

***DRAFT REPORT ON THE LEGISLATIVE
HEARINGS FOR THE 2016 EDUCATIONAL
ADEQUACY STUDY***

**(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 10, 2016
Draft**

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Acronyms

AACF	Arkansas Advocates for Children and Families
AAE	Association of American Educators
AAEA	Arkansas Association of Educational Administrators
ACE	Arkansas Department of Career Education
ACS	American Community Survey
ACSIP	Arkansas Comprehensive School Improvement Plan
ACTAAP	Arkansas Comprehensive Testing, Assessment, and Accountability Program
ADE	Arkansas Department of Education
ADHE	Arkansas Department of Higher Education
ADM	Average Daily Membership
AEA	Arkansas Education Association
AETN	Arkansas Educational Television Network
ALE	Alternative Learning Environment
APSCN	Arkansas Public School Computer Network
APSRC	Arkansas Public School Resource Center
AREA	Arkansas Rural Education Association
ASBA	Arkansas School Boards Association
ASTA	Arkansas State Teachers Association
BLR	Bureau of Legislative Research
CCSS	Common Core State Standards
CCSSO	Council of Chief State School Officers
CGR	College-going rate
CIV	Compressed Interactive Video
COLA	Cost of Living Adjustment
CPI-U	Consumer Price Index-All Urban Consumers
CTE	Career and Technical Education
DIS	Arkansas Department of Information Systems
EEP	Educator Preparation Program
EETF	Educational Excellence Trust Fund
ELDA	English Language Development Assessment
ELL	English Language Learners
EOC	End-of-course exam

ESEA	Elementary and Secondary Education Act
ESL	English as a Second Language
ESSA	Every Student Succeeds Act
FRL	Free and Reduced-Price Lunch
FTE	Full-Time Equivalent
GIF	General Improvement Funds
GPA	Grade Point Average
IDEA	Individuals with Disabilities Education Act
IEP	Individualized education program
ISLLC	Interstate School Leaders Licensure Consortium
LPAC	Language Placement and Assessment Committee
MOU	Memorandum of Understanding
NAEP	National Assessment of Educational Progress
NBCT	National Board Certified Teacher
NCES	National Center for Education Statistics
NCLB	No Child Left Behind Act
NEA	National Education Association
NIEER	National Institute for Early Education Research
NPBEA	National Policy Board for Educational Administration
NSL	National School Lunch state categorical funding
O&M	Operations and Maintenance
PAM	Physical education, art and music
PARCC	Partnership for Assessment of Readiness for College and Careers
PD	Professional Development
RTI	Response to Intervention
SNI	Special Needs Isolated
SREB	Southern Regional Education Board
TAGG	Targeted Achievement Gap Group
TESS	Teacher Excellence and Support System
URT	Uniform Rate of Tax
US DOE	U.S. Department of Education
WFF	Walton Family Foundation
WRF	Winthrop Rockefeller Foundation
WSD	Warm, Safe and Dry

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 Arkansas public school students. In early 2004, 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. In 2005, the General Assembly passed Act 723, which allowed the Education Committees to hire consultants or other experts, as necessary, for the adequacy review. During the 2007 legislative session, the General Assembly passed Act 1204 of 2007 (Act 1204), which refined the Act 57 requirements. 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 to November 1 and required a draft of the report to be published two weeks before the report's deadline. (Acts 57, 723, 1204, and 725 are codified at § 10-3-2101 et seq. See Appendix A.) 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 specified that these broad reviews should be accomplished by:

- Reviewing a report prepared by Arkansas 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; and
- 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 established that the Education Committees would review any other program or topic they 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.

How the 2016 Study Was Conducted

For the 2016 adequacy study, the Education Committee Chairs Senator Jane English and Representative Bruce Cozart opted to include all members of both Education Committees in the review. Committee members began meeting for the study in June 2015.

The House and Senate Education Committees met 18 (as of the October 10, 2016 meeting) times, and presenters included representatives from the Bureau of Legislative Research (BLR), Arkansas Legislative Audit, the Arkansas Department of Education (ADE), education associations, and advocacy organizations involved in education policy. (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 and provides the recommendations the Committees' developed based on that information.

As part of this study, BLR staff surveyed the school district superintendents using an online survey and randomly selected a sample of 73 schools to visit for on-site interviews with principals. The BLR also surveyed the teachers in those 73 schools using an online survey. BLR staff used the data collected through these surveys and visits to prepare a number of reports presented to the Education Committees.

The testimony and reports presented to the Education Committees drew from a wide variety of sources, including data submitted by districts to ADE, surveys of other states, and data from national and regional authorities, such as the National Education Association (NEA), the National Center for Education Statistics (NCES) and the Southern Regional Education Board (SREB). The Education Committees also solicited comment from Arkansas educational associations and other interested organizations.

This report serves as Volume I of the 2016 final adequacy report. Volume II of this report, contains copies of all materials presented to the Education Committees for this adequacy review. Those materials are available at the following link:

<http://www.arkleg.state.ar.us/education/K12/Pages/AdequacyReportDetails.aspx?catId=2016> 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 a variety of recommendations concerning educational funding. The recommendations are described in Section 16 of this report.

Section 2: Educational Adequacy Overview

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 the *Lake View* decisions.¹ 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.

HISTORICAL DEFICIENCIES LEADING TO LAKE VIEW

In *Lake View*, the Arkansas Supreme Court found that the state's public school funding system was unconstitutional and identified the following reasons:

1. The failure to conduct an adequacy study or define adequacy;
2. "Abysmal" Arkansas educational rankings;
3. Low Benchmark scores;
4. The need for Arkansas student remediation in college;
5. Teacher salaries not comparable to surrounding states;
6. Disparities in teacher salaries within the state;
7. Recruitment and retention of quality teachers;
8. Special needs of poverty level students, including English-language learners;
9. Needs of school districts in low-income areas (for improved and advanced curriculum, quality teachers, and adequate facilities, supplies, and equipment); and
10. Needs of school districts in high enrollment growth areas.

STATE ACTIONS TO REMEDY THE CONSTITUTIONAL DEFICIENCIES

In May of 2007 the court found that the actions taken by the General Assembly had satisfied the constitutional obligations of the state, including:

1. Act 57 of the Second Extraordinary Session of 2003 - the adequacy study;
2. Act 108 of the Second Extraordinary Session of 2003 - the "doomsday" provision that protects funding in the Educational Adequacy Fund and other resources available to the Department of Education Public School Fund Account of the Public School Fund;
3. Adoption of a comprehensive system of accounting and accountability to provide state oversight of school district expenditures;
4. Establishment of the Immediate Repair Program for facilities, the Academic Facilities Partnership Program, modification of the academic facilities wealth index, and other provisions assisting school districts with academic facility needs;
5. Adoption of Amendment 74 to provide a 25 mill Uniform Rate of Tax and ensuring that school districts receive the full amount of foundation funding if the actual school tax collection is less than 98%;

¹ *Lake View School Dist. No. 25 v. Huckabee*, 351 Ark. 31, 91 S.W.3d 472 (2002); *Lake View School Dist. No. 25 v. Huckabee*, 355 Ark. 617, 142 S.W.3d 643 (2004); *Lake View School Dist. No. 25 v. Huckabee*, 358 Ark. 137, 189 S.W.3d 1 (2004); *Lake View School Dist. No. 25 v. Huckabee*, 362 Ark. 520, 210 S.W.3d 28 (2005); *Lake View School Dist. No. 25 v. Huckabee*, 364 Ark. 398 (2005); and *Lake View School Dist. No. 25 v. Huckabee*, 370 Ark. 139, 257 S.W.3d 879 (2007)

6. Categorical funding for alternative learning environments, English-language learners, and national school lunch students;
7. Foundation funding;
8. Growth or declining enrollment funding; and
9. Adoption of a minimum teacher salary schedule allowance of the use of national school lunch categorical funding to supplement certain teacher salaries, and provision of incentives to attract and retain teachers in high-priority districts.

The court held that (1) 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.

The court further noted that the General Assembly must exercise "constant vigilance" for constitutionality, recognizing that continual assessment is vital under Act 57. The court stated that the General Assembly has put into place the "framework for a much improved Arkansas public education system," the funds to support it, and the "continuous financial and standards review" needed to ensure future success. The school districts must now meet the challenge of utilizing the state's support to ensure that Arkansas's public school children receive an adequate education.

MAINTAINING CONSTITUTIONAL COMPLIANCE

The court identified four essential components for continued constitutional compliance:

1. Act 57's required biennial adequacy review;
2. Funding education first under Act 108;
3. The comprehensive system for accounting and accountability for providing state oversight of school-district expenditures; and
4. The General Assembly's express showing that "constitutional compliance is an ongoing task requiring constant study, review, and adjustment."

In both *Dupree* and *Lake View*, 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 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. 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.

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

In 2014-15, school districts and open-enrollment charter schools received \$5.4 billion in total revenue. Funding for public schools in Arkansas comes from five main sources:

1. **State General Revenue**
2. **The Educational Excellence Trust Fund (EETF)**
3. **The Educational Adequacy Fund**
4. **The Uniform Rate of Tax (URT):** A constitutionally mandated minimum millage rate (property tax rate) that school districts must levy at the local level. The URT is set at 25 mills.
5. **Federal Funds:** Funding such as Title I funding and Individuals With Disabilities Education Act (IDEA), Part B funding

FOUNDATION FUNDING

The state's system for distributing funding to public schools is made up of a base per-student amount, known as **foundation funding** (§ 6-20-2301 et seq.). Foundation funding is the building block of public education funding in the state of Arkansas. Every year the state distributes foundation funding to each school district on a per-student basis. Unlike some other types of funding, foundation funding is **unrestricted**. This means that the state does not specify what school districts may or may not purchase with the foundation funding they receive. This flexibility is intended to account for the specific needs of each school district, allowing some districts to spend more on teacher salaries, for example, while other districts may have higher transportation needs.

Foundation funding is distributed based on a school district's **average daily membership (ADM)**, the calculation for a district's total number of students. Each school district receives the foundation funding amount set for each year multiplied by its prior year ADM. Typically, this funding makes up **57%** of districts' total revenue. (Districts also receive federal funding, as well as other types of state money.)

State Foundation Funding		
	Per Student	Total
2012-13	\$6,267	\$2,924,213,949
2013-14	\$6,393	\$3,000,236,523
2014-15	\$6,521	\$3,082,533,158
2015-16	\$6,584	\$3,116,656,110

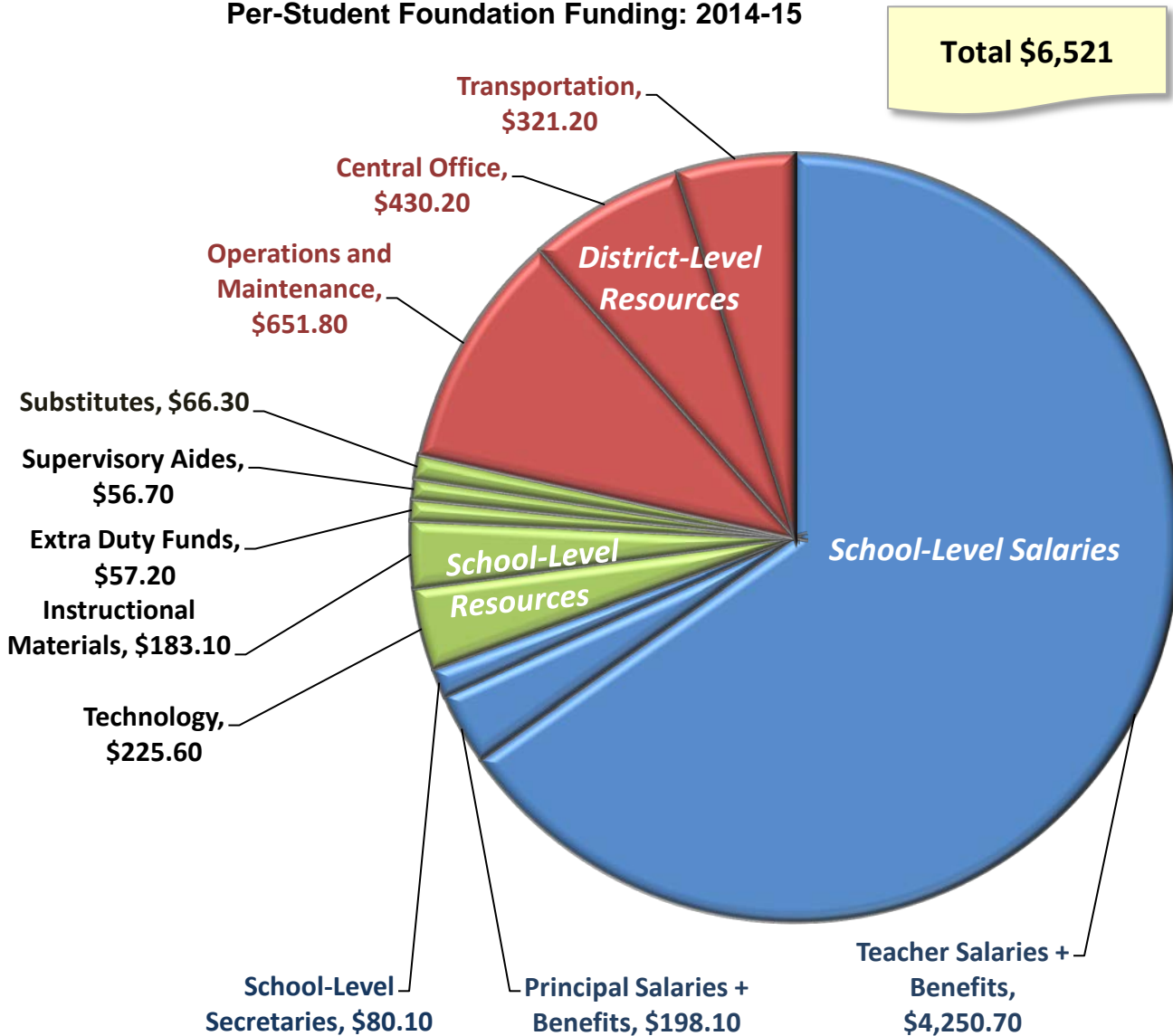
Foundation funding is funded by two main components: the **uniform rate of tax (URT)** and state aid. The URT is a constitutionally mandated minimum millage rate (or property tax rate) that school districts must levy at the local level. This rate is set at 25 mills and is used specifically for the operation of schools. State aid is then provided to make up the difference between the amount of money raised through the URT and the per-student funding rate set by the Legislature. (Eight districts in 2014-15 collected more than \$6,521 in URT and therefore received no state aid.)

Arkansas uses a specific formula to arrive at the per-student funding amount. This formula 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. Each year the legislators involved in the adequacy study determine the dollar amount needed to fund each of these resources in the matrix, based on the money needed to adequately fund school districts' educational needs. Unlike the foundation funding amount (\$6,521 for 2014-15), the matrix is not established in statute. The matrix is divided into three parts:

1. **School-level salaries** of 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.
2. **School-level resources** including instructional materials and technology-related expenses.
3. **District-level resources**, which include funding for operations & maintenance, districts' central offices and transportation expenses.

The chart below shows the proportion of each matrix line item in the total per-student foundation funding amount for FY2014-15. Foundation funding is discussed in greater detail in Section 9 of this report.

Per-Student Foundation Funding: 2014-15



CATEGORICAL FUNDING

School districts also receive four other types of funding, known as categorical funding. Three of the four categorical funds are used to promote equitable funding among school districts by helping schools educate students with particular 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 Section 10 for a more detailed discussion of categorical funding.

Categorical Funding Type	Description	2014-15 Funding
English Language Learners (ELL)	Funding designed to help school districts educate students with limited English language proficiency.	\$317 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.	\$4,383 per ALE student
National School Lunch (NSL)	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 NSL funding only because it uses the federal act's eligibility criteria for free and reduced price lunches.	>=/ >90% of students eligible for free or reduced price lunch (FRL): \$1,549 per FRL student 70% - <90% FRL: \$1,033 per FRL student <70% FRL: \$517 per FRL student
Professional Development (PD)	Funding designed to pay for professional development for teachers and staff. Most of the PD funding goes directly to districts, but up to \$4 million supports a statewide online PD program.	\$32.40 per student (Districts received \$26.67 in FY2015, while ADE's online PD program received \$5.73 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 Section 11.)

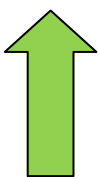
This adequacy study was conducted, in part, to determine whether the money provided by the state's funding formula provides public school districts with the resources needed to offer all public school students a substantially equal opportunity for an adequate education.

Section 3: State Statistics Since Lake View

In the Arkansas Supreme Court’s 2002 opinion declaring the state’s school funding system unconstitutional, the justices agreed with the lower court’s assessment that the “State has a remarkably serious problem with student performance.” The lower court’s assessment, written by Pulaski County Circuit Court Judge Collins Kilgore, based its conclusions, in part, on a range of educational and economic statistics, for which citations were not provided in the order. Staff from the Bureau of Legislative Research (BLR) have attempted to identify the likeliest sources of data that were cited in the 2001 Kilgore decision, then determine the state’s progress on those indicators based on the most recent comparable data. Although statistics from 2001 and earlier are difficult to compare with current statistics due to different calculation methods and changes in tests, this section provides information about the progress made by Arkansas’s public schools over the last two decades, as measured by student test scores, graduation rates, and other education statistics.

Overall, the state has made improvement in eight of the 14 measures cited by Judge Kilgore. The results are unchanged or mixed on five measures, while one measure—the state’s median household income ranking—has declined. While there is much to be celebrated about Arkansas’s progress since the Kilgore decision, the data show that our students continue to lag behind the national average on many educational measures.

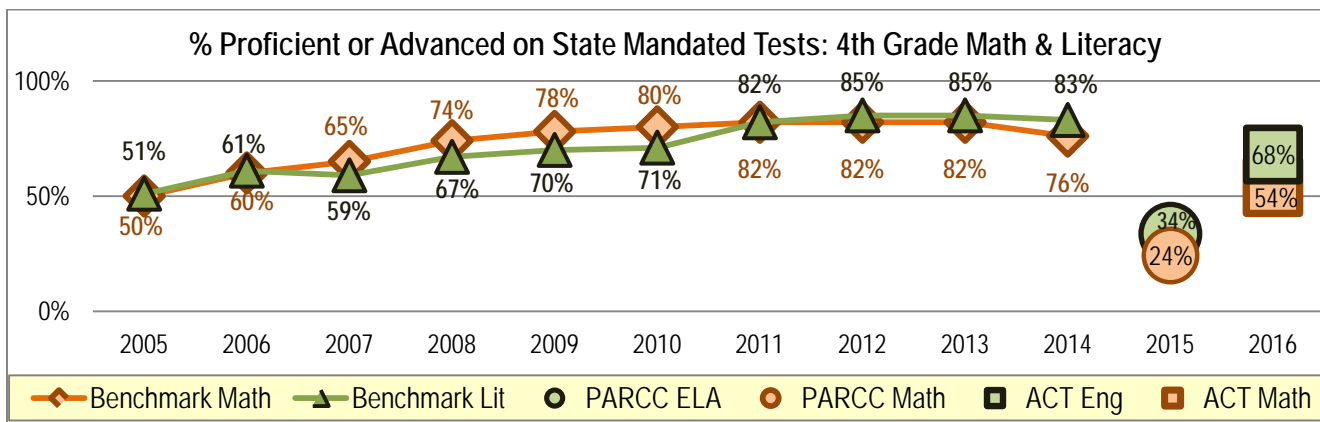
State Assessment Scores



2001 KILGORE DECISION: “The first set of scores on the ACTAAP test [Arkansas Comprehensive Testing, Assessment, and Accountability Program] showed that only 44% of the fourth graders were proficient in reading and only 34% of the students were proficient in math.”

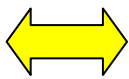
NOW: The most recent scores for the Benchmark Exams show that 83% of fourth graders were proficient or advanced in reading and 76% were proficient or advanced in math in 2014.

ACTAAP scores from 2004 and earlier are difficult to compare with current statistics due to different calculation methods and changes in tests. Nevertheless, the assessment data that is comparable from 2005 to 2014 show significant improvement in the percentages of fourth grade students scoring proficient or advanced in both literacy and math. The percentage of these students grew from 51% in literacy in 2005 to 83% in 2014, and from 50% in math in 2005 to 76% in 2014. In 2015, the state switched to the PARCC (Partnership for Assessment of Readiness for College and Careers) assessment and to the ACT Aspire in 2016. The results of the three types of tests are difficult to compare.



Note: PARCC scores represent the percentage of students scoring a 4 or a 5. ACT Aspire scores are preliminary and indicate the percentage of students whose score indicates they are “Ready” or “Exceeding”. Data Source: ADE, http://www.arkansased.gov/public/userfiles/Learning_Services/Student%20Assessment/2014/Benchmark_14/Statewide%20Benchmark%20Results.pdf, http://www.arkansased.gov/public/userfiles/Learning_Services/Student%20Assessment/2015/State.xlsx, http://www.arkansased.gov/public/userfiles/Learning_Services/Student%20Assessment/2016/2015-2016_ACT_Aspire_Preliminary_State_Results_-_Updated_July_29.xlsx

NAEP Scores for 4th & 8th Grades

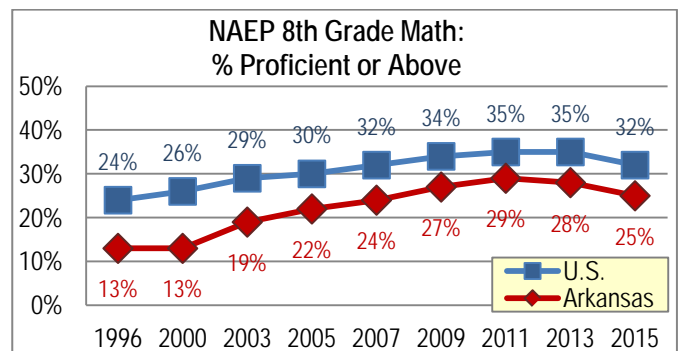
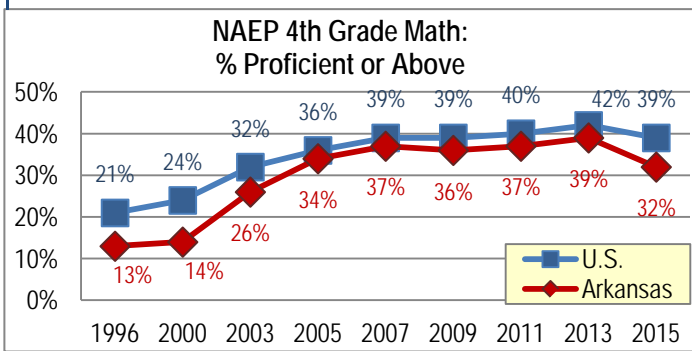


2001 KILGORE DECISION: “Arkansas’ fourth and eighth grade students do not rank at or above the national average for proficiency in math, reading, science or writing as measured by the Southern Regional Education Board’s State Analysis of the National Assessment of Educational Progress (NAEP) test scores.”

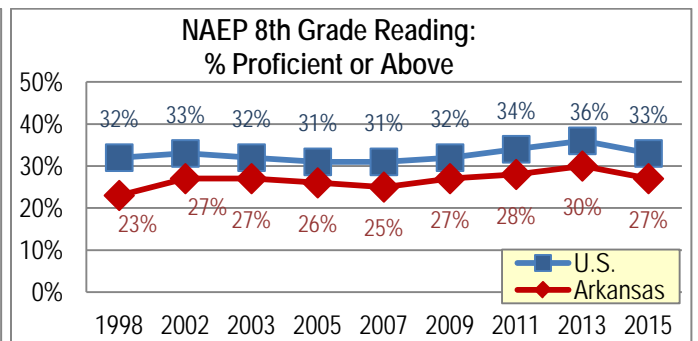
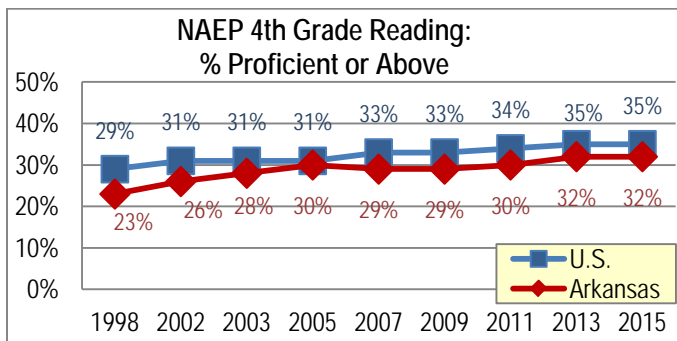
NOW: Arkansas’s fourth and eighth grade students have improved on all sections of the NAEP since 1996 but have stagnated in closing the gap between the state and the national average.

Arkansas’s fourth- and eighth-grade students have made significant progress on all four sections of the NAEP since the 2001 Kilgore decision. However, Arkansas students still trail behind the national average on each measure, as indicated in the charts below.² The most recent results for the NAEP science assessment are from 2011 and the most recent state results for the writing assessment are from 2007.

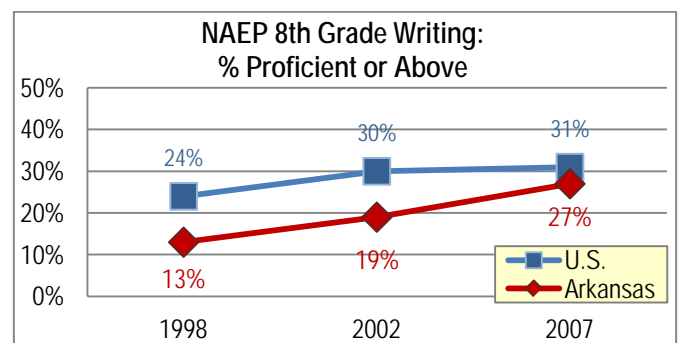
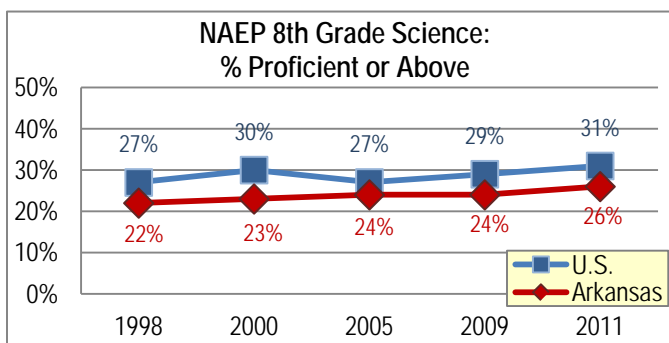
MATH



READING

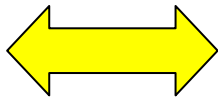


SCIENCE AND WRITING



² Sources: U.S. Department of Education, National Center for Educational Statistics, various years.

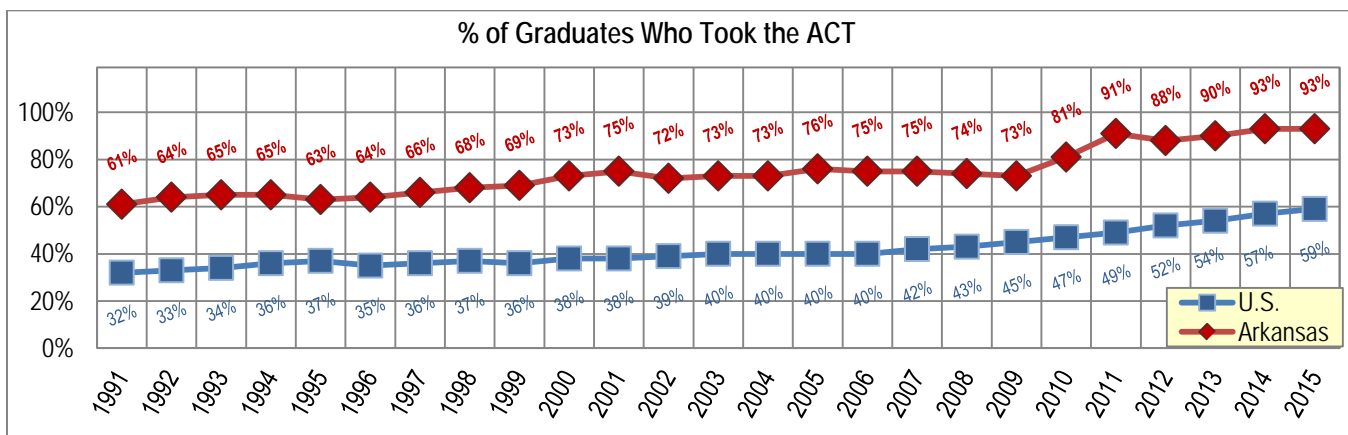
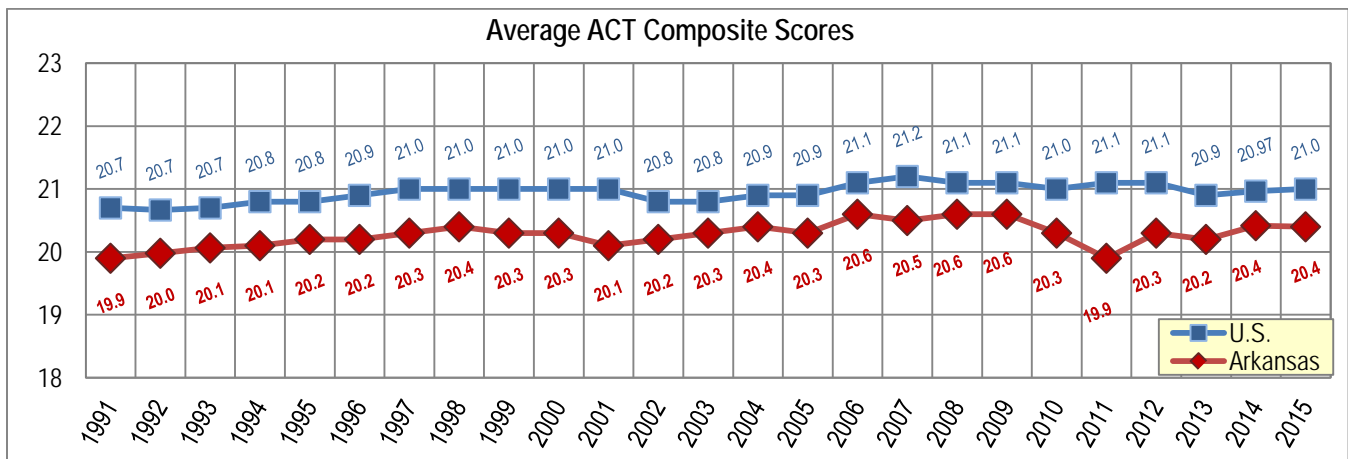
ACT Composite Scores



2001 KILGORE DECISION: “Arkansas students scored several tenths below the national average on the ACT from 1990 to 1999.”

