs Funding			Total
					Isolated	Small District	Transportation	
0101	1.	Arkansas	Dewitt	\$75,520	\$49,247		\$254,188	\$378,955
0601	2.	Bradley	Hermitage			\$139,060		\$139,060
0901	3.	Chicot	Dermott			\$137,971		\$137,971
1305	4.	Cleveland	Cleveland County	\$47,469				\$47,469
1402	5.	Columbia	Magnolia	\$7,257				\$7,257
1408	6.	Columbia	Emerson-Taylor-Bradley	\$111,230	\$205,477		\$254,188	\$570,895
1704	7.	Crawford	Mulberry/Pleasant View	\$85,194				\$85,194
2503	8.	Fulton	Viola			\$134,681		\$134,681
3104	9.	Howard	Mineral Springs			\$132,321		\$132,321
3212	10.	Independence	Cedar Ridge	\$30,893	\$85,725		\$254,188	\$370,806
3302	11.	Izard	Melbourne	\$30,107	\$87,258		\$254,188	\$371,553
3405	12.	Jackson	Jackson County	\$85,623				\$85,623
3809	13.	Lawrence	Hillcrest	\$171,211	\$495,557		\$254,188	\$920,956
4401	14.	Madison	Huntsville	\$24,695	\$130,922		\$254,188	\$409,805
5008	15.	Nevada	Nevada	\$54		\$135,541		\$135,595
5102	16.	Newton	Jasper	\$414,810	\$869,125		\$254,188	\$1,538,123
5106	17.	Newton	Deer/Mt. Judea	\$268,300	\$463,682		\$254,188	\$986,170
5204	18.	Ouachita	Camden-Fairview	\$152				\$152
5205	19.	Ouachita	Harmony Grove	\$84,796	\$113,544		\$254,188	\$452,528
5503	20.	Pike	Kirby			\$111,816		\$111,816
5706	21.	Polk	Ouachita River	\$125,403	\$121,871		\$254,188	\$501,462
5707	22.	Polk	Cossatot River	\$297,514	90,153		\$254,188	\$641,855
6202	23.	St. Francis	Hughes			\$112,331		\$112,331
6303	24.	Saline	Bryant	\$46,553	\$41,415		\$254,188	\$342,156
6502	25.	Searcy	Searcy County	\$86,507	\$89,827		\$254,188	\$430,522
6505	26.	Searcy	Ozark Mountain	\$286,449	\$253,100		\$254,188	\$793,737
6802	27.	Sharp	Cave City	\$9,336				\$9,336
6901	28.	Stone	Mountain View	\$235,877	\$269,004		\$254,188	\$759,069
7009	29.	Union	Strong-Huttig			\$126,481		\$126,481
7401	30.	Woodruff	Augusta	\$23,331		\$138,786		\$162,117
SUM:				\$2,548,281	\$3,365,907	\$1,168,988	\$3,812,820	\$10,895,996
Color code:			starburst	multiple area				