NOW: Arkansas students still scored several tenths below the national average on the ACT from 1999 to 2015; however, the percentage of students taking the ACT in Arkansas has increased dramatically and far surpasses the national average.

Since 1991, the average composite ACT score for Arkansas (and the U.S.) has remained relatively flat.³ In 2015, Arkansas’s average composite score was 20.4—slightly higher than the average score of 19.9 in 1991.⁴ The national average has remained virtually the same over this period as well, at 20.7 in 1991 and 21.0 in 2015. Arkansas’s students have scored only slightly below the national composite from 1991 through 2015.⁵ The good news is that the percentage of students in Arkansas who took the ACT has steadily increased during this same period, from 61% in 1991 to 93% in 2015—far surpassing the national average (from 32% in 1991 to 59% in 2015).

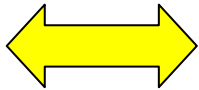


³ According to officials from ACT, Inc., 1991 is as far back as ACT scores can be consistently compared, due to changes in methodology.

⁴ Arkansas’s average ACT scores dropped significantly in 2010, when the state paid the test fee for all students, leading more students to begin taking the test. As the number of test takers increase, average scores typically decrease.

⁵ ACT National and State Scores [1994-2014 data]. Retrieved July 22, 2014, from <http://www.act.org/newsroom/data>; Historical data from 1991-1993 was provided by Judy Trice, Senior Account Manager of State Programs and Partnerships at ACT, Inc.; ACT Profile Report—Arkansas (2015). Retrieved July 14, 2016, from http://www.act.org/content/dam/act/unsecured/documents/2015_Profile_Report_Arkansas.pdf.

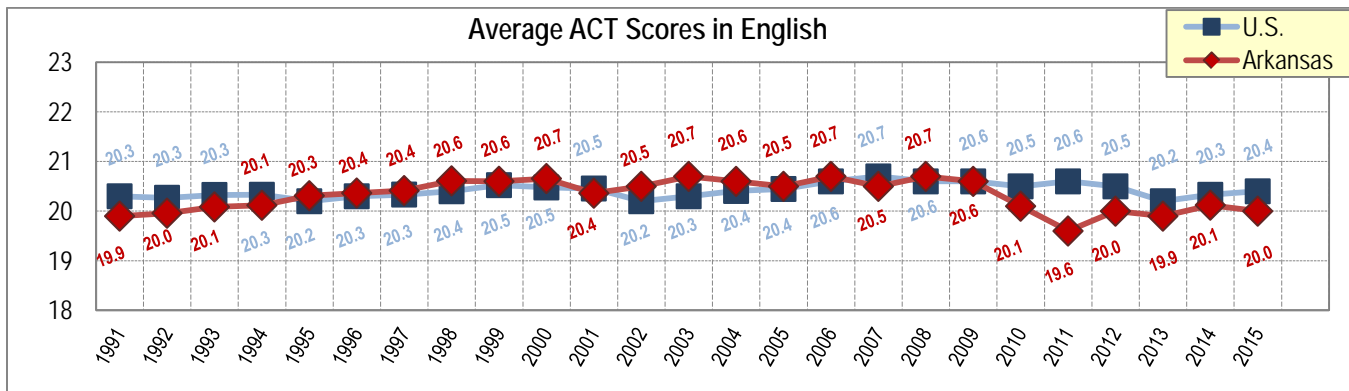
Scores on ACT Section in English



2001 KILGORE DECISION: “On the ACT test in English, Arkansas students exceed the national average.”

NOW: Arkansas students’ scores on the ACT test in English have held steady and are now essentially tied with the national average.

From 1995 through 2000, and again from 2002 to 2006, Arkansas students slightly outperformed the national average on the ACT test in English. Since that time, Arkansas’s average English score has tracked the national average very closely.⁶ In 2015, Arkansas’s average score in English was 20.0, compared to the U.S. average score of 20.4. The dip in Arkansas’s scores in 2010 and 2011 was likely related to the significant increase in the proportion of students in Arkansas who took the test.



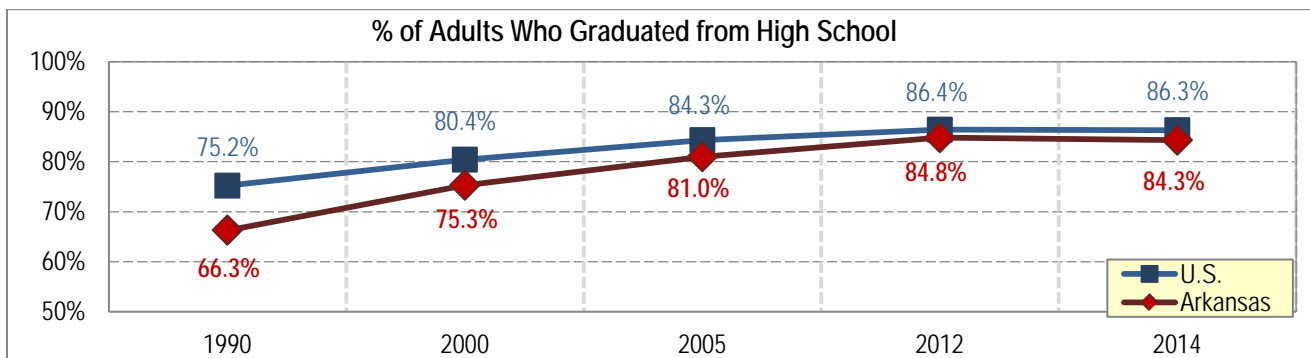
Percentage of Adults Who Graduated From High School



2001 KILGORE DECISION: “Arkansas ranks lower than the national average for percentage of adults ages 25 years and older who have graduated from high school.”

NOW: Arkansas has increased significantly the percentage of adults who have graduated from high school and now ranks very close to the national average.

In 2000, Arkansas ranked 47th among states and the District of Columbia in the percentage of adults ages 25 years and older who graduated from high school, at 75.3%, compared to the national average of 80.4%.⁷ According to the latest data from the U.S. Census Bureau, Arkansas ranked 42nd in 2014, at 84.3%—almost closing the gap with the national average of 86.3%.⁸



Source: U.S. Census Bureau, 2000 Census; 2005 ACS; 2012 ACS

⁶ ACT National and State Scores [1994-2014 data]. Retrieved July 22, 2014, from <http://www.act.org/newsroom/data>; Historical data from 1991-1993 was provided by Judy Trice, Senior Account Manager of State Programs and Partnerships at ACT, Inc.; ACT Profile Report—Arkansas (2015). Retrieved July 14, 2016, from http://www.act.org/content/dam/act/unsecured/documents/2015_Profile_Report_Arkansas.pdf.

⁷ U.S. Census Bureau, Census 2000, Summary File 3, Matrices P37 and PCT25.

⁸ U.S. Census Bureau, American Community Survey (ACS), 2014.

College-Going Rate

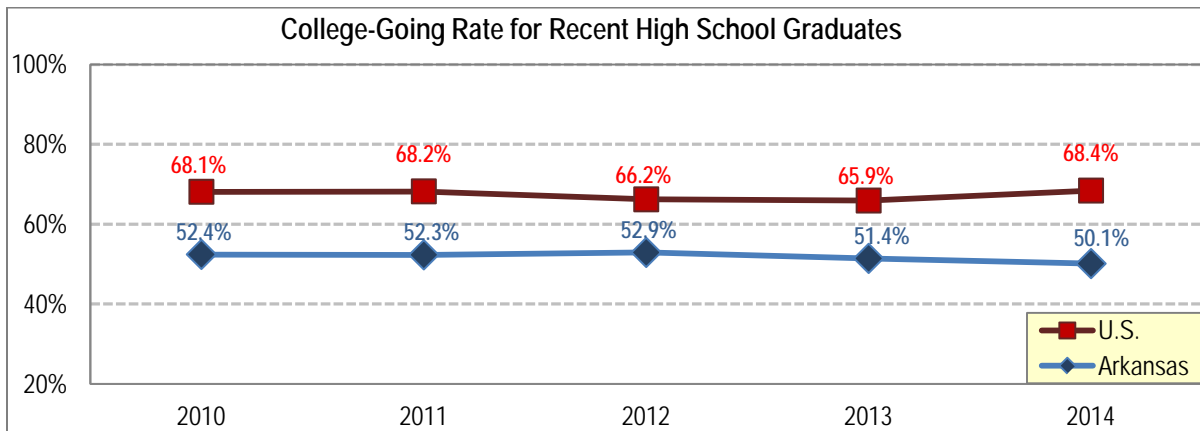


2001 KILGORE DECISION: “For the period 1996 through 1998, the percentage of Arkansas high school graduates attending college is approximately 53%.”

NOW: The college-going rate is calculated differently from the methodology used in the late 1990s, making comparisons difficult. However, the most recent data show that about half of Arkansas’s graduating students go on to postsecondary education.

The college-attendance rate cited in the Kilgore decision was calculated using a different methodology than the one used today. The new methodology is a College-Going Rate (CGR) calculation for Arkansas public high school graduates only and does not include graduates from private schools. According to the Arkansas Department of Higher Education’s 2015 Comprehensive Arkansas Higher Education Annual Report, Arkansas’s CGR has fallen slightly in recent years from nearly 53% in 2012 to about 50% in 2014.⁹ In comparison, the national CGR dipped slightly in 2012 and 2013 to about 66%, but rose again in 2014 to 68.4%.¹⁰

While the changing methodology for calculating the CGR has made it difficult to perfectly compare the state’s rate from the late 1990s to today, it does appear that most measures show an increase in the state’s rate at least through 2012 (see the National Center for Higher Education Management Systems, College-Going Rates of High School Graduates-Directly from High School, 1992-2010 <http://www.higheredinfo.org/dbrowser/index.php?submeasure=63&year=2010&level=nation&mode=dat a&state=0> and The SREB Fact Book on Higher Education, http://www.sreb.org/sites/main/files/file-attachments/fbcollegeparticipation_2015_0.pdf).

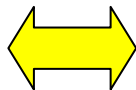


⁹ Arkansas Department of Higher Education. *Comprehensive Arkansas Higher Education Annual Report, December 1, 2015: Remediation Rates*. Retrieved September 11, 2016, from https://static.ark.org/eeuploads/adhe/09-College_Going_Rate_AY_2011-2015-2.pdf

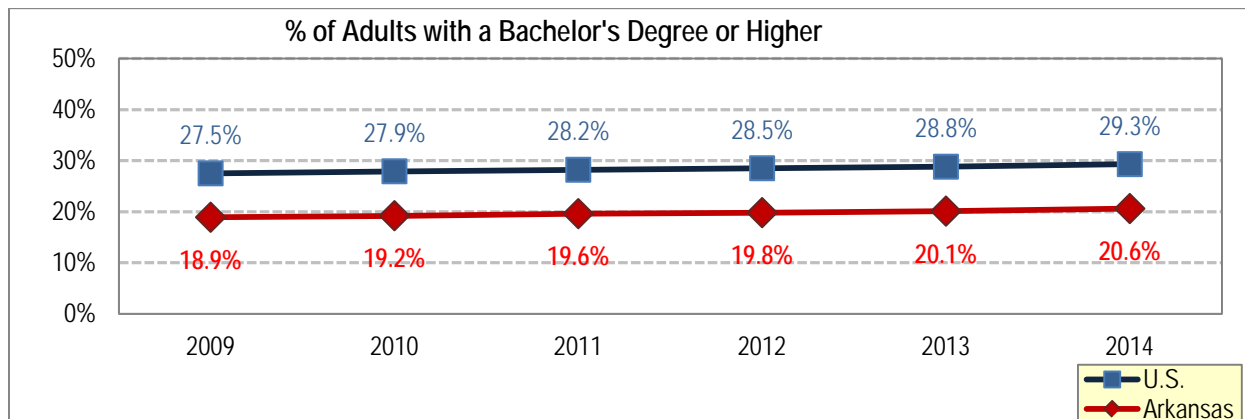
¹⁰ National Center for Education Statistics: 2016. Table 302.10. Recent high school completers and their enrollment in 2-year and 4-year colleges, by sex: 1960 through 2014. Retrieved September 11, 2016, from https://nces.ed.gov/programs/digest/d15/tables/dt15_302.10.asp?current=yes

Percentage of Adults with a Bachelor’s Degree or Higher

2001 KILGORE DECISION: “Arkansas ranks 49th in the nation in percentage of the population age 25 years or older with a bachelor’s degree or higher.”



NOW: Although the state has increased the percentage of adults with at least a Bachelor’s degree over the last 15 years, Arkansas remains at 49th of the 50 states and Washington DC.¹¹

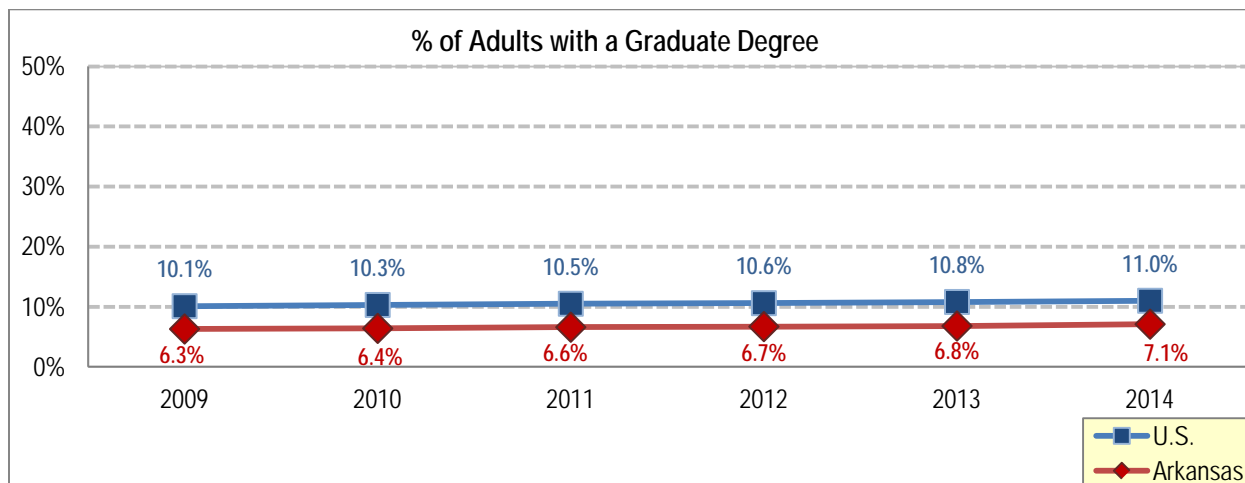


Percentage of Adults with Graduate Degrees

2001 KILGORE DECISION: “Arkansas ties for last place in the nation in percentage of adults with graduate degrees.”



NOW: Arkansas ranked 51st of the 50 states and Washington DC in 2014 with just 7.1% of adults with graduate degree.¹²



¹¹ Ranking based on data retrieved from U.S. Census, American Community Survey 5-Year Estimates, Educational Attainment, S1501

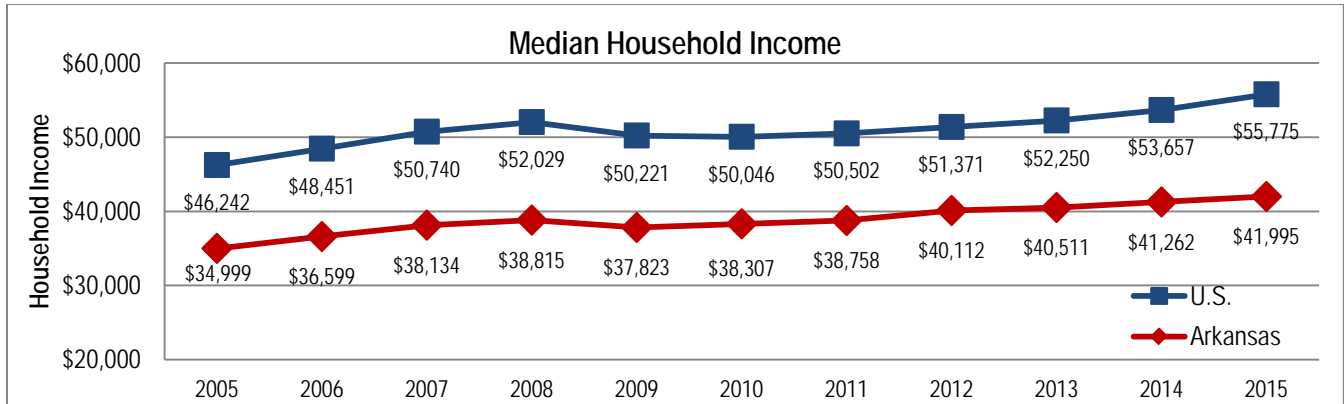
¹² Ranking based on data retrieved from U.S. Census, American Community Survey 5-Year Estimates, Educational Attainment, S1501

Median Household Income



2001 KILGORE DECISION: “Arkansas ranks 49th among the states for median household income.”

NOW: Although median household income has risen since 2000, Arkansas ranks 50th among states on this measure.¹³



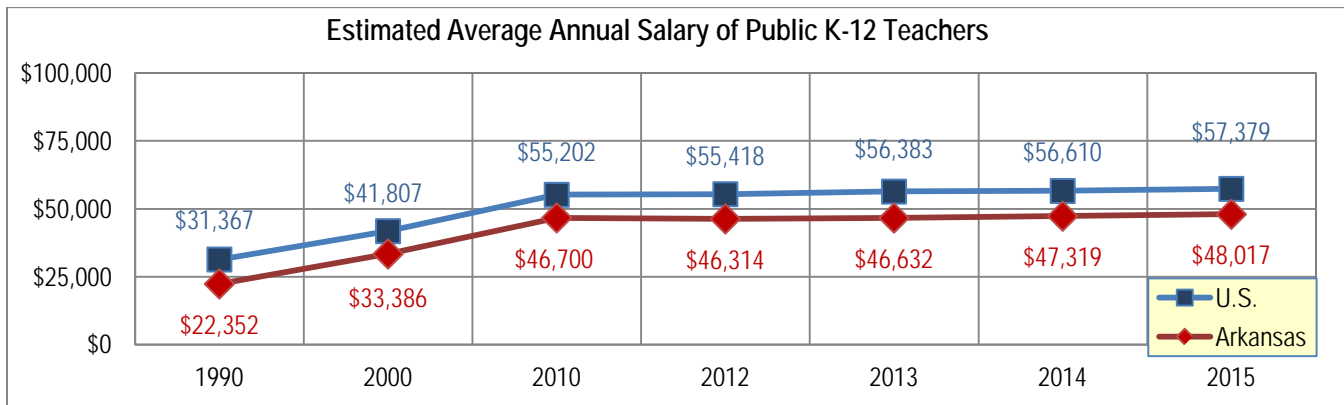
Teacher Salaries



2001 KILGORE DECISION: “Arkansas generally ranks between 48th and 50th in teacher pay.”

NOW: Arkansas has raised average annual teacher salaries considerably since 2000, and the state ranked 40th in teacher pay in 2015.

According to the 2000 *Digest of Education Statistics* (based on National Education Association data), Arkansas ranked 50th in teacher pay in 1990, with an average salary of \$22,352 in current dollars (not adjusted for inflation).¹⁴ Arkansas moved up to 43rd place in 2000, at \$33,386. In 2015, the state ranked 40th, with an average salary of \$48,017 compared with the national average of \$57,379. The gap between Arkansas’s average teacher salary and the national average teacher salary can be explained largely by Arkansas’s relatively low cost of living.



¹³ U.S. Census Bureau, American Community Survey, Median Income in the Past 12 Months (in Inflation-Adjusted Dollars, 1 Year Estimates, S1903).

¹⁴ National Education Association, *Estimates of School Statistics*, 1969-70 through 2012-15. Cited in *Digest of Education Statistics: 2013 and 2015*. Table 211.60. Estimated average annual salary of teachers in public elementary and secondary schools, by state: Selected years, 1969-70 through 2012-15. Retrieved July 16, 2016, from http://nces.ed.gov/programs/digest/d13/tables/dt13_211.60.asp and Selected years, 1969 through 2014-15. Retrieved September 11, 2016 from https://nces.ed.gov/programs/digest/d15/tables/dt15_211.60.asp

Per-Pupil Expenditures



2001 KILGORE DECISION: “In the 1996-97 school year, the last year comparable figures are available for the entire nation, Arkansas spent \$4,535 in operating funds per pupil. The national per pupil spending average was \$5,923. Although there does not exist a thoroughly accurate way of adjusting for differences in cost of education because some school districts are located in communities with higher costs of living, it is clear that Arkansas’ costs are not fully 25% lower than the nation as a whole.”

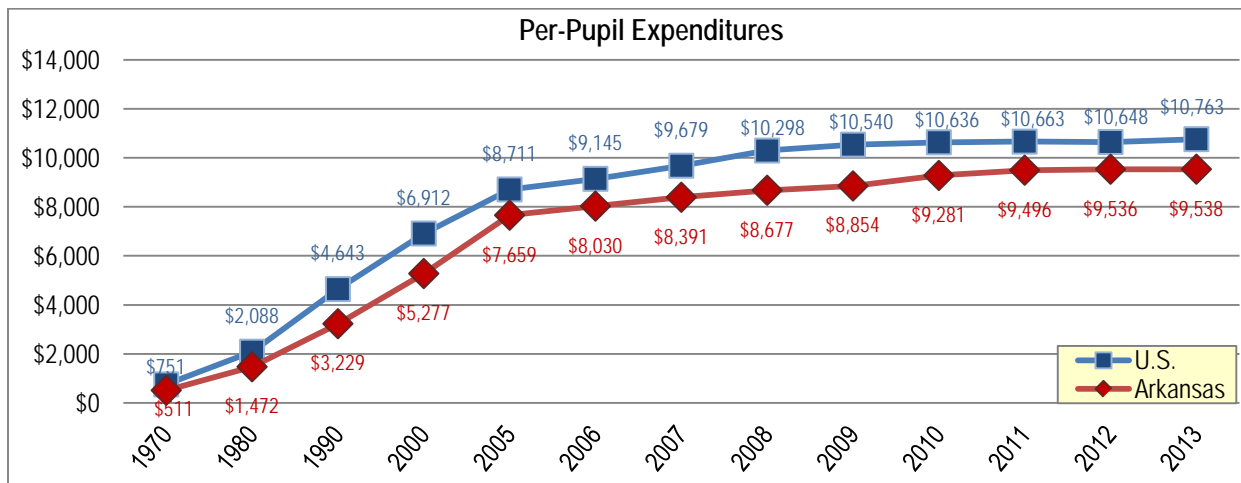
NOW: In the 2012-13 school year, the last year comparable figures are available for the entire nation, Arkansas spent \$9,538 in per pupil—11% lower than the nation as a whole.



2001 KILGORE DECISION: “Arkansas ranked 48th in the nation in 1998 on spending per student.”

NOW: Arkansas ranks 31st in the nation on spending per student.

According to the 2000 *Digest of Education Statistics*, Arkansas spent \$4,535 per pupil in 1996-97, compared to the national average of \$5,923, or about 23.4% less.¹⁵ In 2012-13, Arkansas spent \$9,538 per pupil, compared to the national average of \$10,763, or about 11% less.¹⁶ Arkansas actually ranked 47th among the 50 states and the District of Columbia in FY 1998 on per pupil expenditures, at \$4,708, compared with the national average of \$6,189.¹⁷ Today Arkansas ranks 31st in per-pupil expenditures.



Source: *Digest of Education Statistics*, 2000; U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems, 1969-70; Revenues and Expenditures for Public Elementary and Secondary Schools, 1979-80*.

¹⁵ *Digest of Education Statistics: 2000*. Table 169: Current expenditures per pupil in fall enrollment in public elementary and secondary schools, by state: 1969-70 to 1997-98. Retrieved July 16, 2016, from <http://nces.ed.gov/programs/digest/d00/dt169.asp>

¹⁶ *Digest of Education Statistics: 2013*. Table 236.65: Current expenditure per pupil in fall enrollment in public elementary and secondary schools, by state or jurisdiction: Selected years, 1969-70 through 2010-11. Retrieved July 16, 2016, from http://nces.ed.gov/programs/digest/d13/tables/dt13_236.65.asp

¹⁷ *Digest of Education Statistics: 2000*, Table 169. Current expenditures per pupil in fall enrollment in public elementary and secondary schools, by state: 1969-70 to 1997-98. Retrieved July 16, 2016, from <http://nces.ed.gov/programs/digest/d00/dt169.asp>

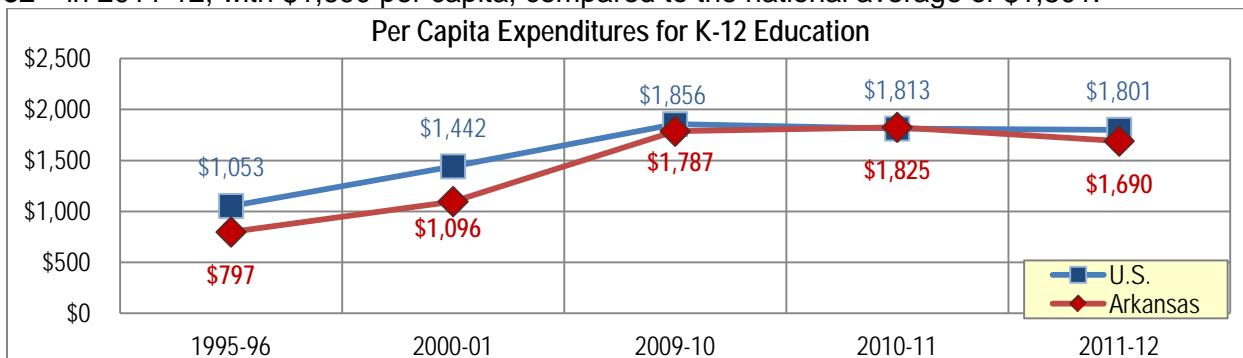
Per Capita Spending on Education



2001 KILGORE DECISION: “Arkansas ranks at number 50 among the states in per capita state and local government expenditures for elementary and secondary education.”

NOW: From 1996-2010, Arkansas improved its ranking from 50th to 24th nationally in per capita state and local government expenditures for K-12 education.

According to the 2000 *Digest of Education Statistics*, Arkansas ranked 50th among states and the District of Columbia in per capita state and local government expenditures for elementary and secondary education in 1995-96, at \$797 per capita.¹⁸ According to the 2005 *Digest*, Arkansas ranked 47th on this measure in 2000-01, at \$1,096 per capita.¹⁹ According to the 2013 *Digest*, Arkansas ranked 32nd in 2011-12, with \$1,690 per capita, compared to the national average of \$1,801.²⁰



Education Week’s “Education Counts” Rankings in Adequacy & Equity



2001 KILGORE DECISION: “In a survey published in “*Education Week*”, Arkansas received an F on the adequacy indicator and a C on the equitable division indicator. (Transcript p. 1386)”

NOW: Arkansas improved from an F to a C- on the adequacy indicator from 1998 through 2004 (the last year that *Education Week* gave adequacy grades). Arkansas also improved from a C- to the equivalent of a B+ on the equity indicator from 1998 to 2014.

Since *Education Week*’s “Quality Counts” reports were first published, its methodology for determining grades for “adequacy” and “equity” has changed. Its reports originally gave letter grades on various indicators between 1998 and 2004, then it began giving both letter grades and their percentage-equivalent from 2004-2014. *Education Week* stopped giving grades for “adequacy” in its 2005 report, due to debate on how an adequate education should be measured. However, it continued to give percentage-equivalent grades for the “equity” measure from 2004-2014.

The following table and chart shows *Education Week*’s letter grades for Arkansas in adequacy and equity between 1998 and 2004. Arkansas’s adequacy grade improved from an F in 1998 to a C- in 2004, and its equity grade rose from a C- to a B- during that same period.

¹⁸ *Digest of Education Statistics: 2000*, Table 35. Direct general expenditures per capita of state and local governments for all functions and for education, by level and state: 1995–96. Retrieved July 16, 2016, from <http://nces.ed.gov/programs/digest/d00/dt035.asp>

¹⁹ *Digest of Education Statistics: 2005*, Table 29. Direct general expenditures per capita of state and local governments for all functions and for education, by level and state: 2001-02. Retrieved July 16, 2016, from http://nces.ed.gov/programs/digest/d05/tables/dt05_029.asp

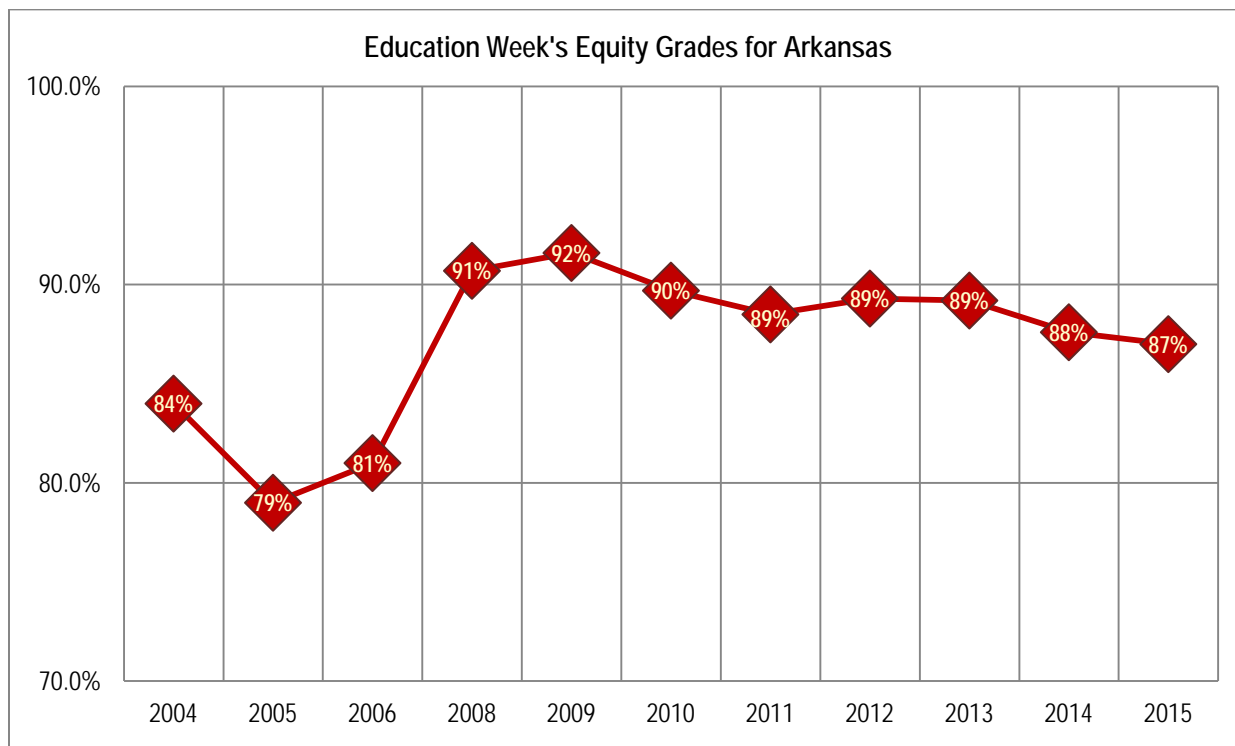
²⁰ *Digest of Education Statistics: 2013*, Table 106.50. Direct general expenditures per capita of state and local governments for all functions and for education, by level of education and state: 2009-10 and 2010-11. Retrieved July 16, 2016, from http://nces.ed.gov/programs/digest/d13/tables/dt13_106.50.asp

Arkansas’s Adequacy Grades in *Education Week’s* “Quality Counts” Reports, 1998-2004

Year	Adequacy Grade	Equity Grade
1998	F	C-
1999	B-	C
2000	C+	C
2001	C	B
2002	C	C+
2003	C	B-
2004	C-	B

Note: *Education Week* stopped giving grades for “adequacy” in its 2005 report.

For the equity measure, percentage-equivalent grades were given between 2004 and 2014. Those grades are plotted in the graph below.



Source: *Education Week’s* “Quality Counts” reports, 2004-2014. No score was provided in 2007.

Arkansas’s equity score increased after 2005 when newly created state funding mechanisms (e.g., National School Lunch [NSL] funds for students in poverty, funding for alternative learning environments [ALE] and English language learners [ELL]) were first implemented. Between 2006 and 2008, Arkansas also invested a significant amount of funding in academic facilities.

Section 4: Statewide School Accountability Programs

Arkansas Comprehensive Testing, Assessment, & Accountability Program (ACTAAP)

The **Arkansas Comprehensive Testing, Assessment, and Accountability Program (ACTAAP)**, A.C.A. § 6-15-401 *et seq.*, is the statutory framework for the state's academic assessment and district and school accountability programs. Since the passage of the **No Child Left Behind Act (NCLB)** in 2001, ADE has modified many of ACTAAP's provisions to meet the federal law's requirements. Both federal and state statutes require the State Board of Education to identify schools in need of improvement and provide them with additional guidance and resources.

The centerpiece of ACTAAP is the **Arkansas Comprehensive Assessment Program**, a testing system designed to measure students' proficiency in reading, math, and other subjects. Every public school and student in Arkansas is required to participate. From the time ACTAAP was enacted in 1999 until the 2013-14 school year, ADE has required schools to administer the **Arkansas Benchmark exams** each year. The Benchmark exams measured school readiness for kindergarteners and literacy and math achievement for students in grades 3-8, as well as science achievement for students in grades 5 and 7. ACTAAP also required **End-of-Course (EOC) exams** for students in Algebra I, Biology, Geometry, and 11th Grade Literacy. Based on the results of these exams, schools were required to develop **academic improvement plans (AIPs)** for all students who did not meet certain performance measures in reading, writing, or math.

In 2014-15, the state transitioned from the Arkansas Benchmark exams to a new national assessment known as the **Partnership for Assessment of Readiness for College and Careers (PARCC)**. PARCC is a consortium of states that worked together to create online assessments in literacy and math for 3rd-11th grade students that were aligned with the **Common Core State Standards (CCSS)**. In 2015, ADE released the final statewide results for the PARCC exams, which are summarized below. Students could score between 1 and 5 on the exams with scores of 4 and 5 indicating proficiency.

Subject	Total Students At Level 4 or 5
ELA Grade 3	29.1%
ELA Grade 4	33.6%
ELA Grade 5	32.3%
ELA Grade 6	33.1%
ELA Grade 7	34.7%
ELA Grade 8	32.4%
ELA Grade 9	36.5%
ELA Grade 10	37%
Math Grade 3	31.4%
Math Grade 4	24.2%
Math Grade 5	23.6%
Math Grade 6	24.8%
Math Grade 7	21.6%
Math Grade 8	17.1%
Algebra I	28%
Geometry	21%

In June 2015, in response to recommendations by Governor Hutchinson's **Council on Common Core Review**, the Governor asked the State Board to withdraw the state from PARCC in 2015-16 and adopt the ACT Aspire as the statewide assessment beginning that year. Although the State Board initially denied the Governor's request, it ultimately voted in favor of transitioning to the ACT Aspire in 2015-16.

Beginning with the 2015-16 school year, schools are now required to administer the **ACT Aspire** to all students in grades 3-10 in English, reading, math, science, and writing. Proponents of the ACT Aspire claim that one of its benefits is that the scores for 9th and 10th grade students may be used to predict their ACT college-entrance exam scores, long before they take the ACT in 11th or 12th grade.

The change in state assessments from the Arkansas Benchmark assessment to PARCC in 2014-15 results in year over year test score data that is not homogeneous, which may make it difficult to compare performance or growth in student achievement. Furthermore, it may take several more years to be able to compare Arkansas students' performance on the ACT Aspire with those of many other states: only two other states, Alabama and Hawaii, administered the ACT Aspire to 3rd-8th grade students in 2014-15.²¹ According to ADE, the state's estimated cost for administering the ACT Aspire in 2015-16 is \$6.68 million, compared with \$8.5 million spent on the PARCC in 2014-15.

Ark. Code Ann. § 6-15-404(h)(1) and ACTAAP rules also specify that selected schools shall participate in the **National Assessment of Educational Progress (NAEP)** each year. NAEP is a **norm-referenced test (NRT)** that measures students' general knowledge compared to that of students in other states, regardless of their states' curricula.

ACTAAP's testing requirements are used to hold schools accountable for student achievement through a ratings program based on their students' annual performance, academic growth, graduation rate (for secondary schools), and any other criteria required by law or rule of the ADE. Act 696 of 2013 required ADE to develop a formula for giving all schools an annual letter grade beginning in 2014-15. Each school's score must be published annually by the ADE and district and posted on their respective websites.²² Schools' letter grades are based on performance in four categories and factor in achievement gaps between student groups.

In the second year (2014-15) of this new A-F rating system, only 10 (1%) schools received an A compared to the first year when 162 (15%) schools received an A. The chart below provides a breakdown of all schools' letter grades.

Letter Grades	2014-15 Total Schools (N=1,050)
A	10 (1%)
B	224 (21%)
C	564 (53%)
D	228 (22%)
F	19 (2%)

Acts 20 and 21 of the 3rd Extraordinary Session of the 90th General Assembly called for a pause in rating schools for the 2016-17 school year. This was done to facilitate the transition to a new accountability system that will be developed based on the requirements of the federal Every Student Succeeds Act (ESSA) enacted December 2015.²³

Act 1429 of 2013 (§ 6-15-2107) also amended the **Arkansas School Recognition Program** to provide financial rewards to public schools with high student performance and high academic growth (including graduation rates). Based on PARCC exam results for 2014-15, 194 schools received either \$96.99 per student or \$48.50 per student. Schools with higher scores and greater student growth received the higher amounts. ADE distributed a total of nearly \$6 million in 2016 for the 2014-15 recognition awards.

The ACTAAP statutory framework also requires public schools and districts to develop an **Arkansas Comprehensive School Improvement Plan (ACSIP)**, designed to ensure that all students demonstrate proficiency on all portions of state assessments. ACSIPs must include strategies to address any achievement gap between groups of students. More information on ACSIP can be found on page 23.

²¹ See ACT's website at <https://www.act.org/research/policymakers/cccr15/resources.html>

²² See ADE's Agency Rule # 005.19. "Arkansas Department of Education Rules Governing the Public School Rating System On Annual School Report Cards (Emergency Rule) – Effective March 9, 2015." Retrieved October 27, 2015, from <http://www.sos.arkansas.gov/rulesRegs/Arkansas%20Register/2015/march2015/005.19.15-001E.pdf>

²³ Public Law Number 114-95.

ACTAAP also establishes the **academic distress program** under which schools or school districts can be sanctioned for continued low student achievement. More information on academic distress can be found on page 28.

Elementary and Secondary Education Act

The state's testing system has also been used to comply with the state's requirements under the **Elementary and Secondary Education Act (ESEA)**, the federal education reform legislation that established a system of school accountability for student learning. Originally passed in 1965, the **Elementary and Secondary Education Act (ESEA)** is the federal law that holds states accountable for schools' and students' performance in order to receive federal funding. The **No Child Left Behind Act (NCLB)** is the name of the ESEA reauthorization passed in 2001, which required states to develop rigorous standards in language arts, math, and science (Pub. L. 107-110, 115 Stat. 1425).

NCLB also required states to test students in reading, writing, and math in grades 3-8 and in high school, beginning in 2005-06, and in science, beginning in 2007-08. Students' test scores placed them in one of four categories of subject and skills mastery: below basic, basic, proficient, or advanced. The law required schools to increase the percentage of students testing in the proficient or advanced categories each year with the goal of having 100% of students testing proficient by the 2013-14 school year.

Although Congress was supposed to reauthorize NCLB in 2007, it could not agree on a new version of the law. In the meantime, the U.S. Department of Education (DOE) announced in 2011 that states could apply for ESEA flexibility (or "waivers" from some of the law's provisions), provided that a state met certain requirements.

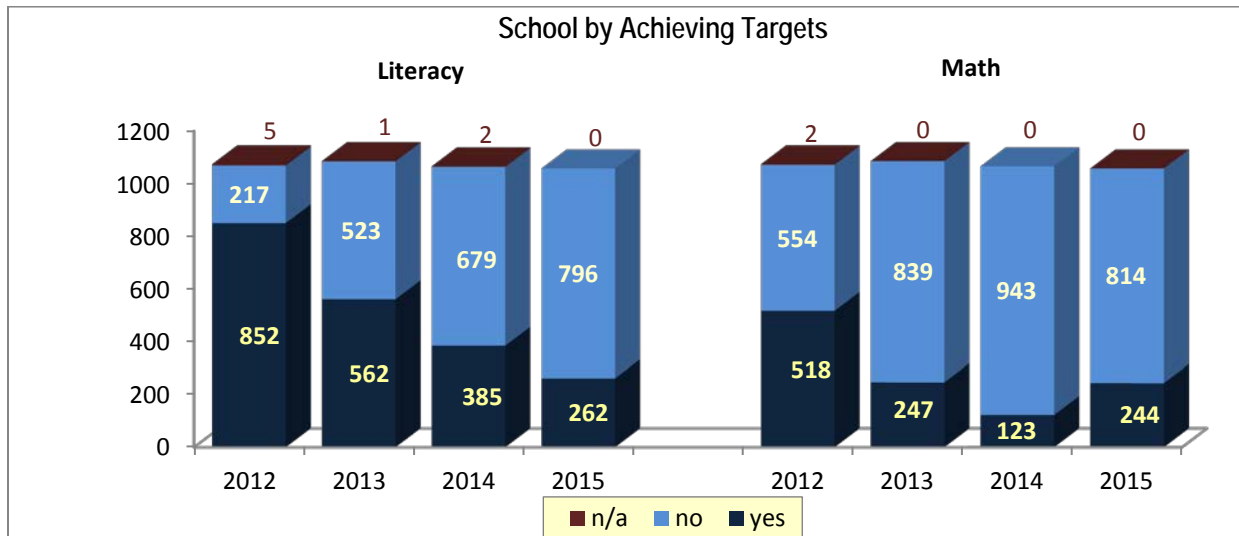
Arkansas's flexibility plan was first approved in 2012. Individual schools were no longer required to hit the same student performance targets. Instead, each school had its own individual performance targets. Under Arkansas's 2012 flexibility plan, schools were designated as "Achieving" or "Needs Improvement", depending on whether they met their established performance targets and graduation rates. The plan also called for more oversight and support for the schools with the lowest student achievement and the highest achievement gaps between student subgroups.

In 2012, the ADE identified the lowest performing 5% of schools in the state, and designated those 48 schools as "Needs Improvement Priority Schools." ADE identified another 109 schools as "Needs Improvement Focus Schools," which had the largest achievement gaps between specified student subgroups. Under the flexibility plan, Priority and Focus Schools received more oversight from ADE. ADE also identified 15 exemplary schools as those with high achievement, significant gains without large achievement gaps, or particularly high student performance or significant gains among certain subgroups of students.

The following chart summarizes the achievement categories of Arkansas schools since the state's ESEA flexibility plan was approved. While the number of schools achieving in graduation rates has increased each year since 2012, there have been sharp declines in the numbers of schools achieving in literacy and math. According to ADE, many of these schools continue to show improvement; however, they did not show enough improvement to meet their individual target for the 2013-14 school year. A Priority or Focus School could be removed from the Priority or Focus list by meeting the requirements to be Achieving for two consecutive years. In 2014, one school moved from the Needs Improvement Priority list to the Achieving list, and one Focus School moved from the Needs Improvement Focus list to the Achieving list.

Schools by Achievement Status

Schools by Overall Status	2012	2013	2014	2015
Exemplary	15	9	1	N/A
Achieving	336	137	67	7
Needs Improvement	581	793	877	5
Needs Improvement Focus	109	90	85	109
Needs Improvement Priority	48	42	37	46



EVERY STUDENT SUCCEEDS ACT (ESSA)

On December 10, 2015, President Obama signed into law the Every Student Succeeds Act (ESSA), Pub. Law. No. 114-95, the latest reauthorization of the Elementary and Secondary Education Act (ESEA). It removes many of the requirements of NCLB and changes the federal education laws in many substantial ways.

ESSA still requires a state to submit a state plan to the United States Secretary of Education for approval, though it gives states greater discretion in how to design the state plan. State plans under ESSA will go into effect beginning with the 2017-2018 school year, and they still must be **developed with input from several stakeholders**, though the list of those who must be consulted was expanded to include a state's Governor, members of the Legislature, representatives of Indian tribes located in the state, and charter school leaders, among others.

ESSA does not require a state to adopt any particular academic standards. Rather, a state is **free to adopt any standards of its choosing** as long as they are "challenging" and aligned with the entrance requirements for state institutions of higher education and state career and technical education standards. ESSA continues the NCLB assessment requirements, though the assessments may now be administered as a single assessment or through multiple interim assessments that result in a single summative score. In addition, with state approval, school districts may administer assessments chosen by the school district rather than those chosen by the state. ESSA also establishes a pilot program that allows consortia of states to develop innovative assessment systems that may include competency-based or instructionally embedded assessments. State plans must also demonstrate that the state has procedures and safeguards in place ensure the validity of the assessment process.

ESSA no longer requires accountability systems to measure "adequate yearly progress", which under NCLB was determined solely by test scores. Rather, ESSA allows a state to **establish its own "ambitious State-designed long-term goals" and measurements** toward achieving those goals. A variety of indicators must be used to measure progress toward achieving those goals, such as academic achievement as determined by proficiency on assessments, graduation rates, progress in achieving English language proficiency, and other indicators chosen by the state concerning school quality or student success. A state's progress toward achieving its long-term goals must be measured for all students and separately for each subgroup of students, which includes gender, migrant status, each racial and ethnic group, economically disadvantaged students, and students with disabilities.

Similar to NCLB, a state's accountability system must **establish a methodology to identify schools that need comprehensive support and improvement**. ESSA requires this methodology to identify at least the lowest-performing five percent of schools, high schools that fail to graduate one-third or more

of their students, and schools in which any subgroup of students is consistently underperforming. Comprehensive support and improvement plans for these low-performing schools will now be developed locally, though under the supervision of the state, and must include evidence-based interventions and be based on a school-level needs assessment.

ESSA **removes the requirement that a state have a teacher evaluation system**, though it does require a state to demonstrate in its state plan how economically disadvantaged and minority children are not served at disproportionate rates by ineffective teachers and the method the state uses to evaluate this. ESSA also removes the requirement that core academic areas are taught by highly qualified teachers and replaces it with a requirement that the teachers meet state licensure requirements, including alternative routes to licensure.

ESSA **consolidates many separately funded programs into a block grant program**, the Student Support and Academic Enrichment Grant, though each state must reserve 7% of their grant funding for schools that need support and improvement. ESSA contains some separate grant programs, among them State Assessment Grants, Preschool Development Grants, and grants for the Charter School Program. Priority for grants in the Charter School Program will be given to states that provide equitable financing for charter schools, provide facilities assistance to charter schools, and have at least one entity as a charter authorizer that is not a local educational agency, which is defined to include a state's education department.

Though the state plan must still be approved by the United States Secretary of Education, ESSA specifically **prohibits a host of federal involvement in developing the state plan**. The Secretary of Education is expressly prohibited from requiring a state to add or remove specific elements of its academic standards, prescribing certain long-term goals and measurements of progress toward achieving the goals developed by the state, mandating the use of specific academic assessments, using a particular discretionary indicator in a state's accountability system or the weight it's given, prescribing specific school support and improvement strategies, or stipulating an aspect or parameter of teacher or principal evaluation systems.

Arkansas Comprehensive School Improvement Plans (ACSIP)

The **Arkansas Comprehensive School Improvement Plan (ACSIP)** is an annual planning and budgeting document that all Arkansas public schools and school districts are required to create (§ 6-15-419). The ACSIP serves both a state and federal function. Under state law, the ACSIP helps guide the creation of school-level and district-level strategies for improving student achievement. The ACSIP also serves as districts' application and budget for federal funding programs administered by ADE.

State law requires all ACSIPs to contain certain information (A.C.A. § 6-15-426). The plan must include activities aimed at addressing the greatest needs as indicated by student test score data. State statute also requires the ACSIP to describe how the school or district intends to use each of the four state categorical funds (professional development, National School Lunch, English language learners, and alternative learning environment). At the end of each school year, districts and schools are required to assess the effectiveness of the interventions described in the ACSIP and include the assessment in the following year's plan. Districts are required to post their school ACSIPs on their website (A.C.A. § 6-15-2202(b)(1)(A)).

Use of Indistar for Comprehensive School Improvement Planning

In recent years school district administrators have complained that the ACSIP had morphed from being a tool for guiding school improvement efforts into a compliance document that required excessive amounts of documentation and staff time.

To address some of the issues raised during the meeting, the Education Committees formed a subcommittee to examine the ACSIP process. This effort coincided with efforts already under way at ADE to make changes to the ACSIP.

Ultimately ADE initiated a pilot program with a new ACSIP process using software known as Indistar. Selected districts piloted the new system for the 2014-15 school year, with all districts using the Indistar system for the 2015-16 school year.

Indistar is a web-based software package that can be tailored to a state's specifications. Users can build their own system for comprehensive needs assessments, choosing indicators of objectives, recording meeting agendas and attendance, assigning responsibilities, coaching, and posting outcome evaluations. A central feature of Indistar is a message board where school improvement specialists and academic coaches (ADE or district) can provide continuous guidance and feedback to district and school leadership teams that, in turn, work with grade-level and content teams of teachers. Teachers and leadership teams are able to get immediate answers and feedback from coaches, who are school improvement specialists in Arkansas.

A major advantage of Indistar is that leadership teams and teams of teachers, based on content areas and grade levels, can record information about their chosen indicators and school improvement efforts in one location. This feature allows all users to view the entire comprehensive improvement plan and efforts, including implementation, monitoring, evaluation, and modifications. This overview of the comprehensive school improvement process provides leadership, grade-level, and content teams with information needed to integrate and link course materials and curriculum and evaluate progress.

Surveys on Indistar

In May 2015, the Bureau of Legislative Research (BLR) conducted a brief survey of federal coordinators (or school liaisons) who oversaw the pilot-test of Indistar in 35 school districts in the 2014-15 school-year. The vast majority of responses to the BLR survey were very positive regarding the use of Indistar. Most respondents indicated that Indistar was a noteworthy improvement over the existing ACSIP. Most respondents said the Indistar approach is a dynamic process that engages leaders and teachers in teamwork to develop, implement, monitor, modify, and link diverse elements, such as indicators, tasks, responsibilities, assessments, and outcomes. The vast majority reported that Indistar is a significant improvement over the previous approach. Many highlighted the fact that all data were entered in one location, providing an overview of the entire planning process.

While many were concerned that the ACSIP process had been "driven" by funding instead of interventions needed to improve student achievement. The Indistar approach to ACSIP is aimed at indicators (factors) identified in research as major factors contributing to student achievement gains. The sample indicators and evidence-based support for their use were highlighted in favorable reviews, along with the demonstrations of practices presented in the "Indicators in Action" feature of Indistar. Many federal coordinators also indicated that Indistar included teachers for the first time in ACSIP.

However, some of the federal coordinators gave negative responses about Indistar. A few indicated that Indistar was just another compliance approach to school improvement like the current approach to ACSIP. They also characterized ACSIP generally as additional burdensome paperwork that served no practical purpose. The greatest concern expressed was the absence of systematic accounting procedures in Indistar. Respondents were concerned that federal monitors would expect more detail to determine if expenditures were allowable under federal regulations.

To determine the overall impact of the change to the Indistar system, the BLR surveyed districts with the following question:

How useful is the ACSIP in helping your district and schools plan strategies for improving student achievement?

This question was asked on the district survey in the 2014 adequacy study before the switch to Indistar and in 2016 as the switch was initially implemented. This allows for a comparison of responses in 2014 to responses in 2016. Five districts did not respond to this question in 2014, while two did not respond in 2016. Superintendents’ responses indicated that more of them believed the ACSIP process is less useful in 2016 than it was in 2014. In 2014, 56% said it was “useful” to “essential,” while in 2016, just 42% responded that way.

	# of Responding Districts		% of Responding Districts	
	2014	2016	2014	2016
Not very useful	33	59	14%	24%
Somewhat useful	71	85	30%	34%
Useful	69	67	30%	27%
Very useful	42	29	18%	12%
Essential	18	6	8%	3%

This question was asked on the district survey in the 2014 adequacy study before the switch to Indistar and in 2016 as the switch was initially implemented. This allows for a comparison of responses in 2014 to responses in 2016. Five districts did not respond to this question in 2014, while two did not respond in 2016. Superintendents’ responses indicated that more of them believed the ACSIP process is less useful in 2016 than it was in 2014. In 2014, 56% said it was “useful” to “essential,” while in 2016, just 42% responded that way.

School/District Accreditation Standards

Arkansas statute requires the State Board of Education to determine what subjects should be taught in public schools and develop a plan to review and revise those curriculum standards (§§ 6-15-101, 6-15-404 and 6-16-103).

The state public school **accreditation standards** require districts to provide instruction to elementary and middle school students annually in the top section of the table.

For high school students, districts are required to annually teach the courses listed in the bottom section of the table. The provision of these **38 units** is one element of the Education Committees’ definition of an adequate education.

Act 187 of 2015 requires each public high school and charter high school to offer a course in computer science, which can be used to fulfill part of the existing 38 units that high schools are already required to offer.

Grades K-4		Grades 5-8	
Language Arts, Math, Social Studies, Science, Fine Arts, Health & Safety Education, Physical Education			
Tools for Learning (e.g., research skills)			
Practical Living Skills/ Career Exploration		Career & Technical Education	
Grades 9-12			
Language Arts		6 units	
Science		5 units	
Math		6 units	
Foreign Language		2 units	
Fine Arts		3.5 units	
Computer Applications		1 unit	
Computer Science		1 unit	
Social Studies		4 units	
Economics		.5 units	
Health & Safety		.5 units	
Physical Education		1 unit	
Career & Tech		9 units	

*The units listed above sum to 39.5 units. However, districts can count 0.5 units of economics and 1 unit of computer science as fulfilling one of the other required units (e.g., social studies or math) if the teacher is appropriately licensed.

An approved computer science course may be used to fulfill part of the existing 38 units that high schools are required to offer, depending on the certification of the teacher of record for the course. As of December 2015, 259 traditional public high schools offered at least one of the approved computer science courses, enrolling a total of 2,772 students. Sixteen public charter schools also enrolled a total of 297 students in one of the approved courses.

Of the state’s 138,721 traditional high school students, about two percent (1.9%) enrolled in a computer science course in the first semester of the 2015-16 school year. Of the state’s 3,172 charter high school students, 9.3% of students enrolled in a computer science course in the first semester of the 2015-16 school year. In 2014-15, 15 schools were cited for not providing all of the required high school courses, compared with 11 schools in 2013-14. Some schools were cited for not offering required courses in more than one subject area.

In 2015, the General Assembly passed Act 853, which ensures that a district is not in violation of accreditation standards if the district offers a course, but no students choose to enroll in that course. In order to qualify for this exemption, the district must provide written proof that it had a properly licensed teacher able to teach the course and that the course was listed on the district’s master course schedule, but no eligible student enrolled in the course. In December 15, 2015, when the BLR presented information on the required courses, no data were available on the number of districts using this exemption.

The 38 units districts must offer are different from the 22 required units high school students need to graduate. The units required for graduation are listed in the table below.

Beginning with the entering 9th grade class of 2014-15, each high school student will be required to take at least one **digital learning course** for credit to graduate. On April 9, 2015, the State Board also updated the Standards of Accreditation to allow students to take a computer science course as a flex credit, which can be substituted in place of the 4th math credit requirement or the 3rd science credit requirement for graduation.

Graduation Requirements	
English	4 units
Math	4 units
Natural Science	3 units
Social Studies	3 units
Oral Communications	.5 units
Physical Education	.5 units
Health & Safety	.5 units
*Economics	.5 units
Fine Arts	.5 units
Career Focus	6 units

Students have the option of completing their high school education with the **Core** curriculum or the **Smart Core** curriculum. Both Core and Smart Core require 22 units, but Smart Core requires more rigorous coursework. Districts are required to enroll students in Smart Core as the default option; however, parents may obtain a waiver to allow their student to opt out.

Over the past three school years, the percentage of students enrolled in the Smart Core curriculum has held steady at an average of 93.8%, compared with an average of 6.1% of students enrolled in the Core Curriculum.

Total Students Enrolled in Core v. Smart Core Curriculum

School Year	Core	Smart Core	Total Enrollment
2013-14	14,459 (6.7%)	199,262 (93.2%)	213,721
2014-15	13,297 (6.2%)	201,966 (93.8%)	215,263
2015-16	12,010 (5.6%)	203,359 (94.4%)	215,369

Curriculum Frameworks

The Arkansas **curriculum frameworks** serve as the foundation of the state’s school accountability system. These frameworks, also known as “academic content standards” in statute, describe what students must know and be able to do in each academic subject area at each grade level, as specified by the State Board of Education. Statute does not specify how the subject matter is to be taught or what resources teachers must use; rather, districts, schools, and teachers are held accountable for ensuring that students demonstrate mastery of the knowledge and skills in the frameworks by scoring “proficient” or above on state assessments.²⁴

²⁴ For more information about state assessments, see BLR’s 2015 report on ACTAAP at [http://www.arkleg.state.ar.us/education/K12/AdequacyReports/2016/2015-11-03/04-ACTAAP%20Report,%20BLR%20\(23\).pdf](http://www.arkleg.state.ar.us/education/K12/AdequacyReports/2016/2015-11-03/04-ACTAAP%20Report,%20BLR%20(23).pdf)

COMMON CORE STATE STANDARDS

As of 2013-14, all of Arkansas's K-12 curriculum frameworks for English language arts and math were replaced with the **Common Core State Standards (CCSS)**. Launched in 2009, Common Core is a collaborative effort to provide rigorous, consistent academic standards across participating states. Although the CCSS initiative was led by the National Governors Association (NGA) and the Council of Chief State School Officers (CCSSO), the federal government endorsed the initiative and tied some federal funding to states' adoption of a common set of standards.

In 2009, under the direction of Gov. Mike Beebe and then-Education Commissioner Ken James, Arkansas entered a memorandum of understanding (MOU) to support the CCSS. The following year, a committee of educators convened by ADE found that most of the CCSS were an "excellent" or "good" match with Arkansas's existing curriculum frameworks, and the State Board officially adopted the standards for Arkansas schools. The Legislature later endorsed the State Board's decision through Act 989 of 2011. Districts began teaching the new K-2 standards in 2011-12; new standards for grades 3-8 were implemented in 2012-13, and all grades had implemented CCSS by 2013-14.

STANDARDS REVIEW

In early 2015, Governor Hutchinson appointed Lt. Gov. Tim Griffin to lead his Council on Common Core Review, comprised of 17 educators, parents, content experts, and community members from across the state. After over 40 hours of public hearings and a nine-city listening tour, the Council released its findings and recommendations to the Governor on July 30, 2015, including the following key points:

- The state should continue using the CCSS, while also maintaining ownership of the standards in order to best meet Arkansas's specific needs and requirements;
- The Governor should order a comprehensive review of the standards, with ongoing revisions and replacements as needed; and
- The Governor should work to improve communication among the ADE, co-ops, districts, and schools to ensure that standards are consistently implemented as intended and that parents have a clear understanding of them.

In October 2015, ADE began a standards review process involving a committee of teachers, administrators and higher education faculty. The committee suggested revisions to the English language arts standards and in July 2016, the State Board of Education approved the committee's revised standards. According to ADE, the approved standards revised or clarified 62% of the ELA standards. Schools will begin implementing the standards in the 2016-17 school year, with full implementation starting in 2017-18.

NEXT GENERATION SCIENCE STANDARDS

Arkansas has also adopted new standards in science known as the **Next Generation Science Standards (NGSS)**. Arkansas was one of 26 states that collaborated with Achieve, the National Research Council, the National Science Teachers Association, and other organizations in order to create rigorous, consistent standards in science education.²⁵ The NGSS standards were finalized in April 2013. Arkansas will begin phasing in its version of the new K-12 Science Standards for grades K-4 in 2016-17, followed by grades 5-8 in 2017-18, and grades 9-12 in 2018-19.²⁶

²⁵ Next Generation Science Standards. "About the Standards Development Process." Retrieved November 10, 2015, from <http://www.nextgenscience.org/about-standards-development-process>

²⁶ ADE: <http://www.arkansased.gov/divisions/learning-services/curriculum-and-instruction/arkansas-k-12-science-standards>

Distress Programs

School districts are locally operated, but the state shoulders 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's designation for a school district or individual school that has failed to meet required levels of academic achievement over several years. Created through Act 915 of 1995, academic distress is one of three distress programs used by ADE and the State Board of Education to identify, assist, and potentially sanction struggling schools and school districts.

Designation Criteria

The academic distress designation is established in Arkansas Code § 6-15-425, but state statute gives the State Board the authority to define the criteria used to classify a district or school as academically distressed (§ 6-15-424 and § 6-15-431). ADE rules specify that a district or school may be placed in academic distress under two circumstances:

- When **49.5% or less of its students test “proficient” or “advanced”** on state-mandated math and reading exams over the previous three years; or
- When the district has a school designated **“priority” under the state’s Elementary and Secondary Education Act (ESEA) Flexibility Plan that has not made the required level of progress.** (Priority schools are the lowest performing 5% of schools in the state.) A *school* can be designated as being in academic distress under this criteria if it is a priority school that is not making the required progress.

No schools or districts have ever been placed in academic distress using the second criterion, although some appear to have qualified. This may suggest ADE's specified criteria do not result in automatic academic distress identification.

State statute gives ADE the authority to identify schools and districts in academic distress, allows schools and districts the right to appeal that determination to the State Board and gives the Board the authority to make the final classification determination.

Two important changes with the academic distress program occurred in 2013. First the designation became one that both school districts and individual schools could receive. Prior to Act 600 of 2013, the academic distress classification was a designation only for school *districts*. Individual schools were not placed in academic distress. Also in 2013, ADE stiffened its criteria for academic distress, setting the bar at less than 49.5% proficient or advanced. Prior to the rules change, districts were placed in academic distress only when 75% of students or more tested at the below basic level—the lowest scoring level. No districts had such dismal test results—though several had alarmingly low proficiency. The criteria for academic distress was so low that no district had been placed in academic distress since 2006. Since the 2013 change in criteria, four districts, one open enrollment charter school and 33 individual schools have been placed in academic distress.

In 2015, the General Assembly passed Act 1272 of the 2015 Regular Session allowing the State Board of Education to exempt some schools from the academic distress designation. The statute allows the State Board to draft rules that exempt the following types of schools:

- 1.) A school that is designated solely as an alternative learning environment. In 2015-16, only six schools were considered ALE schools.

- 2.) An open enrollment charter school or a conversion charter school that is primarily focused on students who have dropped out or are at risk of dropping out of high school.
- 3.) The Arkansas School for the Blind and the Arkansas School for the Deaf.

ADE has not developed rules to exempt such schools. During the March 10, 2016, meeting of the State Board of Education, Education Commissioner Johnny Key indicated that the department's legal team is developing rules to exempt ALE schools. He recommended the State Board table action against four schools that operate as ALE programs. The next month Key again recommended tabling action against an open enrollment charter school that operates with a focus on dropout prevention. The State Board accepted the Commissioner's recommendation and tabled action against all of these schools.

Consequences For Districts/Schools in Academic Distress

While a **district** is in academic distress, the State Board has the authority **to take any measure allowed by law**, including the following:

- Remove the superintendent and appoint a replacement who serves under the Education Commissioner's supervision;
- Remove some or all of the local school board members
- Waive the application of Arkansas law (except the Teacher Fair Dismissal Act and the Public School Employee Fair Hearing Act); and
- Require the district to be annexed or consolidated with another district.

State statute specifies that when a **school** is academically distressed, the State Board may require:

- The reorganization of the school;
- The reassignment of administrative, instructional or support staff;
- The removal of the principal and/or the superintendent and appoint a replacement under the Education Commissioner's supervision;
- The replacement of licensed personnel;
- The removal of the public school from the school district; and
- The closure or dissolution of the school.

State law also allows the State Board to take any action against a district with a school in academic distress that's allowed for a *district* where the whole district is in academic distress. The law provides no criteria for the State Board to use in determining what district and school conditions warrant the Board's use of increasingly restrictive action.

The law also allows **students who are in an academic distress school or district to transfer to another school or district** that is not in academic distress under the Arkansas Opportunity Public School Choice Act of 2004 (§ 6-15-430(c)). The Opportunity Public School Choice Act allows the receiving school or district to transport the student and charge the resident district (the school or district in academic distress) the cost of transportation. The receiving district can charge up to \$400 per student each year.

In 2014-15, two districts reported a total of **36 student transfers to other schools within the district**, according to data districts reported through the Arkansas Public School Computer Network (APSCN). Nine districts reported **receiving a total of 31 students from districts** with schools in academic distress. (ADE does not have the number of Opportunity Public School Choice Act transfers by the resident district, i.e., the district where the district or the school is in academic distress.) In 2015-16, districts reported **60 students transferring to another school within the district**, and **65 students transferring to other districts**.

An **academic distress designation is removed** only after the district or school has "corrected all criteria for being classified as in academic distress" (ADE's Rules Governing the Arkansas Comprehensive Testing, Assessment and Accountability Program and the Academic Distress Program, 10.07.2) In practice, this has meant that when the calculated test scores of a school or district exceed

the 49.5% proficiency level, it may be removed from academic distress. According to ADE's rules, the Department must certify in writing that the school district has corrected all of the criteria, and the State Board has approved the release.

Academic distress is meant to be a temporary status, and state law limits the time a school or district can remain there. If a district is not removed from academic distress **within five years**, the **State Board is required to annex, consolidate, or reconstitute the district** (§ 6-15-429(c)). The statute allows the State Board to grant additional time if the school or district is unable to be removed from academic distress due to "impossibility caused by external forces beyond the control of the public school or school district" (§§ 6-15-429(b)(3)(B) and 6-15-430(e)(2)).

ADE's Intervention in Schools in Academic Distress

ADE's School Improvement Unit is responsible for working with schools and districts in academic distress. The School Improvement Unit employs as many as 23 school improvement specialists who are assigned to work with schools in academic distress. However, the Unit averages about 15 specialists at any one time, due to high staff turnover rates. School improvement specialists frequently are hired away by school districts, according to ADE.

After a school is classified in academic distress, ADE rules require the department to assemble a **team of educators (three to nine people each) to evaluate** the school/district. The teams have 60 calendar days to **visit the schools** (an on-site visit is not required by the rules) and **develop written recommendations**, which must be provided to the district. ADE's rules also require its staff to provide "relevant technical assistance" to each school or district in academic distress. ADE is required to review each school/district in academic distress and report annually on the school or district's "academic conditions."

ADE requires schools and districts in academic distress to assign an **employee to serve as the school improvement specialist**. This person serves as a contact for the ADE school improvement specialist assigned to the school and is responsible for ensuring the school stays on track with its responsibilities as part of the academic distress program. The hope is that working closely with a local employee during the turnaround process will build necessary leadership capacity that will allow the school to maintain any progress achieved.

Schools & Districts in Academic Distress

A total of 33 schools in 17 school districts and two open enrollment charter school organizations have been on academic distress at least once over the last three years. Of the 33 schools:

- 3 are elementary schools
- 10 are middle schools
- 20 are high schools

Of the 26 schools that were placed in Academic Distress in 2014, **five (19%) exited the distress list the next year** and have remained in good standing. **Two exited after two years** and one school was off the distress list the year after the designation and then returned the following year. **Seventeen schools (65%) have been on the academic distress list each of the three years** since schools were first designated in academic distress. One school closed.

Comparing the three-year average proficiency calculation in 2016 with the initial calculation made for 2014, **proficiency improved for 19 schools and declined for six schools**. One school closed. The school that made the most improvement increased its proficiency by more than 11 percentage points. The school that lost the most ground saw a proficiency decrease of more than five percentage points.

According to a 2016 ADE report on the schools in academic distress, "The schools classified had **high percentages of students eligible for free or reduced price lunch**, all had **high minority**

populations, and all reported **high rates of discipline referrals**. Teacher turnover or teacher attendance issues were identified by almost all as a substantial problem."²⁷

After the statute and rules changes in 2013, several school districts have been placed in *district* academic distress. In 2013, the Strong-Huttig and Lee County school districts were designated as being in academic distress for having less than 49.5% of their students score proficient. Those two districts were released from academic distress in 2015, and no other districts were placed in academic distress until 2016. Dollarway School District, Blytheville School District, and Covenant Keepers open enrollment charter school were placed in academic distress in 2016.

State statute allows for the State Board of Education to take over a district in academic distress or a district with a school in academic distress. Since the rules change in 2013, the State Board has used that authority to take over three districts: Lee County, Little Rock and Dollarway School Districts. (This doesn't include districts that have been in state takeover due to fiscal distress or state accreditation violations.)

During the Third Extraordinary Session of 2016, the General Assembly passed Acts 20 and 21, twin measures that call for a **one-year pause in designating schools and districts in academic distress**. For the 2016-17 school year, ADE will not identify any new schools or districts in academic distress. ADE can, however, remove a school or district from academic distress if it corrects all of the problems that led to the distress designation.

FISCAL DISTRESS

Fiscal Distress is the designation used to identify and correct school districts that are struggling to maintain fiscal stability. Of the state's three district distress classifications, fiscal distress is the most frequently used. Under state statute, ADE is responsible for identifying districts in fiscal distress. The State Board of Education has the authority to approve or deny the designation as well as authorize ADE to take corrective actions or sanctions against the school district.

Designation

State statute allows ADE to identify districts in fiscal distress if they demonstrate a declining balance, if they commit an act or violation that jeopardizes the district's fiscal integrity, or for any other fiscal condition of a school district that can have a detrimental impact on the district's ability to provide educational services. Such fiscal conditions may include:

- Failure to maintain school facilities, provide timely and accurate financial reports to specific state agencies, meet minimum teacher salaries, comply with state purchasing or bid agreements, audit requirements, or any provision of Arkansas Code;
- Violation of local, state, or federal health, safety, or construction codes;
- Default on any unpaid debt;
- Material discrepancy between budgeted and actual expenditures; and
- Insufficient funds to cover payroll, salary, employment benefits, or legal tax obligations.

As of August 2015 when the BLR presented its report on fiscal distress, 60 school districts had ever been formally classified in fiscal distress. As of that date, there had never been a charter school in fiscal distress. Of those 60 districts, 44 had been in fiscal distress only once (73%), while the remaining 27% had been in fiscal distress one or more times. At the time of BLR's report, there were eight school districts in fiscal distress:

- Guy-Perkins
- Hector
- Helena-W. Helena
- Hughes
- Lee County
- Maynard
- Pulaski County Special
- Yellville-Summit

²⁷ Arkansas Department of Education, Arkansas Review of Schools Classified in Academic Distress, July 15, 2016.

Four of these school districts had been identified in fiscal distress at least one other time in the previous five years:

- Helena-W. Helena
- Hughes
- Pulaski County Special
- Yellville-Summit

According to ADE, the majority of school districts in fiscal distress are initially reviewed due to declining fund balances. However, ADE notes a declining fund balance alone is not sufficient to result in a fiscal distress classification; the circumstances that result in being labeled in fiscal distress are unique to each school district.

Other potential factors that may lead a district into fiscal distress include, but are not limited to, late or missed debt payments, interest or penalties charged to the district on bonds, state or federal audit findings, declining unrestricted balances, and late fees assessed against a district.

There are no universal identifying characteristics specific to districts classified in fiscal distress. School districts in fiscal distress vary in both size and locale²⁸. They also vary in the number of English Language Learners (ELL) enrolled and in the number of students with individualized educational programs (IEP). The percentage of students eligible for free and reduced lunch also varies across districts and across time.

Early Warning System

In 2009, the General Assembly passed Act 798, which required ADE to observe districts for earlier signs of fiscal problems and notify districts with two or more nonmaterial violations in one year. According to ADE rules, a nonmaterial violation is something that does not directly jeopardize the fiscal integrity of a school district but has the potential to put the school district in fiscal distress. According to ADE, the most common nonmaterial violations are audit exceptions and declining balances.

As with fiscal distress, a district may move into, or out of, the early intervention designation in any given school year, and the circumstances surrounding this designation are unique to each district.

As of June 2015, there were 10 districts in early warning. These include:

- Augusta
- Dollarway
- Forrest City
- Hazen
- Lead Hill
- Mansfield
- Mountain Pine
- Pine Bluff
- Searcy County
- Van Buren

As of June 2015, a total of 23 districts had ever been placed in early warning. Of these, only 2 districts (8.7%) had been classified in early warning more than once, and only 5 districts (22%) had gone on to be classified in fiscal distress.

Corrective Actions and Sanctions

A district that has been classified in fiscal distress must:

- File an improvement plan with ADE that includes specific ways to correct fiscal deficiencies;
- Allow on-site technical evaluations and other assistance conducted by members of the ADE Fiscal Services and Support Unit;
- Adhere to recommendations from ADE to improve staffing and fiscal policy practices; and
- Report the reason for the fiscal distress to the newspaper.

Districts in fiscal distress are also prohibited from incurring any additional debt without written permission from ADE.

²⁸ These locale designations are taken from the National Center on Education Statistics (NCES), Common Core of Data (CCD), 2015.

State statute requires ADE to monitor and provide a written report every six months on the status of each school district in fiscal distress. State law also gives ADE authority to take additional measures against the school district, including:

- Removing and replacing the superintendent under the Commissioner's authority;
- Suspending or removing the local school board;
- Requiring fiscal training for the district staff or local board;
- Petitioning to the State Board of Education to annex, consolidate, or reconstitute the district; and
- Imposing additional reporting requirements on the district.

Removal

To be removed from fiscal distress, a school district must demonstrate that all causes of fiscal distress have been corrected. In 2013, the General Assembly passed Act 600, which extended the time districts can remain in fiscal distress from two consecutive years to five. If a school district is not removed from fiscal distress within five years, the State Board is required to annex, consolidate, or reconstitute the district unless the State Board finds the school district couldn't remove itself due to impossibility caused by external forces beyond the district's control. To date, no district has been consolidated as a result of being in fiscal distress longer than five years. In March 2016, Helena-West Helena and Pulaski County Special School Districts were released from fiscal distress and their resulting state takeovers after five full school years.

FACILITIES DISTRESS

Act 1426 of 2005 established the Academic **Facilities Distress** Program to provide the state with a mechanism to intervene when districts are not providing adequate academic facilities or complying with facilities rules. Facilities distress is the state's program used to identify, correct, or sanction a district or school that has not maintained the health and safety of its academic facilities. Although schools or districts placed in facilities distress are given opportunities to address academic facilities issues, the facilities distress program allows the state to exert control over an errant school or district by enforcing specific statutes regarding construction, health, safety, and other standards.

The Arkansas Division of Public Schools Academic Facilities and Transportation, a division of ADE, performs inspections and investigations to identify schools or districts that may be recommended for facilities distress. The Commission for the Arkansas Division of Public School Academic Facilities and Transportation, which is comprised of the ADE Commissioner, the Department of Finance and Administration Director, and the Arkansas Development Finance Authority President, provides organizational oversight and can approve or deny a recommendation for placement in facilities distress.

Designation

State law requires the Division to conduct inspections of all academic facilities in the state [§ 6-21-813(a)]. The Division employs six full-time inspectors to examine the roughly 1,100 campuses. During the nine-month school year, each inspector is assigned 16 million square feet to inspect and must complete eight inspections per month. In 2013-14, the Division inspected 542 (about 12%) out of approximately 6,700 academic facilities.

Act 798 of 2009 created the Early Intervention Program (EIP), to identify districts appearing to progress toward facilities distress. The EIP is comprised of inspection results, requests received for special investigations, and monitoring reports that may indicate the presence of early indications of facilities distress. Beginning in 2013-14, the Division used the EIP to notify nine districts with two or more nonmaterial failures. These districts were Brinkley, Dollarway, Harmony Grove, Camden, Harrisburg, Highland, Melbourne, Booneville, and Southside. All of the districts' facilities issues were corrected and no further action was required.

The Division may recommend a school or district with two or more material failures to be placed in facilities distress by the Commission. A *material failure* is an act or condition so significant that it can endanger the health and safety of the academic facility. These acts or conditions (as defined by statute) include the following:

- Improperly maintaining an academic facility;
- Violations of local or federal health, safety, fire, or building codes;
- Failure to provide timely and accurate facilities master plans to the Division (The state requires a six-year district-wide facilities plan for each district to address schedules for custodial duties, maintenance, other tasks as assigned (§ 6-21-806));
- Failure to comply with state laws regarding purchasing, bid requirements, or school construction of academic facilities projects;
- Default on any school district debt obligation; or
- Failure to plan and progress satisfactorily toward accomplishing the priorities established by the Division [§ 6-21-811(a)(1)(G)].

No individual schools have been placed in facilities distress, and only one district has ever received the facilities distress classification. In 2008, Hermitage School District was put in facilities distress due to building code and procurement law violations. After correction of the violations, Hermitage was removed from facilities distress in 2009.

Requirements and Removal

A district in facilities distress is required to submit a facilities improvement plan (FIP) for Division approval [§ 6-21-811 (d)(1)]. The FIP must identify and provide a detailed timeframe to remedy all material failure(s) that led to facilities distress. During this time, districts or schools in facilities distress are provided with additional support to procure financial resources to improve academic facilities, technical assistance, and administrative oversight from the Division. If a district or school has immediate needs for urgent repairs, renovations or construction, it may apply for a loan from the Division [§ 6-21-811 (k)(1)(A)] or other assistance, such as the Academic Facilities Partnership Program.

If a loan is provided, it must be repaid from funds not required to provide an adequate education. In addition, a school or district in facilities distress may not incur a new debt obligation without permission from the Division.

Besides restrictions on debt, the Division (with permission from the Commission) can impose other sanctions on schools or districts in facilities distress, such as:

- Requiring a special election for a millage increase to support facilities construction or repair;
- Require the superintendent to step down and appoint a replacement under the Commissioner's authority;
- Suspend or remove local school board members;
- Assume authority over a district in facilities distress;
- Prohibit the district from spending money on any activity that is not part of providing an adequate education; or
- Petition the State Board of Education to consolidate, annex, reconstitute, or dissolve the district.

During this time, students may transfer to another district or school that is not in facilities distress (§ 6-21-812). Schools or districts in facilities distress must correct their academic facility issues within five consecutive school years [§ 6-21-811(g)(11)(C)], however, the State Board may grant more time under extraordinary circumstances. To be removed from facilities distress, the Division must certify that the school or district has corrected all issues that caused them to be in facilities distress. Then, the Commission must approve the Division's recommendation for removal.

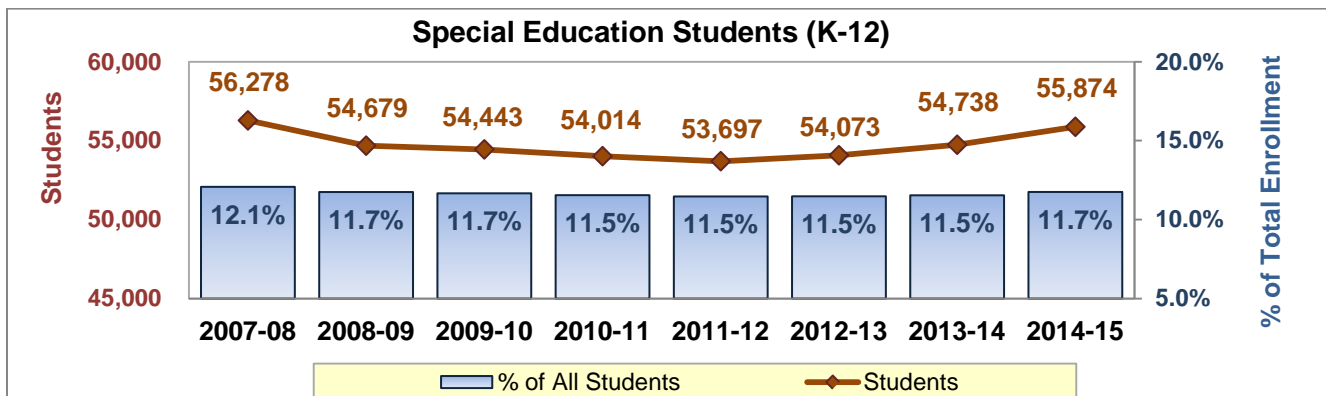
Section 5: Special Education

All students with disabilities are assured access to special education services under the federal Individuals with Disabilities Education Act (IDEA). Arkansas Code § 6-41-202 establishes in state statute that it is also the state’s policy to provide a free and appropriate public education to students with disabilities.

Every student with disabilities has an individualized education program (IEP), which serves as the plan for his or her specialized instruction. The IEP is a plan or program developed to ensure that a child who has a disability identified under the law and who is attending an elementary or secondary educational institution receives specialized instruction and related services. IEP team members, including regular education teachers, special education teachers and parents, develop the IEP and determine the goals that outline performance associated with the student’s grade level. The IEP also includes the special education programming and related services that are to be provided to meet each student’s unique needs.

Student Count

There were 55,874 special education K-12th grade students in Arkansas public schools in the 2014-15 school year, making up 11.7% of the total student enrollment in the state²⁹. The statewide proportion of students with disabilities has remained fairly stable — between 11% and 12% of all students over the last six years. However, individual districts’ (not including charter schools) proportion of special education students varied considerably in 2014-15, from 6.8% (Springhill School District) to 20.7% (Fordyce School District. Most of the special education students in Fordyce are in a residential facility located in the district). Charter schools typically have lower percentages of special education students than traditional school districts. Six charter schools have the lowest proportions of special education students of all districts and charter schools, while only three charter schools have higher proportions than the state average.



Source: Arkansas Department of Education, Annual December 1 Child Count and Annual Oct. 1 Enrollment Data. Data does not include Conway Human Development Center, the Division of Youth Services or the Arkansas Department of Correction.

A comparison of state student counts with the national average is only possible using federally collected data, which counts special education students and the total student enrollment slightly differently from the calculation in the chart above. According to data reported by ADE to the U.S. Department of Education (U.S. DOE), students with disabilities comprised 12.2% of the total student body among children ages 6 through 21 in 2012-13, compared with the national average of 13%.³⁰

²⁹ Calculation made using data retrieved from <https://adedata.arkansas.gov/statewide/Districts/EnrollmentCount.aspx?year=25&search=&pagesize=10> and the Arkansas Department of Education’s Dec. 1, 2014, special education child count data.

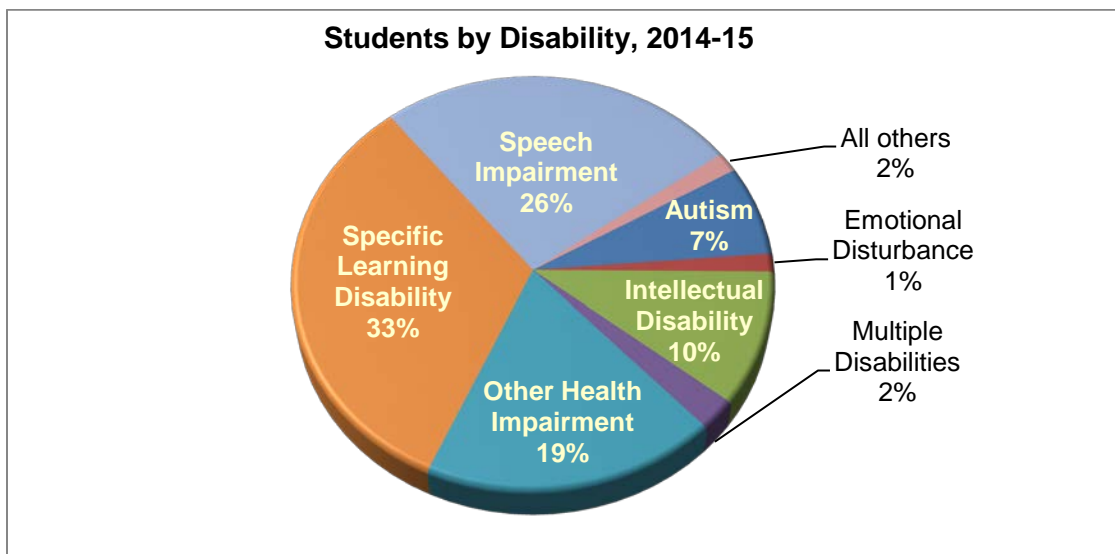
³⁰ U.S. Department of Education, Office of Special Education Programs, Part B Data Display: Arkansas, Publication Year 2015, Retrieved at <https://osep.grads360.org/#communities/pdc/documents/8086>

Types of Disabilities

In Arkansas, there are 12 categories of disabilities used to determine students' eligibility 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 (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.³¹

The following chart and table provide a breakdown of the types of disabilities affecting Arkansas special education students. Specific learning disabilities — which include perceptual disabilities, brain injury, minimal brain dysfunction and dyslexia³² — are the most prevalent impairments among special education students, affecting about 33% of the state's special education students, or 3.8% of all students.³³ Speech impairments are the second most common disability, affecting 26% of special education students, or 3.0% of all students.



Source: Arkansas Department of Education

³¹ Arkansas Department of Education, Special Education and Related Services 6.00 Evaluation-Eligibility Criteria, 6.09.8

³² <http://nichcy.org/disability/categories#ld>

³³ Calculation made using Dec. 1, 2012, Arkansas special education child count data (excluding the counts of the Conway Human Development Center, the Division of Youth Services, and the Arkansas Department of Correction) provided by the Arkansas Department of Education and enrollment data for the 2012-13 school year, <https://adedata.arkansas.gov/statewide/Districts/EnrollmentCount.aspx>

Some of the increase in the number of special education students over the last several years is due to an increase in students with autism. In 2011, there were 2,733 students with autism and by 2015, that number had grown to 3,944, a 44% increase. The number of students in the “other health impairment” category also increased significantly from 8,494 in 2011 to 10,522 in 2015, a 24% increase.

Act 1294 of 2013 requires school districts to screen all students in kindergarten through second grade for dyslexia and to provide therapy for students who are determined to have dyslexia. The law also requires superintendents to annually report the results of the dyslexia screenings. In 2014-15, the first full school year after the law was passed, 90 school districts reported dyslexia screening results. These districts reported nearly 3,200 students receiving a Level II Dyslexia Screener, which is required for students whose initial screening and interventions indicate the student has characteristics of dyslexia. Of the 3,200 students evaluated, 957 received therapy, according to the districts’ reports.

For a national comparison, 2012-13 is the most recent year for which data is available. The following table shows the percentage of students with disabilities for each of the 12 categories of impairments. Values in **red** indicate that the state’s percentage is **lower than the nation’s**, while values in **blue** indicate the state’s percentage is **higher than the nation’s**. The table also shows students in each disability category as a percentage of total enrollment.

2012-13 Disability	% of Students with Disabilities		% of All Students	
	State	Nation	State	Nation
Autism	6.6%	8.4%	0.81%	1.06%
Deaf-Blindness	0.0%	0.0%	0.00%	0.00%
Emotional Disturbance	1.4%	6.2%	0.17%	0.78%
Hearing Impaired	0.8%	1.2%	0.10%	0.15%
Multiple Disabilities	2.6%	2.2%	0.31%	0.28%
Intellectual Disabilities	10.6%	7.3%	1.29%	0.93%
Orthopedic Impairment	0.3%	0.9%	0.04%	0.11%
Speech Impairment	24.0%	18.3%	2.93%	2.32%
Specific Learning Disabilities	34.3%	40.4%	4.19%	5.13%
Traumatic Brain Injury	0.3%	0.4%	0.04%	0.06%
Vision Impairment	0.4%	0.4%	0.04%	0.06%
Other Health Impaired	18.6%	14.2%	2.27%	1.80%
Total	100%	100%		

Source: Part B Data Display: Arkansas Publication Year 2015, <https://osep.grads360.org/#communities/pdc/documents/8086>

Student Placement

Under IDEA and Ark. Code Ann. § 6-41-204, students with disabilities are to be educated in the “least restrictive environment.” According to the law, that means “to the maximum extent appropriate,” students with disabilities should be educated with children who are not disabled. Education provided outside the regular educational environment should occur “only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.”³⁴

As part of its responsibilities under IDEA, Arkansas is required to provide data on students with disabilities by their educational environment. The following table shows the percentage of students for each placement description. Values in **red** indicate that the state’s percentage is **lower than the nation’s**, while values in **blue** indicate the state’s percentage is **higher than the nation’s**.

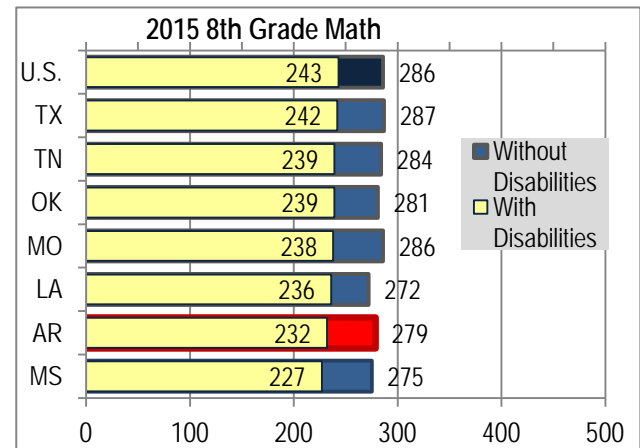
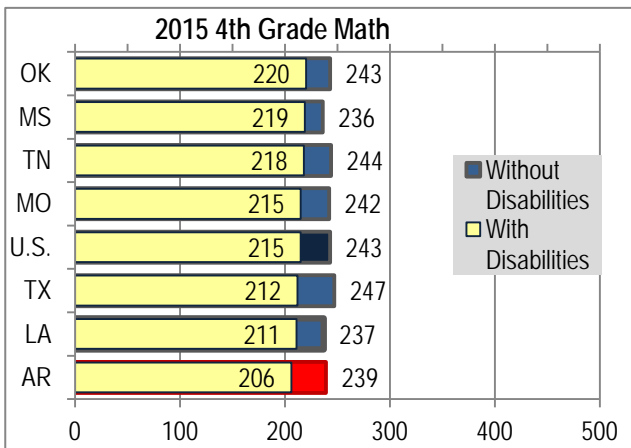
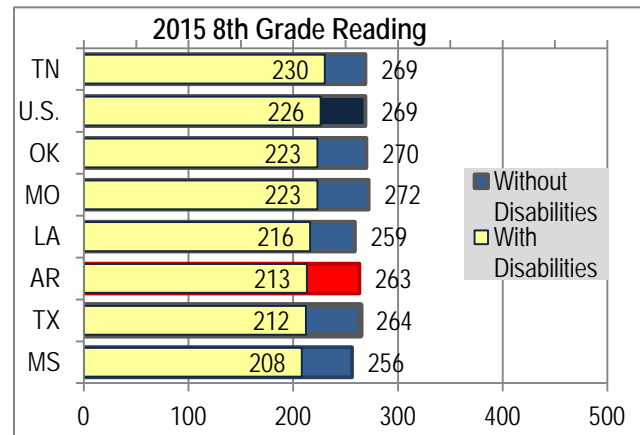
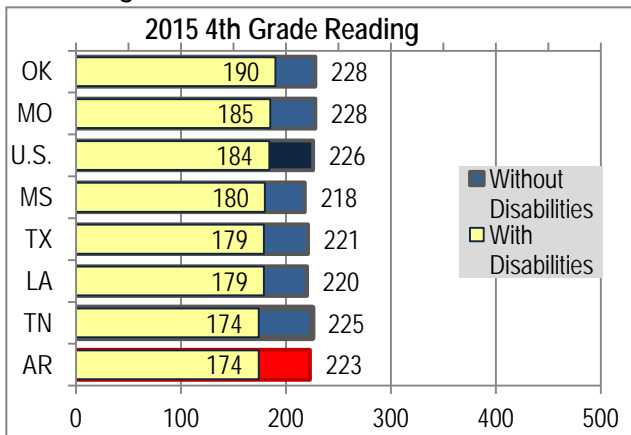
2012-13	% of Day Spent in Regular Classroom	
	State	Nation
0-39%	13.4%	13.6%
40-79%	30.6%	19.2%
80-100%	52.9%	62.0%
Separate Residential Fac.	1.8%	3.3%

³⁴ 20 U.S.C. §1412(a)(5)(A)

National Assessment of Educational Progress

The best way to compare the student achievement of students with disabilities in Arkansas with those in other states is with the National Assessment of Educational Progress (NAEP) scale scores.

The following tables show how the average scale score for Arkansas’s students with disabilities (excluding those with 504 plans) compares with the average scale scores in surrounding states and nationally. Arkansas’s 4th graders had the lowest NAEP scale scores among surrounding states in reading and math, while Arkansas’s 8th grade students with disabilities had nearly the lowest scores in reading and math.



State Assessment Under IDEA

Each year the U.S. Department of Education assesses whether each state meets the requirements of Part B of the federal Individuals with Disabilities Education Act. In 2013, Arkansas was one of 38 states considered to have met the requirements of IDEA Part B on the basis of specified compliance measures (e.g., students were evaluated in a timely manner, etc.). However, in June 2014, the U.S. DOE announced a significant change in the methodology it uses for evaluating states’ special education programs. The new methodology focuses less on “procedural requirements” and more on student achievement results. Under the new methodology, Arkansas’s overall score was “needs assistance” in both 2014 and 2015. This lower score was the result of low “results-driven” scores based on student achievement measures, rather than “compliance” scores. In 2015, the state received 20 of 20 possible points on compliance indicators and just 11 of 24 available points on results indicators.

Special Education Funding

STATE FUNDING

Foundation Funding

Arkansas funds special education through the foundation funding matrix, which provides funding for 2.9 special education teachers for every 500 students, or \$366.15 per student in 2014-15. Under this funding methodology, the state funds special education based on each district's total number of students, rather on the total number of special education students.

In 2014-15, districts received about \$168.8 million in foundation funding for special education teachers, and they spent about \$166.7 million from foundation funding on special education teachers (spending just slightly less than they received). While the matrix provides funding for 2.9 special education teachers, districts hired 2.97 special education teachers, on average, using foundation funding.

Catastrophic Funding

Because districts receive the same rate of foundation funding regardless of the severity of students' disabilities, the state provides additional funding to districts with students with severe and multiple disabilities. This funding is known as catastrophic occurrences funding. State statute defines special education catastrophic occurrences as "individual cases in which special education and related services required by the individualized education program of a particular student with disabilities are unduly expensive, extraordinary, or beyond the routine and normal costs associated with special education and related services provided by a school district and funding is pursuant to rules promulgated by the state board" (A.C.A. § 6-20-2303). These students may be tube fed, for example, or they may require nursing assistance all day long.

Districts qualify for the funding for any student who needs more than \$15,000 worth of services, after Medicaid, federal IDEA Part B funding (see following section), and available third-party funding is applied. Districts are reimbursed \$15,000 for each catastrophic occurrence, 80% of the additional amount between \$15,000 and \$50,000, and 50% of the extra costs between \$50,000 and \$100,000.

The number of students incurring catastrophic expenditures is increasing as is the number of districts that are eligible for catastrophic funding. At the same time, catastrophic funding has been provided at a flat \$11 million for at least the past five years. In 2011, districts that were eligible for funding received nearly \$26,000 per eligible student. In 2015, the average per-student amount dropped to less than \$9,600.

	Number of Students	Number of Districts/ Charters	Funding Per Student	Total Eligible Expenditures*	Total Funding Provided	Amount Not Funded
2010-11	487	111	\$22,587	\$15.96 million	\$11 million	(\$4.96 million)
2011-12	546	129	\$20,052	\$17.96 million	\$10.95 million	(\$7.01 million)
2012-13	599	137	\$18,364	\$18.05 million	\$11 million	(\$7.05 million)
2013-14	1,102	145	\$9,981	\$27.78 million	\$11 million	(\$16.78 million)
2014-15	1,136	153	\$9,565	\$30.18 million	\$10.87 million	(\$19.31 million)

*Eligible expenditures are those that ADE has deemed eligible, but to which the formula (\$15,000+80% of the amount between \$15,000 and \$50,000+50% of any additional costs) has not been applied.

In 2014, the number of students incurring eligible expenditures spiked from just under 600 students in 2013 to about 1,100 students in 2014. According to ADE, the spike resulted from a change in the rubric the Department uses to identify students whose expenses qualify as catastrophic. The previous rubric focused on students with low IQs who needed extensive occupational, physical and speech therapy. It did not adequately adjust for students with autism or other disability who may have a high IQ and good mobility skills, but still require considerable supervision.

FEDERAL FUNDING

A major source of funding is the federal IDEA Part B funding (also known as Title VI-B). Part B funding must be used to pay the excess costs of providing a free and appropriate public education. For FY2015, school districts received \$102.4 million in federal IDEA funding and charter schools received more than \$2 million. IDEA Part B funds are not distributed to districts based on the number of special education students in each district. They are provided to each state based on historic funding levels, the number of children in the state and the number of children living poverty in the state.³⁵

Special Education Expenditures

In 2014-15, districts spent nearly \$423 million on special education services, or about \$7,694 per special education student, according to the data districts reported in the Arkansas Public School Computer Network (APSCN). Charter schools spent a little over \$5 million providing special education services, or about \$5,516 per special education student. Those figures should not be mistaken for the total cost of educating special education students, because they do not include expenditures that districts make on behalf of all students, such as the cost of principal salaries or utilities. These figures represent only the expenditures that are specific to special education services or students. According to expenditures reported in APSCN, districts used state and local funds to cover about 70% of their special education costs, and federal funds cover the remaining 30%. About 52% of the cost of special education provided in charter schools was paid for with state funds, and 48% of it was paid for using federal funds.

Special Education Teachers

According to figures compiled by ADE, there are currently 7,235 people who are licensed to teach special education, although not all of those individuals are actually teaching special education. In 2014-15, there were more than 3,500 full-time employee (FTEs) working as special education teachers in Arkansas school districts. On average, special education teachers earned \$49,296 in annual salary in 2014-15.

One issue districts have faced in providing special education is an inadequate supply of appropriately licensed special education teachers who want to teach in the field. A district that cannot find an appropriately licensed teacher must apply to ADE for a waiver from the licensing requirements. In 2015-16, 138 districts and charter schools requested waivers for 295 special education teachers who are not fully licensed to teach special education. Among all of the district and charter school requests for waivers, 38% are for special education teachers.

³⁵ U.S. Department of Education, Office of Special Education Programs, <http://www2.ed.gov/programs/osepgts/index.html>

Section 6: Educator Employment, Compensation and Evaluation

Teacher Salaries

In the April and June 2016 adequacy study meetings, the BLR presented reports examining teacher salaries in Arkansas. In 2015-16, the average teacher salary in Arkansas totaled \$48,220 ranking third among surrounding states. The state's minimum teacher salary, \$30,122 was the fourth highest minimum teacher salary. (The BLR used salary data collected by the National Education Association [NEA] when comparing Arkansas's salaries with those in other states.) Among the 16 SREB states, Arkansas ranked 11th on average teacher salary and 12th on minimum teacher salary. When the cost of living was considered, Arkansas's 2014-15 average salary ranked 9th among the SREB states in average teacher salary.

2015-16 Teacher Salaries: Arkansas and Surrounding States			
Surrounding States	Average	Surrounding States	Minimum
1. Texas	\$51,758	1. Mississippi	\$34,390
2. Tennessee	\$48,708	2. Oklahoma	\$31,600
3. Arkansas	\$48,220	3. Tennessee	\$31,500
4. Missouri	\$47,849	4. Arkansas	\$30,122
5. Louisiana	\$46,733	5. Texas	\$28,080
6. Oklahoma	\$44,921	6. Louisiana	\$27,102
7. Mississippi	\$42,744	7. Missouri	\$25,000

2015-16 Teacher Salaries: Arkansas and SREB States			
SREB States	Average	SREB States	Minimum
1. Maryland	\$66,482	1. Maryland	\$41,259
2. Delaware	\$59,085	2. Florida	\$37,000
3. Georgia	\$54,190	3. Alabama	\$36,867
4. Texas	\$51,758	4. Kentucky	\$36,558
5. Kentucky	\$51,666	5. North Carolina	\$35,000
6. Virginia	\$50,834	6. Mississippi	\$34,390
7. Alabama	\$49,781	7. Oklahoma	\$31,600
8. Florida	\$49,199	8. Georgia	\$31,586
9. Tennessee	\$48,708	9. Tennessee	\$31,500
10. South Carolina	\$48,542	10. West Virginia	\$30,915
11. Arkansas	\$48,220	11. Virginia	\$30,407
12. North Carolina	\$47,985	12. Arkansas	\$30,122
13. Louisiana	\$46,733	13. South Carolina	\$29,523
14. West Virginia	\$45,977	14. Delaware	\$28,281
15. Oklahoma	\$44,921	15. Texas	\$28,080
16. Mississippi	\$42,744	16. Louisiana	\$27,102

**Average teacher salaries come from the National Education Association's (NEA) Rankings and Estimates: Rankings of the States 2015 and Estimates of School Statistics 2016, May 2016, Summary Table G, Column 9. Minimum salary levels come from the various states' education department websites and staff reporting in the respective states.*

Between 2014 and 2015, the average teacher salary in Arkansas grew by 1.07%. Of the surrounding states, Texas, Oklahoma, and Missouri exceeded Arkansas's growth. Of the 16 SREB states, eight exceeded the growth of Arkansas.

The minimum teacher salary is established in § 6-17-2403(c) at \$29,244 in 2014-15; \$30,122 for 2015-16 and \$31,000 for 2016-17. Five districts used the statutory minimum as their beginning salary in 2014-15. All other districts set their salary schedules with a minimum salary above the one defined by law. The highest minimum salary offered by an Arkansas district increased from \$41,132 in 2007-08 to \$46,500 in 2014-15.

Minimum District Salary	2007-08	2007-08 District Disparity	2014-15	2014-15 District Disparity
Low	\$28,897		\$29,244	
High	\$41,132	\$12,235	\$46,500	\$17,256

Source: ADE's Salary Reports, Teacher Salary Schedule Analysis, 2007-08 and 2014-15

To compare average teacher salaries by school district, the BLR used ADE's Annual Statistical Report, which calculated the average salary differently from NEA. The disparity among districts' average salaries is considerably larger than the disparity in minimum salaries.

Average District Salary	2014-15	2014-15 District Disparity
Lowest Average District Salary	\$35,132	
Highest Average District Salary	\$59,732	\$24,600
Average State Salary	\$48,575	

Source: ADE's Annual Statistical Reports

The following table provides the districts with the highest and lowest average teacher salaries in 2014-15. The statewide average using ADE's methodology was \$48,575.

Highest Average Teacher Salaries		Lowest Average Teacher Salaries	
Rogers	\$59,732	Hughes	\$35,132
Springdale	\$57,993	Earle	\$35,326
Bentonville	\$57,921	East End	\$35,822
Little Rock	\$57,727	Omaha	\$35,853
Fayetteville	\$57,665	Lead Hill	\$35,895

Teacher Recruitment and Retention

TEACHER SUPPLY

According to ADE, there are 57,940 people in Arkansas with a current teaching license of any type as of 2015-16. In 2014-15, 33,104 individuals were employed as certified teachers in Arkansas's schools (this figure does not include 29,837 classified and 9,010 certified staff).³⁶ The total number of certified teachers employed in Arkansas's schools grew by 3.4 percent from 2004-05 to 2014-15, while the total number of students grew by 4.5 percent during this same period.

Year	Total # Certified Teachers	Total # Students
2004-05	32,006	455,515
2014-15	33,104	476,083

³⁶ ADE Data Center: <https://adedata.arkansas.gov/statewide>. Note: These figures include teachers and students at the Arkansas School for the Blind, the Arkansas School for the Deaf, and schools operated by the Arkansas Department of Human Services' Division of Youth Services (DYS).

Pursuant to A.C.A. § 6-81-601 et seq., and § 6-85-109, ADE designated the following areas as critical licensure and endorsement shortage areas for 2015-16 and 2016-17, which the U.S. DOE approved.³⁷ Teachers who choose to teach in these critical shortage areas may qualify for grants or student loan forgiveness programs administered by the Arkansas Department of Higher Education (ADHE).

CRITICAL TEACHER SHORTAGE AREAS (2015-16 & 2016-17)

2015-16	2016-17
Art	Art
Family & Consumer Sciences	Family & Consumer Sciences
Foreign Language	French, Spanish
Library Media	Library Media
Mathematics	Mathematics
Special Education	Special Education
Drama / Speech	Agriculture Science & Technology
Gifted & Talented	Computer Science
	Physical Science (Chemistry, Physics)

ADE identified these shortage areas based on 2014-15 number of teachers preparing for Arkansas educator licenses, the number of teachers receiving Arkansas licenses for the first time, the numbers of vacancies or long-term substitutes in public school classrooms, the numbers of waivers granted to teachers teaching out of their area of licensure, and potential losses in the teacher workforce due to attrition and retirement. ADE may grant waivers to both public and private schools that demonstrate they are not able to hire licensed teachers to teach classes in these shortage areas.

In 2014-15, ADE granted a total of 1,527 licensure waivers statewide, out of 1,613 waivers that were requested (94.6%). Special education, middle school core areas (e.g., English, math), gifted and talented, career orientation, guidance and counseling, and library media specialists made up 66.59% of all licensure waivers requested in 2014-15. The following chart lists the total licensure waivers requested in 2014-15.

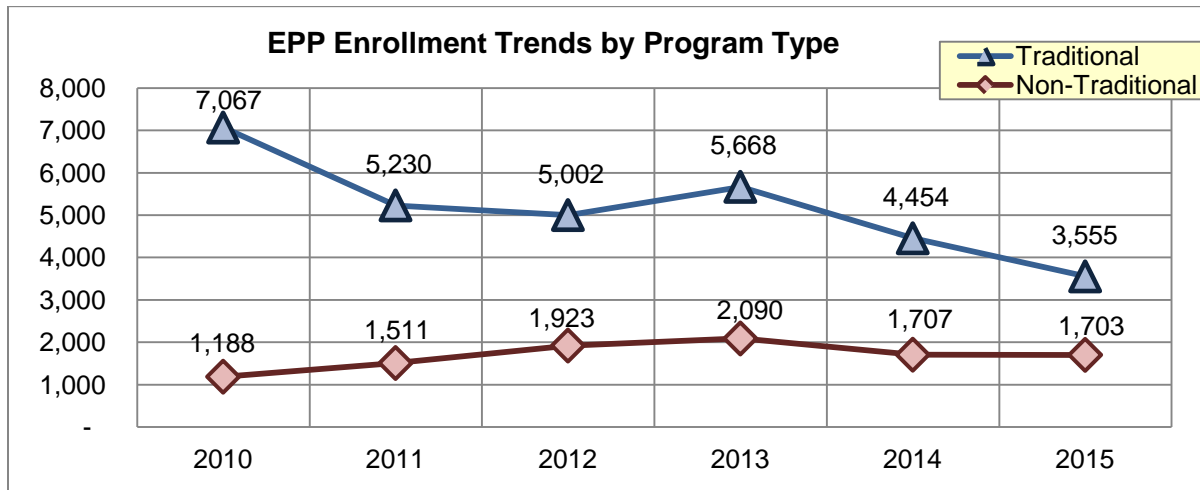
TOTAL LICENSURE WAIVERS REQUESTED (2014-15)

Out of Area	Total	%	Out of Area	Total	%
Special Ed. Instructional Specialist	440	27.3%	Curriculum Program Administrators	20	1.2%
Middle Childhood Core Areas	163	10.1%	Art	16	1.0%
Gifted & Talented	140	8.7%	District Administrator	13	0.8%
Career Orientation Areas	127	7.9%	English/Language Arts 7-12	12	0.7%
Guidance & Counseling	104	6.5%	Family & Consumer Science	10	0.6%
Library Media Specialists	100	6.2%	Grades 5th/6th Endorsements	10	0.6%
Elementary Education K-6	66	4.1%	Adult Education	8	0.5%
Sciences (Physical, Earth, Life)	56	3.5%	English as a Second Language (ESL)	8	0.5%
Building Level Administrator	51	3.2%	Foreign Languages	7	0.4%
PE/Wellness/Leisure-PE/Health	50	3.1%	Survey of Fine Arts	2	0.1%
Social Studies	50	3.1%	Early Childhood Education P-4	1	0.1%
Mathematics 7-12	41	2.5%	Industrial Technology	1	0.1%
Drama/Speech & Endorsements	37	2.3%	Vocational Areas	1	0.1%
Journalism	30	1.9%	TOTAL REQUESTED	1,613	
Music	28	1.7%	TOTAL GRANTED	1,527	94.6%
Business Technology	21	1.3%			

³⁷ See ADE's website at <http://www.arkansased.gov/divisions/human-resources-educator-effectiveness-and-licensure/office-of-educator-effectiveness/recruitment-and-retention>

TEACHER PREPARATION PROGRAMS

ADE, ADHE, and Arkansas’s higher education institutions have been working together to report data on the number of enrollees and graduates and the demographics of teachers produced in educator preparation programs (EPP) each year. According to the most recent Educator Preparation Performance Report and new data from ADE for 2015, the total number of students enrolled in teacher preparation programs (both traditional and non-traditional) declined from 8,255 in 2010 to 5,258 in 2015, resulting in 36.3 percent fewer teachers in the teaching pipeline. This decline is largely attributed to a 50 percent drop in the number of students enrolled in traditional teacher preparation programs during this period. Meanwhile, student enrollment in non-traditional teacher preparation programs rose by 43.3 percent, from 1,188 in 2010 to 1,703 in 2015.



Perhaps more concerning is the fact that the number of students preparing for licenses in critical shortage subject areas is equivalent to only 63% of the number of those positions available statewide, due to classes being taught by teachers on waivers, substitute teachers, or teachers preparing for retirement.

	Critical Shortage Areas	Non-Shortage Areas
# Enrolled in educator preparation programs	1,115	5,015
Teaching positions available	1,747	4,194
% of educators to positions available	63%	120%

TEACHER DISTRIBUTION

ADE has been tracking the equitable distribution of teachers throughout the state, as required by the federal No Child Left Behind (NCLB) Act of 2001. In 2015, all 50 states submitted plans to the U.S. DOE to address inequitable access to high-quality teachers across school districts. In September 2015, the U.S. DOE approved the first round of teacher equity plans for 17 states, including Arkansas.

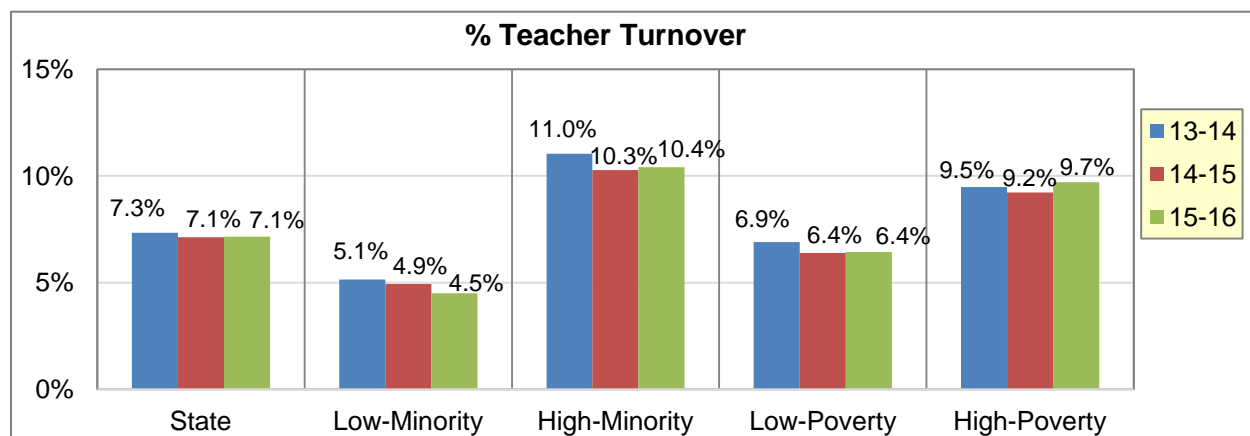
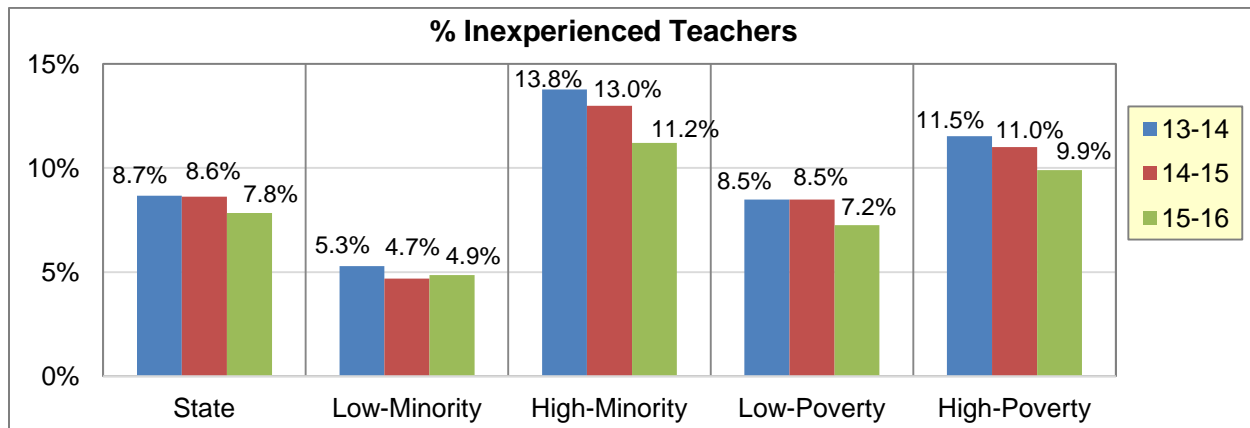
According to ADE’s 2015 “Equitable Access to Excellent Educators Plan”, there are some significant differences among high-poverty and low-poverty schools, as well as high-minority and low-minority schools, in terms of teachers’ levels of educational attainment and experience. Students in high-poverty schools and low-poverty schools have similar levels of teacher turnover and teachers teaching out-of-field. However, students in high-poverty and high-minority schools are more likely to have inexperienced teachers than are students in low-poverty and low-minority schools, and the rate of teacher turnover is 2.4 times greater in high-minority schools than in low-minority schools. Other gaps are very small or insignificant, such as the difference in the percentages of “unqualified teachers” (those with long-term substitute waivers) between high-poverty (0.25%) and low-poverty schools (0.01%) and only represent a few teachers.

TEACHER DISTRIBUTION IN ARKANSAS PUBLIC SCHOOLS (2013-14)³⁸

	All Schools	High-Poverty	Low-Poverty	High-Minority	Low-Minority
Total # Students	474,995	100,404	157,062	127,151	89,735
Total # Teachers	39,099	8,163	12,111	9,903	8,872
Average Years of Experience	10.4	10.3	10.4	10.2	10.4
% Inexperienced Teachers	8.7%	11.5%	8.5%	13.8%	5.3%
% with 0-3 Years Experience	27.2%	28.8%	26.2%	30.1%	28.2%
% with Master's Degree	37.6%	34.4%	41.0%	37.6%	35.3%
% Out-of-Field Teachers	4.3%	3.6%	2.9%	2.9%	3.7%
Teacher Turnover*	2.7	2.9	3.1	4.1	1.7
Unqualified Teachers (Long-Term Substitute Waivers)	0.8%	0.3%	0.0%	0.1%	0.0%
% National Board Certified (NBCT)	5.5%	5.2%	6.6%	4.8%	5.4%

*Number of new teachers per school per year, for the last five years

Since ADE submitted its 2015 Equitable Access report last year, new data for 2014-15 and 2015-16 is now available, which allows us to examine trends in these areas over the past three school years:



³⁸ ADE. (2015). "Equitable Access to Excellent Educators Plan." Data sources: Statewide Information System (SIS), Arkansas Educator Licensure System (AELS).

TEACHER ATTRITION

Arkansas employs between 2,000-3,000 new teachers in public schools each year. The following chart summarizes ADE’s data on trends in attrition among new teachers (those who have taught for five or fewer years). Since 2006-07, an average of approximately 15 percent of new teachers do not return to the classroom after their first year of teaching; 31 percent do not return after three years, and 36 percent do not return after five years.

Teacher Attrition In Arkansas Public Schools (2007-2016)³⁹

School Year	# New Teachers	Attrition After 1 Year	%	Attrition After 3 Years	%	Attrition After 5 Years	%
2006-07	2,504	173	6.91%	613	24.48%	798	31.87%
2007-08	2,507	342	13.64%	672	26.80%	861	34.34%
2008-09	2,284	326	14.27%	641	28.06%	798	34.94%
2009-10	2,413	326	13.51%	728	30.17%	961	39.83%
2010-11	2,266	343	15.14%	709	31.29%	916	40.42%
2011-12	2,432	403	16.57%	849	34.91%		
2012-13	2,959	697	23.56%	1,096	37.04%		
2013-14	2,937	469	15.97%				
2014-15	3,524	565	16.03%				
2015-16	3,387						
1-Year Attrition (2006-2015)	23,826	3,644	Avg. = 15.29%				
3-Year Attrition (2006-2013)	17,365			5,308	Avg. = 30.57%		
5-Year Attrition (2006-2011)	11,974					4,334	Avg. = 36.19%

BLR ANALYSIS OF DISTRICT-LEVEL TEACHER RETENTION

BLR conducted its own analysis of 2014-15 district-level data from APSCN, the state’s online reporting system for all districts and schools. This analysis calculated the total number of teachers (not just beginning teachers) who were assigned to a class in a public school district or charter school in Arkansas the previous year (2013-14), then calculated the percentage of those teachers who remained employed as a classroom teacher in that same district or charter school in 2014-15. Although this is the best data currently available from ADE or BLR, it is limited in what conclusions can be drawn from it. For example, district-level retention data does not factor in which teachers may have transferred to another school within their district, much less, why. In addition, data reported by many charter schools did not appear reliable; therefore, BLR excluded charter schools from this analysis.

The table to the right provides a snapshot of the differences in average teacher retention and years of teaching experience among traditional school districts by size and poverty levels.

Teacher Retention and Experience, By District Size And Poverty Level (2014-15)

Demographic	Districts	Dist. Avg.
Total Student Enrollment	464,754	
Teacher Retention	236	77.0%
By % FRL		
High = > 90%	9	55.4%
Medium = 70-90%	88	75.5%
Low = < 70%	139	79.4%
By District Size		
Large = > 5,000	15	83.1%
Medium = 751-5,000	139	79.1%
Small = < 750	82	72.3%
Avg. Years Teachers Experience	236	12.5
By % FRL		
High = > 90%	9	10.3
Medium = 70-90%	88	12.0
Low = < 70%	139	12.9
By District Size		
Large = > 5,000	15	12.3
Medium = 751-5,000	139	12.8
Small = < 750	82	12.0

³⁹ ADE. (2015). "Educator Preparation Performance Report."

BLR SURVEYS

As part of the 2016 adequacy study, BLR surveyed teachers and interviewed principals in a random sample of schools across the state in fall 2015. BLR also distributed surveys to all 234 superintendents and 22 directors of all open-enrollment charter schools. To elicit the most candid responses, district and school staff and teachers were assured their responses would be confidential and anonymous.

District Survey

The response rate on the district survey was 96.8%, or 249 of the 256 districts and charter schools. The top factor cited by superintendents as barriers to both teacher recruitment and retention was difficulty in offering competitive salaries. Other significant barriers to recruitment were scarcity of appropriately licensed teachers, the cost of health insurance, and the location of the district or individual school. Barriers to retention also included teachers leaving for bigger districts and high demand for teachers with certain credentials.

These same factors were reported in the 2014 adequacy study conducted by the BLR. However, the number of districts citing the cost of health insurance as a barrier to recruitment and retention was much higher in the present study than in the 2014 study. Barriers to retention in the 2016 study also included teachers leaving for bigger districts and high demand for teachers with certain credentials.

School Survey

The responses from principals in the 73 randomly selected schools in the adequacy study were to open-ended questions about teacher recruitment and retention in onsite interviews. The top issue cited by school principals as barriers to teacher recruitment and retention were difficulty in offering competitive salaries, followed by the school's geographic location. Most principals who cited location as a significant problem were located in rural areas, which had higher levels of poverty, limited opportunities for young teachers in the community, fewer jobs for spouses, and other factors. Many principals also cited difficulty recruiting applicants with certain credentials, particularly in special education, math, and science. Some principals cited a limited supply of new teacher graduates in their region. However, unlike superintendents in the district survey, no principal cited the cost of health insurance as a barrier to teacher recruitment or retention.

Nineteen principals (26.0%) said they had no significant problems with recruitment, and 32 principals (43.8%) claimed to have no significant problems retaining teachers once they were hired. However, even among those schools that had little difficulty recruiting teachers overall, at least 10 principals found it very difficult to recruit minority teachers. Under ADE rules, districts that have more than five percent minority students (African-American and other minorities) are required to develop 10-year plans for minority teacher and administrator recruitment.⁴⁰

Most principals who mentioned problems with teachers leaving the profession said that this attrition was largely due to retirement (not career changes).

Teacher Survey

A total of 1,071 out of 2,464 eligible teachers in BLR's sample of schools participated in the online survey (a response rate of 43.4 percent). The vast majority of teachers (72.2%) responding to the survey cited location as the number one reason they chose to teach at their current school, followed by proximity to family (42.7%). Roughly a quarter of teachers said that their school's rating or reputation (25.1%) or salaries (22.3%) also played a role in their decision, while 18.9% said leadership figured into their decision.

⁴⁰ ADE. "Rules and Regulations for Minority Teacher and Administrator Recruitment": http://www.arkansased.gov/public/userfiles/Legal/Legal-Current%20Rules/op_23_p.pdf

Over half of teachers surveyed (52.9%) said that they would be willing to relocate to a high-poverty or rural community if offered a higher salary, and nearly one-third (30.3%) would agree to relocate to these areas if offered better benefits. Nearly one-third (31.7%) indicated that there were no conditions under which they would relocate to teach at a school in a high-poverty or remote rural community.

Under § 6-17-114, public school districts in Arkansas must provide all classroom teachers with at least 200 minutes each week to schedule time for conferences, instructional planning, and preparation. This time shall be in increments of no less than 40 minutes during the school day, unless a teacher submits a written request for different arrangement. The vast majority of teachers indicated that they do receive 200 minutes each week (78.2%) and at least 40 minutes each instructional day (81.6%). About 5% indicated they do not receive the designated time each week or each day.

On the BLR survey, most teachers were satisfied or very satisfied with their undergraduate courses in education (76.3%) and undergraduate courses in their major content area (82.0%). The majority was also satisfied or very satisfied with their graduate coursework in education (62.6%) and graduate courses in their major content area (59.4%). Three-quarters of teachers (74.8%) were satisfied or very satisfied with their teaching internship experience, and 53.2% felt the same about the mandated mentoring they received as new teachers. The vast majority were satisfied or very satisfied with teamwork among teachers at their schools (82.9%) and support from school administration (78.3%).

On the survey, 184 teachers, or 17.1%, reported that they are currently considering transferring to another school. These teachers indicated location and salary as the top reasons for transferring, followed by curriculum and inadequate resources and opportunities for students.

When asked if they were currently thinking about leaving the profession of teaching, 275 teachers, or 25.6%, answered affirmatively. The primary reasons given for leaving included:

- Stress/workload (58.7%),
- Salary (22.8%),
- Retiring (16.7%),
- Lack of student/parent accountability (13.2%),
- Student discipline (11.7%),
- Respect (10.7%),
- Leadership (10.7%), and
- Other (16%).

Teacher and Administrator Evaluation

This section of the Adequacy Report summarizes the evaluation systems currently required under state statute: the Teacher Evaluation and Support System (TESS) and the Leader Excellence and Development System (LEADS). It also presents relevant findings from the BLR's survey of all school superintendents, as well as site visits with school principals and teacher surveys in a randomly-selected sample of 73 schools chosen to participate in this year's adequacy study. The report on TESS and LEADS was presented to the Senate and House Committees on Education on June 22, 2016.

TEACHER EVALUATION AND SUPPORT SYSTEM (TESS)

Act 1209 of 2011 created a statewide system known as TESS (§ 6-17-2801 et seq.). This subchapter required ADE to develop and all districts to implement the TESS system. TESS was largely based on national teacher evaluation expert Charlotte Danielson's *Framework for Teaching*. The framework measures teachers' effectiveness in four domains:

1. Planning and preparation;
2. Classroom environment;
3. Instruction; and
4. Professional responsibilities.

The TESS evaluator rates a teacher's performance in each of the four domains as Distinguished, Proficient, Basic, or Unsatisfactory. Summative evaluations include a formal classroom observation (an announced visit by an evaluator that lasts at least 75% of the class period) and an informal classroom observation (a shorter visit that may be unannounced), as well as pre- and post-observation conferences.

Teachers must also provide "artifacts," or documented evidence of their performance in each of the four domains. Examples of artifacts are lesson plans, samples of student work, and formative assessments. Teachers and administrators in all districts must upload all TESS documentation to an online system called BloomBoard, which ADE provides to districts free of charge.

TESS requires the evaluator to provide a written evaluation that determines the teacher's rating, and teachers must provide feedback on the evaluation process. If a teacher receives an "unsatisfactory" rating in any one full domain, or has a rating of "unsatisfactory" or "basic" in a majority of components in any one domain, the district must place the teacher in "intensive support status." The evaluator must then provide necessary support for the teacher to achieve his or her goals and complete certain tasks within two semesters (unless the teacher is making significant progress). If the teacher has not successfully achieved his or her goals and tasks within this timeframe and the superintendent approves the documentation about the teacher's performance, state statute requires the superintendent to "recommend termination or nonrenewal of the teacher's contract." A recommendation for termination or nonrenewal based on a TESS evaluation is subject to the same authority and requirements of The Teacher Fair Dismissal Act of 1983 (§ 6-17-1501 et seq.)

Novice teachers, probationary teachers, and teachers who successfully completed an "intensive support status" program in the previous year must receive summative evaluations annually. All other teachers are only required to receive summative evaluations once every four years.

Act 1091 of 2015 and subsequent ADE rules made the following changes to the TESS requirements:

- Summative evaluations must be completed at least once every four years instead of every three years for all teachers who are not classified as Novice, Probationary, or in an Intensive Support Track (these teachers must still receive an annual summative evaluation).
- The law originally required that schools use external assessments (student test scores) as part of teacher evaluations. Act 1091 repealed this requirement.⁴¹ Under ADE's current TESS rules, "Until the State Board adopts rules defining one (1) or more student growth measures, a student growth measure will not be required as part of the annual overall rating" (6.03).⁴²
- A teacher will not be assigned a Professional Growth Plan (PGP), which outlines his or her individual goals and specific professional development needs for the year, until after he or she has had a chance to work with students and identified his or her own strengths and areas for growth.
- All TESS evaluators must successfully complete the LEADS Law and Process training and pass the observer proficiency assessment by 2015-16.

Under ADE's current TESS rules, school report cards will begin including the total number of teachers employed who are identified as proficient or above under TESS, among other measures of teacher quality, beginning in 2017-18 (13.02).

⁴¹ Act 709 of 2013 required students' scores on external assessments to be considered but did not specify how much these scores must factor into teachers' evaluations.

⁴² ADE Rules Governing the Teacher Excellence and Support System (December 2015): http://www.arkansased.gov/public/userfiles/HR_and_Educator_Effectiveness/TESS/TESS_Rules_December_2015_10616.pdf

LEADER EXCELLENCE AND DEVELOPMENT SYSTEM (LEADS)

Unlike the TESS statute, Act 709 of 2013 authorizes (but does not require) ADE to develop and implement an evaluation system for school administrators, known as LEADS (§ 6-17-2809). A state task force designed LEADS to align with six of the Interstate School Leaders Licensure Consortium (ISLLC) Standards adopted by the National Policy Board for Educational Administration (NPBEA), which are used as the framework for leadership development in Arkansas:

1. Promoting a widely shared vision for learning;
2. Developing a school culture and instructional program conducive to student learning and staff professional growth;
3. Ensuring effective organizational management and operations, including a safe, secure learning environment for all students;
4. Collaborating with faculty and community members, responding to the diverse needs and interests, and mobilizing resources;
5. Acting with integrity, fairness and in an ethical manner; and
6. Understanding, responding to, and influencing the political, social, legal and cultural contexts that impact education.

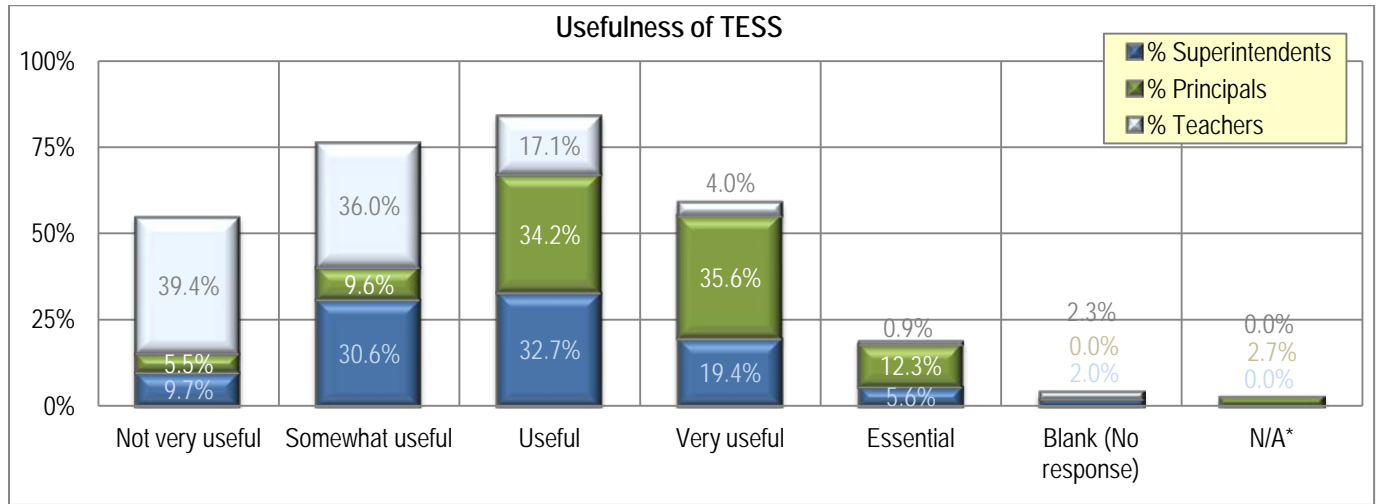
All districts were required to fully implement LEADS beginning in 2014-15. The LEADS system requires superintendents or their designee to complete formative assessment conferences with all building- and district-level leaders, based on their professional growth plans and evaluation rubric. Building- and district-level leaders (including assistant principals and associate/deputy superintendents) may receive ratings of Exemplary, Proficient, Progressing, and Not Meeting Standards.

Leaders are classified into three categories: the Novice/Probationary Category for those in their first three years as an administrator or those who have transferred from another district or agency; the Inquiry Category, for leaders who have already achieved a rating of Exemplary, Proficient, or Progressing; and the Intensive Category, for leaders who were rated as Not Meeting Standards on any of the six LEADS standards, or a rating of Not Meeting Standards and/or Not Progressing on the majority of functions in any of the standards. Superintendents must complete summative evaluations for Novice/Probationary and Intensive Category Leaders annually and once every four years for leaders in the Inquiry Category.

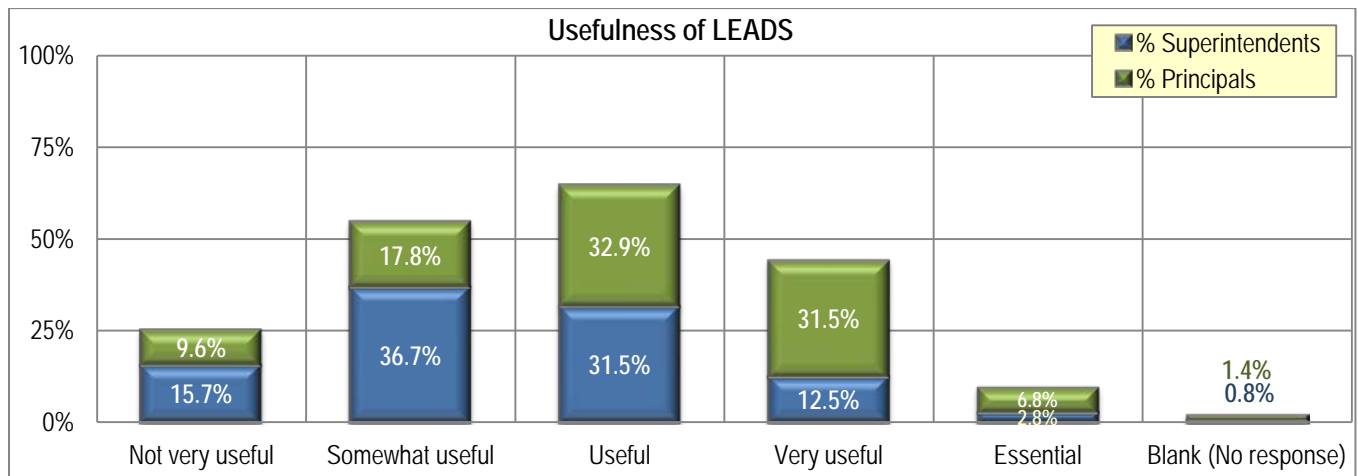
A leader in the Intensive Category must complete a LEADS Intensive Growth Plan and receive additional support for at least two consecutive semesters. If he or she has failed to meet the goals and complete the tasks of his or her growth plan, the superintendent “shall recommend termination or nonrenewal of the building- or district-leader’s contract” (ADE Rule 6.06.6). The requirements of Teacher Fair Dismissal Act must be followed, “if applicable to the building- or district-leader’s contract” (6.06.6.1).

BLR SURVEY OF SUPERINTENDENTS, PRINCIPALS, AND TEACHERS

The BLR’s surveys of superintendents, principals and teachers included questions about the usefulness of the TESS evaluation system. Three-quarters of teachers surveyed (75.4%) felt that TESS was either “not very useful” or only “somewhat useful” in terms of providing support and improving their teaching. Overall, teachers had much more negative views of the usefulness of TESS compared to superintendents and principals in the survey, as illustrated in the following graph.



Superintendents and principals were asked a similar question about the usefulness of LEADS. About 52% of superintendents said LEADS was either “not very useful” or “somewhat useful”, while only about 27% of the principals surveyed rated the evaluation system that low. It should be noted that superintendents or school leadership teams were present at interviews with 20 school principals in the sample, which may have influenced principals’ responses.



Superintendents were also asked the following open-ended question:

If your district could receive a waiver from one state requirement, what would it be?

Of the 248 superintendents that responded to the BLR’s online survey, 194 (78.2%) provided answers to this question. Of these 194 respondents, 13 (6.7%) mentioned TESS and/or LEADS, and another 13 (6.7%) mentioned the Teacher Fair Dismissal Act. The reason most commonly cited for wanting a waiver from TESS/LEADS was that it was far too time-consuming, particularly for smaller districts that may not have enough administrators to help complete all of the required observations and paperwork.

Section 7: Academic Facilities

In a May 25, 2001 decision by Judge Kilgore of the Chancery Court of Pulaski County, in *Lake View School District No. 25 v. Huckabee*, the court found that “[school] buildings properly equipped and suitable for instruction are critical for education and must be provided.” The court directed the state to develop a remedy to address the facilities issues. The General Assembly created four funding programs for facilities construction and renovation. The main facilities program for ongoing facilities construction needs is the **Academic Facilities Partnership Program**. Under the program, the Facilities Division helps schools identify immediate and long-term building needs and distributes funding for a portion of the cost of necessary construction. The Partnership Program funds new construction projects and major renovations, not general repair or maintenance.

The Legislature passed Act 1237 of 2007, which appropriated about \$455.5 million in state surplus funding to support the Partnership Program. That funding has largely sustained the program until the most recent funding cycle. In addition to this lump sum funding, the General Assembly has provided \$40 million to \$60 million for school facilities needs each year. Because the original seed money has begun to run short, the General Assembly provided the Partnership Program with an additional \$40 million in General Improvement Funds during the 2015 legislative session.

Facilities Funding, Sources and Expenditures

The following chart shows the funding amounts provided for all state facilities funding since the new programs were created. Including the \$456 million funding, facilities programs have received an average of about \$102.8 million annually between 2006 and 2015.

Between 2006 and 2015, state expenditures for the facilities programs average of about \$87.3 million annually.⁴³

State Facilities Funding				
Fiscal Year	General Revenue	Transfers from Savings in Predecessor Programs	Other Funding (or Funding Reductions)	Total Annual Funding
FY2005			\$20,000,000	\$20,000,000
FY2006			\$52,442,524	\$52,442,524
FY2007	\$35,000,000	\$5,211,326	\$48,960,424	\$89,171,750
FY2008	\$35,000,000	\$10,534,873	\$455,597,052	\$501,131,925
FY2009	\$35,000,000	\$14,140,709		\$49,140,709
FY2010	\$33,633,641	\$18,163,282	(\$17,301,487)	\$34,495,436
FY2011	\$34,828,951	\$20,391,765		\$55,220,716
FY2012	\$35,345,364	\$22,654,247	(\$2,000,000)	\$55,999,611
FY2013	\$34,828,951	\$25,144,317		\$59,973,268
FY2014	\$34,828,951	\$27,477,005	\$20,000,000	\$82,305,956
FY2015	\$34,828,951	\$13,690,010		\$48,518,961
				\$1,048,400,856

⁴³ The total state expenditures include some state-level administrative costs of running the facilities funding programs. As a result, these numbers do not match exactly the amounts of funding provided to school districts for facilities projects.

Partnership Program

Every two years, districts apply for Partnership Program funding, and the Facilities Commission approves projects that qualify for funding, as it is available. The Partnership Program does not pay for anything that “could be classified as maintenance, repair, [or] renovation other than a total renovation project” (Rules governing the Academic Facilities Partnership Program, 3.19.1). Only projects that cost \$150,000 or more or those that cost \$300 or more per student qualify for funding. Open enrollment charter schools are not eligible for Partnership Program funding.⁴⁴ The Partnership Program provides funding for districts to pay for the following types of facilities projects:

1. New construction needed to ensure a **warm, safe and dry** environment: There are two types of projects that qualify as warm, safe and dry:
 - **Systems:** These projects support a facilities basic systems needs such fire alarms or replacement of a building’s roof, plumbing, HVAC, or electrical system. The Facilities Commission approved 29 warm, safe and dry systems projects in the most recent funding cycle.
 - **Space Replacement:** A renovation or construction project to replace an existing building or space that the Facilities Division determines does not provide a warm, safe and dry environment. The Facilities Commission approved 15 warm, safe and dry space replacement projects in the most recent funding cycle.
2. **New facilities:** New facilities are newly constructed buildings, not renovations of or additions to existing buildings.
3. **Additions or conversions:** Academic areas that are added to an existing building or projects that convert space for another academic use.
4. Projects resulting from a **district consolidation or annexation:** A new building or addition that supports a voluntary consolidation or annexation.

The Partnership Program pays for K-12 academic facilities, which are defined as buildings or spaces “where students receive instruction that is an integral part of an adequate education” (Rules 3.01). Administration buildings, pre-K buildings and education service cooperatives are not considered academic facilities. Districts are required to submit a six-year master plan for their budgeting and planning for ongoing facilities needs, and the Partnership Program does not pay for any construction projects not included in districts’ master plans. The Partnership Program also does not pay for the purchase of land, mold abatement or environmental site clean-up.

Of the 234 existing districts, 22 had never received any Partnership Program funds at the time the BLR presented its report on facilities funding in August 2015. However, some of these districts received funding from earlier facilities funding programs (Immediate Repair or Transitional), or they had approved and funded Partnership projects in the works. Sixteen districts had never received state funding for facilities and had no approved and funded project in process. Eleven—half of the of the 22 districts that had never received Partnership Program funding—had an eight-year average Facilities Wealth Index above .90, which means they qualified for only a small percentage of project costs to be covered by the state. Some of these districts may have decided the small amount of state funding available was not worth the time and effort it takes to apply.

For the 2015-17 cycle, the Division approved **91 projects for the first year** of the cycle and another **53 projects for the second year**. However, projects approved for the program are not guaranteed to actually receive funding. District projects are ranked through a prioritization system and those with higher priority are more likely to get funded. The line between approved projects that are funded and

⁴⁴ Act 739 of 2015 created the Open-Enrollment Charter School Facilities Funding Aid Program and Act 735 of 2015 transferred \$5 million in money available from a charter school facilities loan fund for this program.

approved projects that are not funded depends on the total amount of money the Partnership Program has to distribute. Of the 91 projects approved for the first year, **67 were funded** as of August 2015.

Partnership Program Prioritization

Projects are prioritized by the type of project. For the current and next funding cycle, warm, safe and dry (systems) projects receive the highest priority, followed by new facilities, additions and conversions and then warm, safe and dry (space) projects.

From the program’s inception, warm, safe and dry (WSD) projects were treated as the Partnership Program’s highest priority, reflecting the original assessment of the Task Force to the Joint Committee on Academic Facilities. As a result, WSD projects were funded first. In 2013, the Facilities Division changed the rules beginning with the 2019-21 funding cycle. The new rules created two types of warm, safe and dry projects: systems and space replacement. The rules also capped the funding available for warm, safe and dry (WSD) systems projects at a total of \$10 million per year beginning with the 2015-17 funding cycle. The change was made in an effort to discourage districts’ from avoiding necessary maintenance on their existing facilities. The Division found that some districts appear to have stopped providing certain maintenance, assuming that when the equipment/structure’s expected lifecycle ended, they would qualify for funding as a warm, safe and dry project with its high priority funding. Funding for routine maintenance is provided to districts through foundation funding, and districts are required to spend at least 9% of their annual foundation funding on maintenance and operations needs.

The 2013 rules change made new facilities, additions and conversions the second priority and the WSD space replacements the third priority. Beginning with the 2019-21 funding cycle, WSD systems projects will fall to the third priority, as illustrated in the table below.

2013-15	2015-17	2017-19	2019-21 and beyond
Warm, Safe and Dry (All Project Types)	Warm, Safe and Dry (Systems) (up to \$10 million annually)	Warm Safe and Dry (Systems) (up to \$10 million annually)	New Facilities, Add-Ons, Conversions
New Facilities and Additions	New Facilities, Add-Ons, Conversions	New Facilities, Add-Ons, Conversions	Warm, Safe and Dry (Space Replacement)
Conversions	Warm, Safe and Dry (Space Replacement)	Warm, Safe and Dry (Space Replacement)	Warm, Safe and Dry (Systems)
Consolidation/Annexation Projects	Consolidation/Annexation Projects	Consolidation/Annexation Projects	Consolidation/Annexation Projects

As a result of the new prioritization process, half of the 48 WSD (system) projects approved for the 2015-17 cycle did not receive funding when the initial funding was announced in April.

Facilities Wealth Index

Paying for approved Partnership Program projects is a shared responsibility between the state and the districts. The state pays a greater percentage of the cost of projects in poor districts, and a lower percentage in wealthier districts. The amount of money the state pays for each Partnership project depends on the district’s **Facilities Wealth Index**. A district’s wealth index indicates the percentage of a project’s cost for which the district is responsible. For example, a district with a wealth index of 85%, would pay 85% of the project’s cost, and the state would pick up the remaining 15%.

The following table examines the relationship between districts’ wealth index and its total facilities expenditures, debt service payments and state Partnership Program funding per student. The quartile with the lowest wealth indexes received more financial assistance through the Partnership Program than those in the quartiles with higher wealth indexes. That’s not surprising considering the wealth index was designed to provide more state funding to districts with lower wealth indexes. Districts with low wealth indexes spent less money per student on debt service payments, perhaps because state funding covers more of their construction costs allowing them to finance less. There is no significant relationship between total facilities expenditures per student and wealth index.

	8-Year Avg. Wealth Index\ (District Share)	8-Year Avg. Facilities Expenditures Per ADM	8-Year Avg. Debt Svs. Payment Per ADM	Avg. State Partnership Funding Per ADM
Poorer	Quartile 1: 14.2-37.7	\$980	\$325	\$430
	Quartile 2: 37.7-47.4	\$896	\$410	\$294
	Quartile 3: 47.5-61.9	\$1,053	\$422	\$267
Wealthier	Quartile 4: 62.2-99.5	\$1,009	\$519	\$166

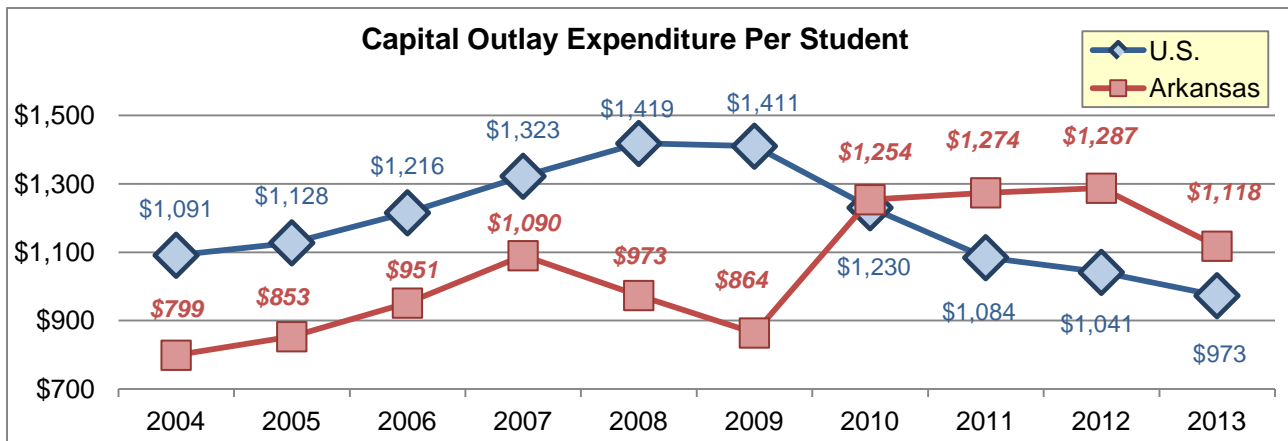
Millages

To draw down the state share of Partnership funding, districts must contribute their share of local funding. There has long been concern that some districts would be unable to pass enough millage to raise the local share.

As of 2014, all districts but two (Salem and Gosnell) have passed some level of debt service mills. The number of **debt service mills each district has ranges from 1.30 (Lee County) to 23.90 (Fouke)**. The **average number of debt service mills among Arkansas school districts is 11.78**. Since 2005, **about 150 districts have sought an increase to their debt service millage**. (This number does not include requests to increase M&O mills or to increase debt service mills after a consolidation in an effort to equalize millage between merging districts. Nor does it include requests to transfer M&O mills to debt service if there was not an overall increase in millage.) On average, elections seeking an increase in debt service mills fail about 44% of the time. Often when a district’s millage attempt fails, the district attempts another millage in subsequent years. Many times a second or third try is successful, especially when a lower millage is requested. However, **more than two dozen school districts that had millage failures either never tried again or had additional failures**.

National Comparison

The creation of the Partnership Program appears to have improved Arkansas’s spending on capital projects compared with other states. The U.S. Census collects data on K-12 school district capital expenditures using data collected by state departments of education. In 2004, Arkansas ranked 35th in capital outlay expenditures per student. That year, Arkansas school districts collectively spent about \$800 per student, while the national average was nearly \$1,100. In 2013, the most recent year for which national data is available, the state ranked 17th, with Arkansas districts spending more than \$1,100 per student compared with the national average of about \$975 per student.⁴⁵



⁴⁵ The U.S. Census includes other types of capital outlay expenditures in their calculations, such as school buses and other types of equipment. As a result, the totals reported for Arkansas are higher than the totals used earlier in this report. The Census student numbers (the denominator in the expenditure-per-student calculation) include pre-kindergarten students. The BLR’s per-student calculations provided elsewhere in this report do not include pre-K students.

Section 8: Special Topics

Career and Technical Education

Arkansas law asserts that “A rigorous career and technical education program of study that links secondary education and postsecondary education and combines academic and technical education in a structured sequence of courses that progresses from broad foundation skills to occupationally specific courses shall be made available” (§ 6-5-1002(b)(1)).

Unlike most areas of K-12 education, ADE and the State Board of Education are not the main agency and board responsible for approving, overseeing and regulating career and technical education (CTE). The Arkansas Department of Career Education (ACE) and the Career Education and Workforce Development Board are responsible for supervising career and technical education.⁴⁶ Under state statute, the Board is responsible for adopting rules governing CTE programs, prescribing standards for CTE programs and teachers, approving CTE courses that districts can offer, and approving program funding. ACE is responsible for receiving and distributing federal and state funds intended to support CTE in secondary education.

State statute requires the Career Education and Workforce Development Board to coordinate with the State Board of Education “to ensure that academic, workplace, and technical skills create opportunities for a strong comprehensive education regardless of the student’s ultimate career choice” (§ 25-30-104). This agency-level separation has led to a somewhat muddled division of responsibilities.

DISTRICT/SCHOOL ACCREDITATION REQUIREMENTS

Under ADE’s Rules Governing Standards for Accreditation of Arkansas Public Schools and School Districts, schools that serve students in grades 9 through 12 are required to teach nine units of CTE.⁴⁷ The nine CTE courses districts are required to teach must represent at least three of the 16 occupational areas, or career clusters.^{48,49}

According to ADE’s course code management system, there are 372 separate CTE courses districts can offer high school students. Of the 245 schools that served students in all high school grades (9th through 12th) in 2014-15, the number of CTE courses the high schools offered students varied widely, from one CTE course in one high school to 99 courses in another. On average, high schools taught about 33 CTE courses each in 2014-15.

GRADUATION REQUIREMENTS

Just as districts are required to teach CTE courses, students are required to take career courses as a component of their graduation requirements. To graduate from high school, all students are required to take six Career Focus units.⁵⁰ Career Focus credits and CTE courses are generally similar in concept. However, students can receive Career Focus credits toward their graduation requirement for courses that are not considered CTE courses. All high school students are required to work with their guidance counselor to create a “Career Development Portfolio.”⁵¹ Courses listed in this document can be counted as the student’s career focus units even if they’re not generally considered CTE courses. For example,

⁴⁶ Prior to 2015, the Career Education and Workforce Development Board was known as the State Board of Career Education. Act 892 of 2015 renamed the board.

⁴⁷ Arkansas Department of Education, Rules Governing Standards for Accreditation of Arkansas Public Schools and School Districts, 9.03.4.11

⁴⁸ Arkansas Department of Education, Rules Governing Standards for Accreditation of Arkansas Public Schools and School Districts, 9.03.4.11

⁴⁹ Arkansas Department of Career Education, <http://ace.arkansas.gov/cte/careerClusters/Pages/default.aspx>

⁵⁰ Arkansas Department of Education, Rules Governing Standards for Accreditation of Arkansas Public Schools and School District, 14.01.

⁵¹ Arkansas Department of Career Education, Program Policies and Procedures for Career and Technical Education, Secondary Programs Adult Skill Training, Section III, D.

if a student wants to take a foreign language, that course could be considered part of the students' Career Focus units needed for graduation if it is included in the student's Career Development Portfolio.

CTE DELIVERY

School districts can offer career and technical courses in two ways.

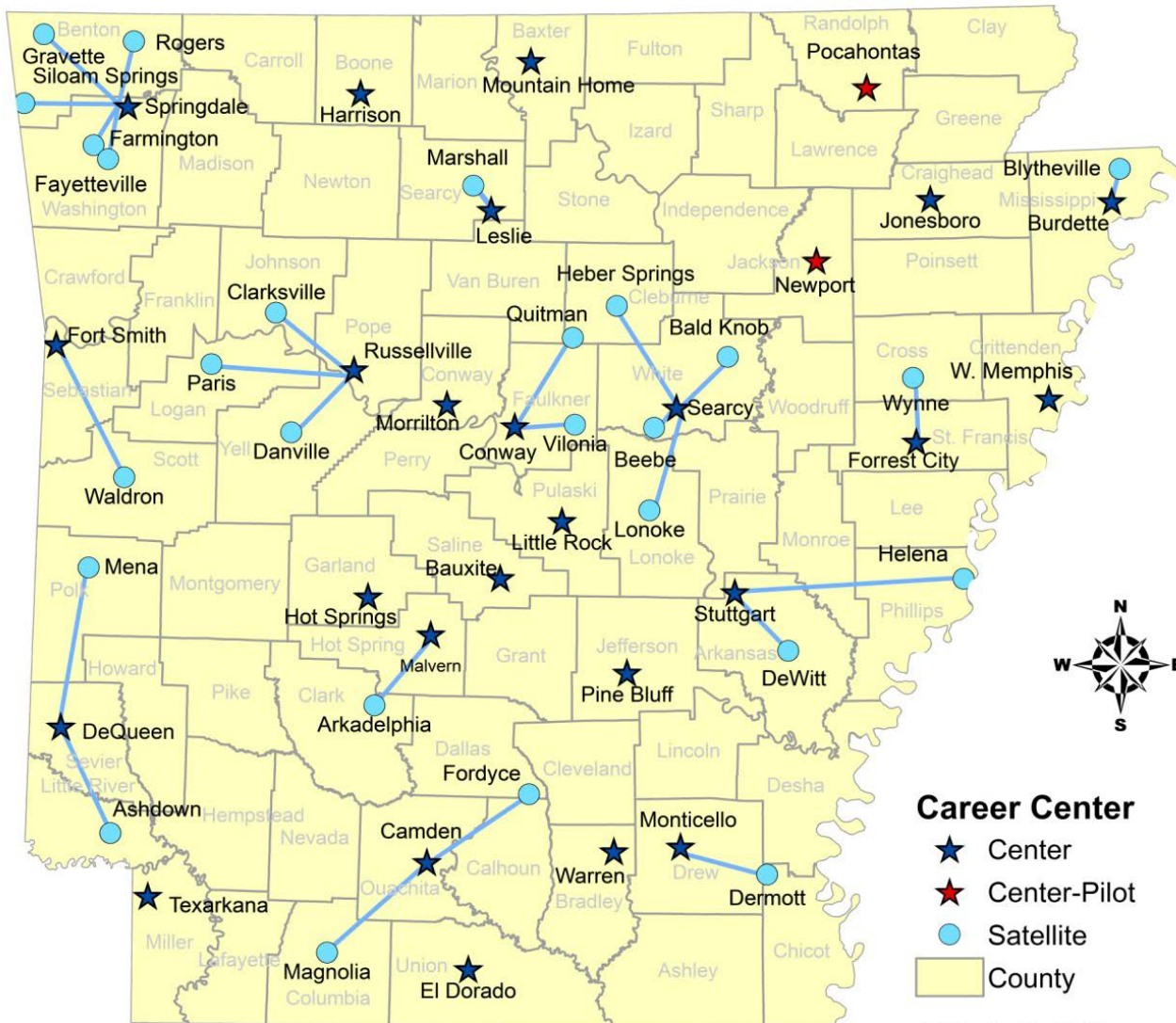
- They can offer the courses on their own campus, using their own teachers or online digital learning courses, or
- They can send students to the closest Secondary Area Career Center.

Districts may offer some courses on their own campus and send students to Career Centers for others. Career Centers draw students from multiple high schools, allowing them to provide high-cost career and technical programs. Districts that choose to send students to Career Centers may do so for several reasons. First, the Career Center may offer programs that require expensive equipment, such as automotive lifts, that can be purchased more easily by a center serving multiple districts than by a single district. Additionally, when students receive CTE instruction in a Career Center, districts receive funding to pay for this instruction. When students take their CTE courses on their own campus (not in a Career Center), districts receive no additional funds to provide this instruction and must rely on other operational funds, such as foundation funding to pay for staff. (For more information about the Career Center funding, see page 59). Because some Career Centers are sponsored by two-year higher education institutions, students may be eligible to earn concurrent credit or industry certifications upon completion.

While there may be a financial incentive to send students to a Career Center for their CTE courses, many districts choose to offer some CTE courses on their own campus. That's because sending students to a Career Center can take significant time from and cause disruption in a student's daily schedule simply for transportation to and from the Center. In addition to the time, transportation also may pose a significant cost to districts. Also, on-campus student organizations related to CTE courses (e.g., Future Farmers of America) may be stronger and more active if students are associated with a single staff member on their high school campus than a variety of instructors on a two-year college campus. And finally some CTE courses do not require expensive equipment and can be easily taught in students' home high schools.

SECONDARY AREA CAREER CENTERS

There are currently 25 Career Centers with 26 satellite locations designed to serve high school students within a defined geographical region. In May 2016, the Career Education and Workforce Development Board approved two new pilot centers: the Black River Technical College in Pocahontas and Arkansas State University in Newport.



Data Source: Arkansas Department of Career Education. Map is a recreation of an ACE-developed map.

The purposes of the centers as specified in statute are:

1. “Support economic, industrial, and employment development efforts;
2. Provide equity and substantially equal access to quality vocational programs; and
3. Improve school programs to assist schools in meeting accreditation standards” (§ 6-51-302(a)).

In 2014-15, 178 school districts and one open enrollment charter school sent nearly 3,353 full-time equivalent students to Secondary Career Centers for courses.⁵² Of the 11 open-enrollment charter schools that served any 9th through 12th grade students in 2014-15, just one used a Career Center. In 2015-16, there were 39 districts that did not have access to a Career Center, which ACE defines as having no Career Centers within 25 miles. Nine districts had access to a Career Center but chose not to use it, according to ACE⁵³. In 2016-17, Gravette will gain access, when a satellite center opens there,⁵⁴ and the two pilot centers in Pocahontas and Newport will open access to a number of districts in the northeast part of the state.

⁵² Swicegood, M., Arkansas Department of Career Education, June 28, 2016 email.

⁵³ Swicegood, M., Arkansas Department of Career Education, June 28, 2016 email.

⁵⁴ McGill, P., Arkansas Department of Career Education, June 30, 2016 email.

CTE FUNDING

Districts and charter schools receive funding for career and technical education in three main ways:

- Foundation Funding
- Vocational Center Aid and Vocational Start-Up Grants
- Federal Perkins Funding

Foundation Funding

Every school district and charter school receives foundation funding based on a statutorily set per-student rate (\$6,521 in 2014-15 and \$6,584 in 2015-16). The per-student rate is based on a formula of the resources schools need (teachers, instructional materials, etc.) in order to provide an adequate education. The funding formula is known as the matrix. There is not component in the matrix that provides funding specifically for CTE. However the matrix does include funding for elective (non-core) teachers (\$522.72 per student for 2014-15) and for instructional materials generally (\$183.10 per student). The matrix does not specify how much of these resources are intended for CTE. For example, the funding for non-core teachers is meant to cover CTE teachers in high schools as well as physical education, art and music teachers in the elementary grades. For more information about foundation funding and the matrix, see Sections 2 and 9.

Vocational Center Aid and Vocational Start-Up Grants

In addition to foundation funding, the General Assembly provides about \$20.1 million to ACE for K-12 career and technical education provided by the Career Centers. ACE distributes the \$20.1 million in two parts. The department provides school districts with \$3,250 per full-time equivalent student (FTE) based on each district's prior-year enrollment in career education courses provided by the Career Centers. This per-student amount is specified in statute (in the same section of code that specifies other adequacy-related funding, including foundation and categorical funding) and has remained unchanged since it was first established through Act 59 of 2003 (§ 6-20-2305(b)(2)(B)). This funding is considered pass-through funding because each year the Career Centers bill participating high schools for student training fees based on the school's FTE count.

After all of these reimbursements are paid to districts, ACE sends the funds remaining from the original \$20.1 million directly to the Career Centers for program operation and administration expenses. This funding is distributed to each Career Center based on the FTE student count of each center. In 2014-15, this portion of the funding totaled \$10,281,284, or \$3,050 per student (based on an adjusted count of prior year FTEs).⁵⁵

This vocational center aid funding has remained flat at about \$20.1 million for a number of years. However, the number of FTE students attending Career Centers has increased. This results in Career Centers receiving less funding each year per student. In 2014-15, Career Centers received about \$6,300 per FTE.⁵⁶ Collectively the Career Centers spent \$22.85 million, or \$6,816 per 2014-15 FTE.⁵⁷ The expenditures include Career Centers' spending of other types of funding they receive, as well as fund balances retained from previous years. Collectively the Career Centers had a fund balance of \$3.84 million at the end of 2014-15.⁵⁸

Vocational Start-Up Grants

The General Assembly also appropriates \$2.37 million to help new career education programs purchase a minimum level of equipment. This funding is typically provided to school districts, but Secondary Career Centers and other organizations may also be eligible. In 2014-15, ACE spent a total

⁵⁵ Arkansas Department of Career Education, Special Policies and Procedures for Secondary Technical Centers, Section II.

⁵⁶ These figures do not include expenditures or FTEs from ASU-Mountain Home Career Center because that center was funded with other resources in 2014-15.

⁵⁷ These figures do not include expenditures or FTEs from ASU-Mountain Home Career Center because that center was funded with other resources in 2014-15.

⁵⁸ Isaacs, S., Arkansas Department of Career Education, June 27, 2016 email.

of \$2,369,429 in vocational start-up grants. In 2014-15, 47 school districts, two two-year colleges and one education service cooperative received grant funding. The average award was about \$47,400, although awards ranged from about \$6,800 to nearly \$150,000.⁵⁹

Federal Perkins Funding

The federal government provides funding to schools to support secondary and postsecondary career and technical education. This money, allocated based on the federal Carl D. Perkins Career and Technical Education Act of 2006, is known as Perkins funding. In 2014-15, districts were allocated a total of about \$6.6 million in Perkins funding to support CTE. That equates to about \$48 per high school student (9th through 12th grade students, not including charter school students. Charter schools do not receive any Perkins funding). In 2014-15, the average district award amount was about \$27,800, but the funding ranged from as little as \$2,200 for one district (Poyen School District) to as much as \$389,493 for another district (Little Rock School District).⁶⁰

CTE EXPENDITURES

Districts and charter schools typically spend about \$120 million annually on career and technical education.⁶¹ Expenditures in 2014-15 equated to about \$255 per student statewide. The figures in the chart below show the expenditures of school districts and open-enrollment charter schools. Charter school CTE expenditures are minimal.

Districts used foundation funding and other local funds to pay for the vast majority of those expenditures, as shown in the table below.

District/Charter School Funding Used to Pay For CTE Expenditures	2014-15 Total	Per K-12 Student
Foundation Funding and Other Local Funds	\$101,473,464	\$215.34
Vocational Center Aid	\$8,675,634	\$18.41
Perkins Funding	\$2,931,788	\$6.22
Vocational Start-Up Grants	\$1,556,905	\$3.30
Other (e.g., state National School Lunch categorical funding, state Majority to Minority revenue, etc.)	\$5,367,061	\$11.39
Total	\$120,004,852	\$255

Transportation

TRANSPORTATION FUNDING DISTRIBUTION OPTIONS

In the past four adequacy studies, the Education Committees have 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. The four major funding sources for transportation are foundation funding, Isolated funding, Desegregation funding, and federal funding. In FY13, districts spent \$184 million statewide on transportation. 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.

While all districts receive foundation funding for transportation at the same rate—\$321.20 per student in 2015—the amount of money districts spent on student transportation varied widely from one district to the next. One district spent about \$126.80 per student on transportation (from all funding sources in 2014-15), while another spent about \$1,058.60 per student.

⁵⁹ AASIS, Vocational Center Start-Up Grants and Aid Appropriation Expenditures FY2014-15.

⁶⁰ Swicegood, M., Arkansas Department of Career Education, May 16, 2016 email.

⁶¹ Arkansas Public School Computer Network, 2014-15 expenditures in function codes 1300-1399.

In February 2016, the BLR presented potential methods of distributing transportation funding to school districts that more closely resemble districts' actual transportation costs. To examine what drives districts' transportation costs, the BLR examined a number of variables including districts' ADM, geographic 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 98% of the variation in district expenditures is explained by the variation in route miles, ADM and the number of bus riders. By itself, 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 the three variables together. The best funding distribution model uses a combination of miles, riders and ADM to determine transportation costs.

The model can be used to accurately distribute transportation funding to eligible school districts. If the General Assembly decided to provide supplemental transportation funding, the amount of money distributed could be any size chosen by the Legislature.

Section 9: Foundation Funding

A major objective of the biennial adequacy study is to determine the amount of foundation funding school districts need and how they have spent the foundation funding they have received. This section summarizes a report the BLR presented to the Education Committees in May 2016. The report, “The Resource Allocation of Foundation Funding for Arkansas School Districts and Open-Enrollment Charter Schools,” compared district expenditures of foundation funding with the funding amount provided through the matrix.

It is important to remember that while foundation funding is a major source of money for school districts, it makes up only about 57% of districts’ and charter schools’ total revenue. Because districts and charter schools, on average, receive 43% of their funding from other sources, they have some flexibility in how much foundation funding they use for each line of the matrix.

Foundation Funding

The state's system for funding public schools is made up of a base per-student amount, known as foundation funding (§ 6-20-2301 et seq.). Each district receives the foundation funding amount multiplied by its ADM. To examine a full year of funding and expenditures, the BLR examined districts’ and charter schools’ use of their 2014-15 foundation funding, which was set at \$6,521 per student that year.

Foundation Funding					
	2012-13	2013-14	2014-15	2015-16	2016-17
Per student	\$6,267	\$6,393	\$6,521	\$6,584	\$6,646

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. (In 2015-16, the number of teachers and other pupil support staff increased to 33.69.) 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.

The table below shows the number of staff and the level of resources the matrix provides for a school of 500 students. The matrix calculates the per-student funding amount necessary for each needed resource.

2014-15 Matrix			
School-Level Salaries			
	Positions	Average Salary and Benefits	Per-Pupil Amount For a School With 500 Students
Non-Administrative Staff	33.665	\$63,130	
• Classroom Teachers	24.94		\$3,148.96
• Special Education Teachers	2.9		\$366.17
• 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		\$315.67
• Librarian/Media Specialist	.825		\$104.18
• 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		\$315.72
Administrative Staff	2		
• Principal	1	\$99,012	\$198.10
• Secretary	1	\$40,031	\$80.10
School-Level Resources			
Technology			\$225.60
Instructional Materials			\$183.10
Extra Duty Funds			\$57.20
Supervisory Aides			\$56.70
Substitutes			\$66.30
District-Level Resources			
Operations and Maintenance			\$651.80
Central Office			\$430.20
Transportation			\$321.20
TOTAL			\$6,521.00

School-Level Salaries

School-level salaries include those for traditional classroom teachers, special education teachers, instructional facilitators, librarians, counselors, nurses, principals, and other health and clerical support. The matrix funds 33.665 non-administrative staff (33.69 beginning in 2015-16) and two administrative staff. Funding for the total school-level personnel group constitutes nearly 70% of the per-pupil funding contained in the matrix.

SCHOOL-LEVEL NON-ADMINISTRATIVE STAFF

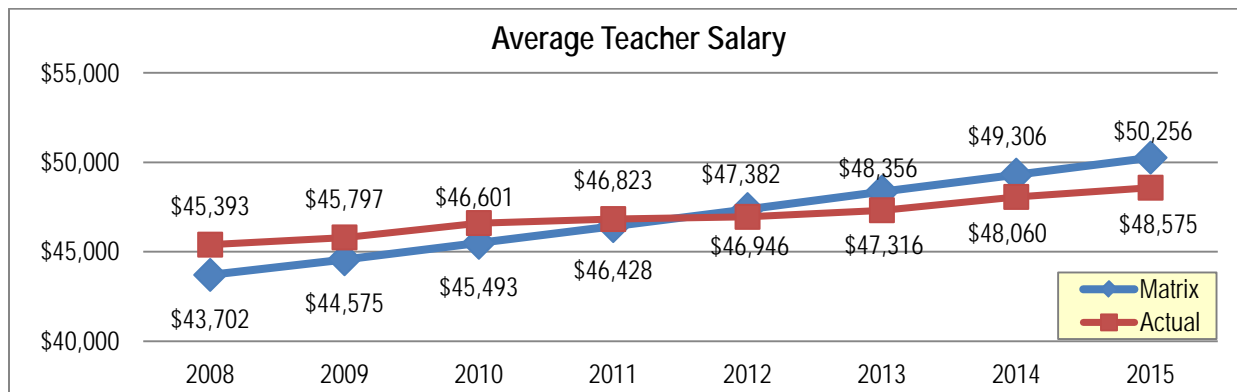
Classroom Teachers

Most of the non-administrative staff funded by the matrix are classroom teachers. There are two types of classroom teachers in the funding formula: core teachers and non-core teachers. **Core teachers** include those whose primary responsibility in lower grades is to serve as the primary classroom teacher. In higher grades, core teachers teach in one or more of four academic areas: language arts, math, science, and social studies. **Non-core teachers** include educators who teach physical education, art, or music (PAM), or other electives. The state calculates the number of non-core teachers needed at 20% of the total core academic teachers. The matrix provides 20.8 core teachers and 4.14 non-core teachers for a total of 24.94 classroom teachers. The average number of classroom teachers that districts employ with foundation funding 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 of classroom teachers per 500 students for all districts (not including charter schools). The district average includes only those teachers districts paid using foundation funds.

2014-15 Classroom Teachers Paid Using Foundation Funding			
Staff	Matrix Number	District Average per 500 Students	Difference
Classroom Teachers	24.94	24.79	.15 less than the matrix

To determine how much funding should be provided for the 24.94 teachers currently in the funding formula, the 2014-15 matrix used a base salary of \$50,256. An additional 22% of that amount is added for fringe benefits (14% for retirement and 8% for Social Security, Medicare, unemployment, and workers' compensation), plus a flat rate of \$1,818 for health insurance (\$150 for the first six months and \$153 for the remaining six months), for a total compensation package of \$63,130 per teacher position.

The following chart shows how the average teacher salary in the matrix has increased each year as the per-student foundation funding rate increased. At the same time, the actual average teacher salary stagnated over the last four years. In 2014-15 the actual average teacher salary among school districts was \$48,575, or \$1,681 below the salary provided through the matrix. (This actual average salary includes teachers paid with foundation funds as well as teachers who are paid with other state or local funding sources).



Because the per-student foundation funding rate has increased each year since it was established in 2004-05, funding for the teacher salary component of the matrix has increased as well. That means districts have actually received increasing amounts of money to support teacher salaries, even though actual teacher salaries have not increased at the same pace.

In 2014-15, the majority of districts (209 of the 236 districts operating that year) had average teacher salaries below the teacher salary in the matrix. In other words, the funding districts received exceeded the salaries they actually paid in 89% of districts in the state. Additionally, higher salaries in large districts appear to be driving the statewide average salary higher. The 10 districts (4%) with the highest teacher salary averages employ 24% of the FTE teachers in districts. (For more information on teacher salaries, see page 41.)

In 2014-15, schools statewide spent \$1.37 billion from foundation funding on classroom teachers. On a per-student basis, districts (not including open enrollment charter schools) collectively spent nearly \$230 per student less from foundation funds than the matrix provided.

2014-15 Classroom Teachers Funding and Expenditures		
Matrix Amount	Districts' Foundation Funding Expenditures Per Student	Difference
\$3,149	\$2,919 (\$3,492 from all funding sources)	\$230 less than the matrix

Special Education

All districts must provide students with disabilities access to special education services under the federal Individuals with Disabilities Education Act (IDEA). Arkansas Code § 6-41-202 establishes in state statute that it is also the state’s policy to provide a free and appropriate public education to students with disabilities. (For more information about special education, see page 35.)

The following table compares the matrix number for special education teachers with the average number for all districts (not including open enrollment charter schools). The average number of special education teachers funded by foundation funding is slightly higher than the staffing level established in the matrix.

2014-15 Special Education Teachers Paid Using Foundation Funding			
Staff	Matrix Number	District Average per 500 Students	Difference
Special Education Teachers	2.9	2.97	.07 more than the matrix

In 2014-15, districts and charter schools statewide spent \$168.6 million in foundation funding on special education teachers. On a per-student basis, districts (not including open enrollment charter schools) collectively spent just over the amount funded by the matrix.

2014-15 Special Education Teachers Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$366	\$363 (\$473 from all funding sources)	\$3 more than the matrix

Additionally, districts and charter schools spent another \$28 million on instructional aides for special education students. The current matrix does not provide funding for instructional aides, but many districts spent foundation funding for this purpose.

Instructional Facilitators and Assistant Principals

An instructional facilitator is a staff member who helps teachers plan, develop and evaluate instruction. Instructional facilitators may be referred to as “academic coaches,” “specialists” and “curriculum supervisors.” This matrix item established a staffing level of 2.5 instructional facilitators, which includes a .5 FTE assistant principal and a .5 FTE instructional facilitator with technology expertise.

The following table compares the matrix number for instructional facilitators/assistant principals with the average number for all districts. The staffing level established in the matrix for instructional facilitators/assistant principals is nearly two and a half times the actual average number of instructional facilitators/assistant principals funded by foundation funding. This does not mean districts did not employ instructional facilitators; they simply relied on other funding sources to pay for these staff members. The BLR’s Resource Allocation report indicated that districts spent considerable NSL and federal funds to hire these staff. Districts used foundation funding to cover just 10% of their total expenditures for instructional facilitators and curriculum supervisors.

2014-15 Instructional Facilitators/Assistant Principals Paid Using Foundation Funding			
Staff	Matrix Number	District Average Per 500 Students	Difference
Instructional Facilitators	2.5	1.02	1.48 less than the matrix

In 2015, schools statewide spent \$81.4 million on instructional facilitators and assistant principals. On a per-student basis, districts (not including open enrollment charter schools) spent nearly \$150 less from foundation funds on these types of school staff than is provided through the matrix.

2014-15 Instructional Facilitators Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$317	\$175 (\$376 from all funding sources)	\$142 less than the matrix

Library Media Specialists

The school library media specialist is responsible for budgeting, purchasing and maintaining an appropriate library collection for each school. As licensed teachers, librarians are also responsible for teaching students as part of special subject offerings.

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

The following table compares the matrix number for librarians with the actual average number of librarians funded by foundation funds. On average, districts have slightly more librarians than are funded in the matrix.

2014-15 Library Media Specialist Paid Using Foundation Funding			
Staff	Matrix Number	District Average Per 500 Students	Difference
Librarians	0.825	.92	.095 more than the matrix

In 2015, schools statewide spent \$56 million on library media specialists.

2014-15 Library Media Specialist Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$104	\$121 (\$134 from all funding sources)	\$17 more than the matrix

Counselors and Nurses

This line of the matrix provides guidance counselors, nurses, and other pupil support services. These positions may include speech therapists, social workers, psychologists, and family outreach workers. The matrix established a staffing level of 2.5 FTEs for counselors, nurses and other pupil support. This includes 1.11 FTEs for a counselor, a .67 FTE for a nurse and a .72 FTE for other student services. On average, districts (not including charter schools) employ more counselors using foundation funding than are funded in the matrix and fewer nurse and other pupil support positions. The following table compares the matrix number for counselors and nurses with the average number funded by foundation funds for all districts.

2014-15 Counselors and Nurses Paid Using Foundation Funding			
Staff	Matrix Number	District Average Per 500 Students	Difference
Counselors	1.11	1.15	.04 more than the matrix
Nurses	.67	.47	.20 less than the matrix
Other Pupil Support	.72	.18	.54 less than the matrix

In 2015, schools statewide spent \$122 million from foundation funds on counselors, nurses and other pupil support staff. Districts (not including open-enrollment charter schools) spent \$25 per student more than the matrix provided for counselors and roughly \$40 less per student for nurses and for other pupil support. However, districts had other sources of funds to pay for nurses and other pupil support. Districts used foundation funds to cover just over half of the cost of nurses and about a third of the cost of other pupil support services.

2014-15 Counselors and Nurses Funding and Expenditures			
	Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
Counselors	\$140	\$165 (\$195 from all funding sources)	\$25 more than the matrix
Nurses	\$85	\$45 (\$87 from all funding sources)	\$40 less than the matrix
Other Pupil Support	\$91	\$51 (\$145 from all funding sources)	\$40 less than the matrix

SCHOOL-LEVEL ADMINISTRATIVE STAFF

The matrix provided funding for two people to provide school-level administrative support: a principal and a school-level secretary.

Principals

Principals must provide the operational management and instructional leadership to ensure schools run smoothly and to improve student achievement. State accreditation 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 (15.02). The matrix established staffing for principals at a level of one per 500 students.

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

2014-15 Principals			
Staff	Matrix Number	District Average Per 500 Students	Difference
Principals	1	1	No difference

In 2015, schools statewide spent \$93.2 million in foundation funding on principals. On average, districts (not including open-enrollment charter schools) spent about the same amount per student as the matrix provided.

2014-15 Principals Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$198	\$198 (\$220 from all funding sources)	No difference

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. The duties of school clerical personnel include record-keeping, answering phones, managing the office, and serving as a liaison to parents. The matrix established staffing for clerical support at a level of one secretary position per 500 students.

In 2015, schools statewide spent \$57.4 million on school secretaries. On average, districts spent \$40 more foundation funding per student than the matrix provided.

2014-15 School Secretaries Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$80	\$120 (\$135 from all funding sources)	\$40 more than the matrix

School-Level Resources

In addition to staffing, schools need a variety of other types of resources. The school-level resources in the matrix include five general categories: technology equipment and related services, instructional materials, extra duty funds, supervisory aides, and substitute teachers.

TECHNOLOGY

The technology line of the matrix provides funding for four general categories:

1. Computers
2. Operating systems and other non-instructional software
3. Printers, copiers, and network equipment
4. Instructional software and additional hardware

Technology staff are funded through 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 2014-15, districts and charter schools collectively spent \$44.2 million from foundation funds on technology. However, districts (not including charter schools) used other types of funding to pay for most of their technology needs. In FY2015, districts used foundation funding to pay for less than a third of their overall technology needs. As a result, districts spent only about 40% of the foundation funds they received for technology on technology-related needs.

2014-15 Technology Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$226	\$90 (\$292 from all funding sources)	\$136 less than the matrix

INSTRUCTIONAL MATERIALS

Instructional materials are the books and other supplies needed for classes and educational research. The matrix provides funding for instructional materials, which include 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 requires districts to “provide instructional materials, including the availability of any equipment needed to access the instructional materials,” for all K-12 students in the state at no cost to the student (§ 6-21-403). The state accreditation standards also require school districts to “adopt instructional materials which provide complete coverage of a subject as described in that subject’s curriculum frameworks and which fit the achievement levels of the students assigned to each teacher.” State standards do not require specific levels of consumable pedagogical aides, but some state and federal requirements necessitate their purchase, particularly in science. For high school science courses, state accreditation standards require “active student participation in laboratory experience...for a minimum of 20% of instructional time.” For school libraries, state standards require a minimum of 3,000 volumes or eight books per student, whichever number is larger.

In 2015, districts and charter schools collectively spent \$55 million from foundation funding on instructional materials. On average, districts (not including charter schools) spent about \$78 per student less than the matrix provides.

2014-15 Instructional Materials Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$183	\$105 (\$217 from all funding sources)	\$78 less than the matrix

EXTRA DUTY FUNDS

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

In 2015, districts and charter schools collectively spent \$88.6 million from foundation funds on extra duty pay. On average, districts (not including charter schools) spent \$134 more foundation funding on extra duty than the amount provided by the matrix.

2014-15 Extra Duty Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$57	\$191 (\$206 from all funding sources)	\$134 more than the matrix

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. Funding was provided in the matrix for supervisory aides because state law prohibits districts from assigning teachers to more than 60 minutes of “non-instructional duties” per week without paying them additional money (§ 6-17-117). However, districts typically exhaust teachers’ 60 minutes for supervisory duties before spending additional funds for this service. As a result, districts are spending considerably less for supervisory aides than the amount funded by the matrix. In FY2014-15, districts and charter schools collectively spent \$5.6 million from foundation funds on supervisory aides.

2014-15 Supervisory Aides Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$57	\$12 (\$13 from all funding sources)	\$45 less than the matrix

SUBSTITUTES

In 2015, districts and charter schools collectively spent \$38.3 million from foundation funds on teacher substitute pay. Districts (not including charter schools) spent about \$16 more per student than the amount provided by the matrix. The following table shows the per-student expenditures for 2014-15.

2014-15 Substitutes Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$66	\$82 (\$98 from all funding sources)	\$16 more than the matrix

District-Level Resources

District-level resource expenditures include operations and maintenance, central office expenses, and district transportation expenses.

OPERATIONS AND MAINTENANCE

The operations and maintenance line of the matrix (O&M) includes the staff and other resources necessary to maintain school facilities and grounds and keep school buildings clean, heated, and cooled. Act 1426 of 2005 requires districts to spend at least 9% of their foundation funding on utilities, custodial, maintenance, repair, and renovation activities and related personnel costs. The state has no required minimum staffing level for operations and maintenance personnel, but the state’s Public School Facilities, Maintenance, Repair and Renovation Manual, maintained by the Division of Public School Academic Facilities and Transportation (Facilities Division), provides staffing recommendations for custodians, groundskeepers, and maintenance personnel. According to data provided by the Facilities Division, districts are, on average, slightly understaffed for custodians and slightly overstaffed on maintenance staff. The Facilities Division does not have data on grounds staff.

In FY2014-15, districts and charter schools collectively spent \$390.8 million from foundation funds on operations and maintenance. Districts (not including charter schools) spent considerably more on operations and maintenance than the funding amount provided by the matrix.

2014-15 Operations and Maintenance Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$652	\$826 (\$990 from all funding sources)	\$174 more than the matrix

CENTRAL OFFICE

The matrix provides funding for district-level administrative expenses including the salaries and benefits of the superintendent, as well as administration personnel (legal, fiscal, human resources, communications, etc.), district instructional and pupil support directors, and clerical staff. The central office line of the matrix also provides funding for activities of the local school board.

In 2014-15, districts and charter schools collectively spent \$171.7 million from foundation funds on expenses that have been attributed to the central office. Districts spent less foundation funding on central office needs than was funded in the matrix.

2014-15 Central Office Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$430	\$356 (\$490 from all funding sources)	\$74 less than the matrix

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. The transportation line of the matrix does not include expenditures for athletic or activity transportation.

In FY2014-15, districts and charter schools collectively spent \$144.5 million from foundation funds on transportation expenses. Districts (not including charter schools) spent about \$10 per student less foundation funding on transportation than they were provided through the matrix.

2014-15 Transportation Funding and Expenditures		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$321	\$311 (\$393 from all funding sources)	\$10 less than the matrix

See page 60 for additional review of transportation costs.

NON-MATRIX ITEMS

Districts use foundation funding for purposes not included in the matrix and not specifically noted as being essential for educational adequacy. The category “non-matrix items” includes a variety of items that have not been assigned to a specific matrix line item in this analysis. It is important to note that foundation funding is unrestricted, and districts are free to use it however best fits their needs. Spending foundation funding on non-matrix items should not be considered necessarily problematic or incorrect. In some cases, expenditures were placed in this category simply because they did not fit with a specific component of the matrix.

In FY2014-15, districts and charter schools collectively spent \$163.6 million from foundation funds on expenses not attributable to a matrix line item. This equates to approximately \$347 per student. The expenditure per student for all students equates to 5.3% of the overall matrix.

Description	Expenditures or other uses from foundation funds	Expenditures or other uses from foundation funds per pupil
Athletic supplies and transportation	\$22,956,601	\$48.72
Activity supplies and transportation	\$3,044,528	\$6.46
Supplies and objects other than salaries and benefits in instruction and instructional support not otherwise classified as instructional materials, technology, etc.	\$29,775,023	\$63.19
Other classified instructional personnel for programs outside regular school programs, including preschool, summer school, homebound instruction, and selected instructional program coordinators	\$11,500,649	\$24.41
Classified guidance services	\$3,661,378	\$7.77
Instructional aides	\$62,083,433	\$131.75
Classified library support	\$4,102,883	\$8.71
Supplies and materials for counselors, nurses, and other student support services	\$3,739,511	\$7.94
Pre-school	\$749,968	\$1.59
Food service	\$604,239	\$1.28
Community outreach	\$57,545	\$0.12
Other financing uses such as bonded indebtedness not accounted for in the debt service fund and indirect costs	\$686,649	\$1.46
Non-technology related facilities construction and site improvement	\$8,998,015	\$19.09
Other miscellaneous items	\$11,621,255	\$24.66
Total other non-matrix items	\$163,581,678	\$347.14

2014-15 Expenditures for Other Non-Matrix Items		
Matrix Amount	District Foundation Funding Expenditures Per Student	Difference
\$0.00	\$347	\$347 more than the matrix

Summary of Foundation Funding Staffing and Expenditures

The variety of needs for different districts and their individual student characteristics make it unlikely each matrix line item's funding will fit all schools equally well, which is why districts are not required to spend according to the levels established in the matrix. This study reviewed each line of the matrix in an effort to identify how districts are using these resources. The following charts compare the way districts of different sizes, poverty levels, and achievement levels use foundation funding to address the needs of their students.

Districts and Open-Enrollment Charter Schools

	Matrix	Traditional Districts	Charter Schools
Classroom Teachers	\$3,148.96	\$2,919.02	\$2,458.05
Special Education Teachers	\$366.17	\$362.80	\$132.73
Instructional Facilitators	\$315.67	\$174.53	\$86.55
Library Media Specialists	\$104.18	\$121.41	\$6.30
Counselors and Nurses	\$315.72	\$261.18	\$154.72
Principal	\$198.10	\$198.37	\$173.83
School-level Secretary	\$80.10	\$119.86	\$210.38
Technology	\$225.60	\$89.98	\$266.17
Instructional Materials	\$183.10	\$105.32	\$637.48
Extra Duty Funds	\$57.20	\$191.30	\$41.50
Supervisory Aides	\$56.70	\$11.92	\$6.84
Substitutes	\$66.30	\$81.59	\$63.84
Central Office	\$430.20	\$356.36	\$728.82
Transportation	\$321.20	\$311.39	\$94.95
Operations & Maintenance	\$651.80	\$826.11	\$969.15
Other Non-Matrix Items	\$0	\$346.59	\$371.73
TOTAL	\$6,521		

District Size

District Size	Matrix	Small (750 or less)	Medium (751 to 5000)	Large (over 5000)
Classroom Teachers	\$3,148.96	\$2,836.68	\$2,879.67	\$2,996.26
Special Education Teachers	\$366.17	\$271.81	\$335.69	\$424.75
Instructional Facilitators	\$315.67	\$51.32	\$152.23	\$237.84
Library Media Specialists	\$104.18	\$144.58	\$124.23	\$111.48
Counselors and Nurses	\$315.72	\$228.52	\$233.90	\$308.48
Principal	\$198.10	\$273.88	\$207.19	\$166.51
School-level Secretary	\$80.10	\$114.39	\$114.26	\$129.26
Technology	\$225.60	\$68.76	\$96.71	\$85.77
Instructional Materials	\$183.10	\$111.67	\$115.61	\$89.01
Extra Duty Funds	\$57.20	\$191.68	\$225.72	\$142.02
Supervisory Aides	\$56.70	\$8.50	\$8.99	\$16.97
Substitutes	\$66.30	\$83.15	\$79.81	\$83.73
Central Office	\$430.20	\$520.51	\$375.25	\$287.47
Transportation	\$321.20	\$338.60	\$320.74	\$291.11
Operations & Maintenance	\$651.80	\$916.86	\$838.78	\$784.86
Other Non-Matrix Items	\$0	\$329.05	\$353.03	\$341.86
TOTAL	\$6,521			

Poverty Level

	Matrix	Low (< 70%)	Medium (70%-90%)	High (90% or more)
Classroom Teachers	\$3,148.96	\$2,982.00	\$2,808.72	\$2,551.19
Special Education Teachers	\$366.17	\$373.22	\$345.58	\$281.73
Instructional Facilitators	\$315.67	\$172.52	\$184.11	\$67.33
Library Media Specialists	\$104.18	\$118.71	\$126.78	\$124.67
Counselors and Nurses	\$315.72	\$261.06	\$265.02	\$190.51
Principal	\$198.10	\$191.39	\$211.64	\$218.85
School-level Secretary	\$80.10	\$115.42	\$129.60	\$106.94
Technology	\$225.60	\$96.73	\$75.94	\$93.86
Instructional Materials	\$183.10	\$110.66	\$95.95	\$74.63
Extra Duty Funds	\$57.20	\$201.58	\$172.26	\$151.42
Supervisory Aides	\$56.70	\$11.26	\$13.86	\$0.24
Substitutes	\$66.30	\$79.17	\$85.20	\$108.07
Central Office	\$430.20	\$328.37	\$400.30	\$619.60
Transportation	\$321.20	\$310.33	\$314.31	\$296.96
Operations & Maintenance	\$651.80	\$792.68	\$879.22	\$1,128.77
Other Non-Matrix Items	\$0	\$347.77	\$346.55	\$299.88
TOTAL	\$6,521			

Student Achievement

	Matrix	Top Quartile	2nd Quartile	3rd Quartile	4th Quartile
Classroom Teachers	\$3,148.96	\$3,033.04	\$2,939.09	\$2,806.31	\$2,802.23
Special Education Teachers	\$366.17	\$401.96	\$363.15	\$307.51	\$354.81
Instructional Facilitators	\$315.67	\$189.11	\$184.19	\$160.51	\$146.70
Library Media Specialists	\$104.18	\$116.64	\$126.73	\$117.87	\$125.86
Counselors and Nurses	\$315.72	\$271.97	\$257.56	\$263.04	\$244.14
Principal	\$198.10	\$176.36	\$201.97	\$209.40	\$221.40
School-level Secretary	\$80.10	\$111.66	\$131.32	\$119.28	\$116.58
Technology	\$225.60	\$98.65	\$92.45	\$85.98	\$74.16
Instructional Materials	\$183.10	108.93	\$113.10	\$105.36	\$84.63
Extra Duty Funds	\$57.20	\$192.01	\$176.09	\$215.93	\$185.73
Supervisory Aides	\$56.70	\$12.97	\$13.45	\$10.90	\$8.45
Substitutes	\$66.30	\$77.88	\$77.17	\$89.49	\$86.70
Central Office	\$430.20	\$312.37	\$338.68	\$372.50	\$453.09
Transportation	\$321.20	\$290.04	\$299.55	\$362.68	\$309.78
Operations & Maintenance	\$651.80	\$752.10	\$854.34	\$859.58	\$879.66
Other Non-Matrix Items	\$0	\$361.94	\$320.04	\$384.95	\$315.10
TOTAL	\$6,521				

SUMMARY OF FOUNDATION FUNDING USE

Foundation funding is considered unrestricted funding, meaning districts and charter schools can spend this money in whatever way best fits their needs. The matrix is designed to determine the amount of funding needed to cover the necessary components of an adequate education. Districts and charter schools are not required to mirror their spending patterns on the funding levels in the matrix formula. However, a major objective of the biennial Adequacy Study is to examine how schools have spent the foundation funding they have received to ensure that funding levels adequately meet their needs. This report describes the amount of foundation funding provided to districts for each component of the matrix and the way districts have spent those funds. It is important to remember that while foundation funding is a major source of funding for school districts, it makes up only about 57% of districts' total funding. Because school districts, on average, receive 43% of their funding from other sources, they have a variety of options for funding decisions on each line of the matrix.

Districts' actual foundation funding expenditures in 2014-15 tracked fairly closely with the intent of the matrix in some areas and less well in other areas. Average per-student spending in four areas closely matched the matrix amounts: special education teachers, principals, and transportation.

Districts generally **spent less foundation funding** than they were provided for **classroom teachers, instructional facilitators** (including assistant principals and technology assistants), **school nurses, student support services, technology and supervisory aides**, regardless of district size, poverty level or student achievement. For most of those items, districts may have spent less foundation funding, in part, because they had other types of funding they could use to make those purchases. However, when considering total spending from all funding sources, districts generally did not spend even the matrix level for supervisory aides.

Districts also tended to **spend more foundation funding** than they were provided on **librarians, guidance counselors, school secretaries, extra duty stipends, substitutes, and operations and maintenance**. The two areas in which districts spent the most foundation funding above what the matrix provided were operations and maintenance and extra duty funds.

Foundation funding was the source of revenue districts and charter schools used for at least 70% of most items in the matrix. However, districts use significant amounts of other types of funding to pay for other items in the matrix. Components of the matrix where districts used other types of funding to cover more than 30% of all costs included instructional facilitators, school nurses, student support services, technology, and instructional materials.

Most of the school-level staffing in the 2014-15 matrix was based on a base salary of \$50,256. However, in practice some types of school-level staff are paid an average salary above that amount, while others are paid less. School nurses were paid about \$15,000 less than the salary funded in the matrix in 2014-15. Salaries for classroom teachers and special education teachers were also slightly under the salary provided in the matrix. Assistant principals, instructional facilitators, guidance counselors and library media specialists are paid more, on average, than the salary funded in the matrix. The matrix funded principals in 2014-15 with a base salary of \$79,667. The actual average salary of principals is just under that amount.

Charter schools spent less foundation funding than they were provided for every school staff component except school secretaries, where they spent 2.5 times more than the matrix amount. Charter schools also spent less than the matrix provides in extra duty funds, supervisory aides, substitutes, and transportation. Charter schools spent more foundation funding per student in areas that were generally less staff-related, including technology, instructional materials, operations and maintenance, and central office.

When analyzed by district size, **large districts spent more foundation funding** per student than small districts on school-staff related items, including:

- Classroom teachers
- Special education teachers
- Instructional facilitators
- Counselors
- Student support services

Small districts spent more foundation funding per student on administrative staff and district-level items including:

- Librarians
- Principals
- O&M
- Central Office
- Transportation

When analyzed by poverty level, **low-poverty districts spent more** foundation funding per student than high-poverty districts on:

- Classroom teachers
- Special education teachers
- Counselors
- Instructional materials
- Extra duty funds

High-poverty districts spent more foundation funding per student on:

- Principals
- Substitutes
- O&M
- Central office

This report also compared Arkansas's staffing and expenditures to that of other states in areas where reliable data were available. Arkansas **ranked high** in the **staffing levels for student support services (health services, speech pathology, etc.), library staff and district clerical staff**. The state ranked more in the middle of the pack in guidance counselors, school administrative support, instructional coordinators, and district administrators. In terms of expenditures, Arkansas **ranked high** in its **spending level per student for instructional materials**. The state ranked more in the middle of states in spending for district administrators, operations and maintenance, and instructional staff. The state **ranked among the bottom ten states in spending for special education teachers**.

Section 10: 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 high-need student populations.

These groups include:

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

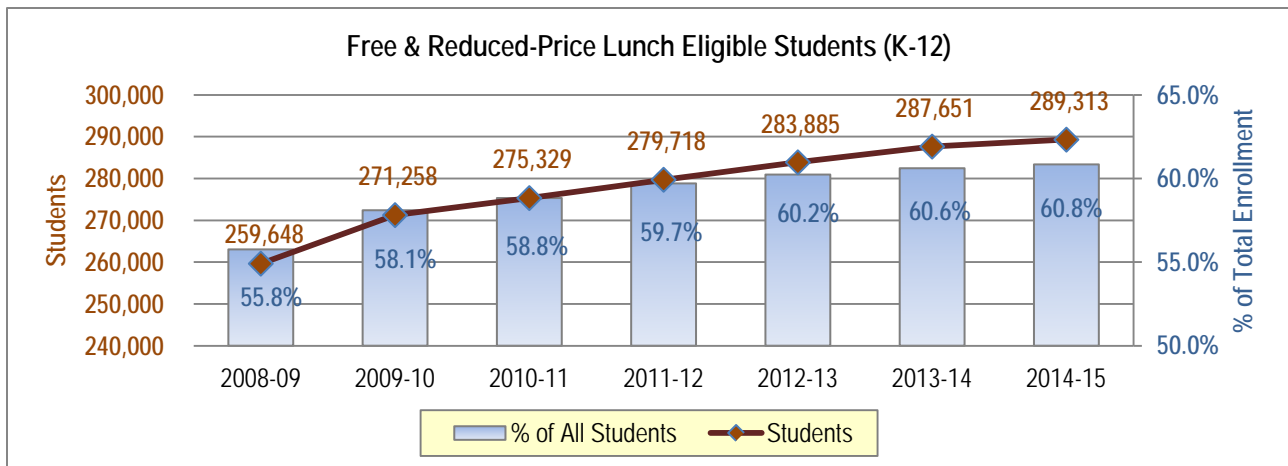
The fourth categorical fund type benefits students through the provision of professional development training for teachers and other educators. A common aspect of all four categorical funding programs is that spending is restricted to the specific program for which funding is intended.

Reports on these categorical funding programs were presented to the Senate and House Education Committees in September (National School Lunch) and October (English Language Learners) 2015, and in March 2016 (Professional Development and Alternative Learning Environments).

National School Lunch Act

National School Lunch (NSL) funding is state money provided to school districts and open enrollment charter schools to address the educational challenges associated with high concentrations of poverty. This state categorical funding should not be confused with the federal National School Lunch Act. The state categorical funding is called NSL because it uses the federal National School Lunch Act eligibility classification to determine funding levels. According to the federal program rules, children from families with incomes below 130 percent of the poverty level are eligible for free meals, and those with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals.

Nearly 290,000 of the roughly 475,000 students enrolled in the state’s school districts and open-enrollment charter schools, or about 61%, are eligible for free or reduced price lunch in the 2014-15 school year. The following chart indicates that both the number and the percentage of NSL students have been increasing annually over the last six years.



Source: Arkansas Department of Education, Annual Oct. Enrollment Data. Data does not include Arkansas School for the Blind, Arkansas School for the Deaf or Arkansas Division of Youth Services.

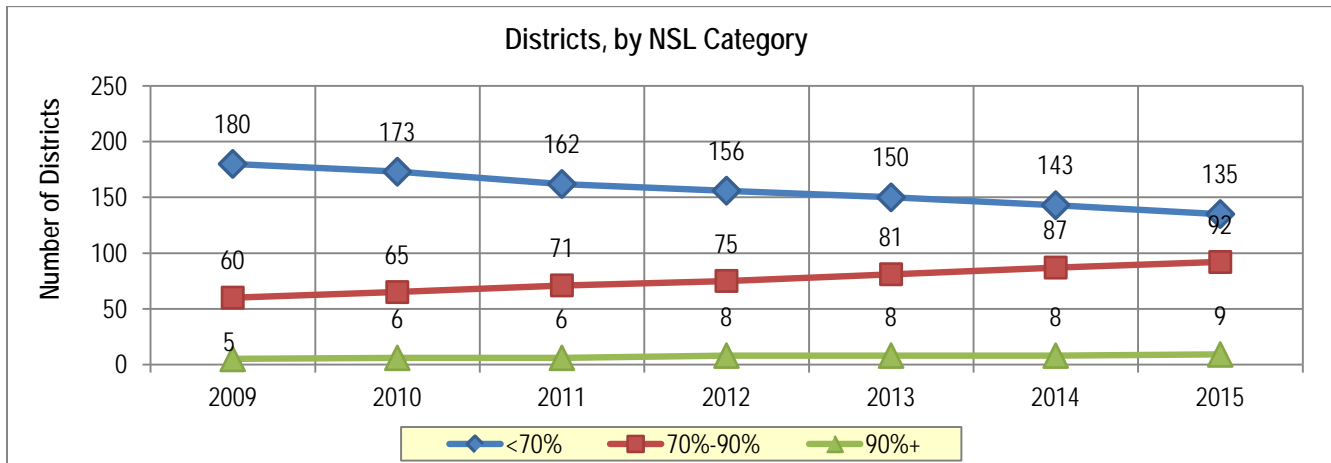
In 2014-15, about 51.5% of all students were eligible for free lunches, while 9.3% were eligible for reduced-price lunches. About 39% of students were ineligible for free or reduced-price lunches. Over the last six years, the number of free lunch students has been increasing, while the number of students who are not eligible for either free or reduced-price lunches has been decreasing.

NSL FUNDING DISTRIBUTION

As shown in the table, a district’s percentage of students who are eligible for free or reduced price lunches determines the state NSL funding rate. Fifty-seven percent of the districts are funded at the lowest NSL rate, 39% at the middle rate, and about 4% at the highest rate.

% NSL Students	FY15 Funding Rate	Districts
< 70%	\$517	135
70% - 90%	\$1,033	92
90% >	\$1,549	9

The following chart shows the pattern of districts over seven years according to percentage of NSL students. It indicates that the number of districts below 70% has declined each of the seven years, while the number between 70%-90% has risen.



Source: Arkansas Department of Education, State Aid Notice. The data represent the funding rates that districts received each year based on prior year enrollment counts. For example, 2015 represents the enrollment data collected in Oct. 2013 of the 2013-14 school year and used to calculate NSL funding distribution for the 2014-15 school year.

NSL growth funding: Because NSL funding is based on the prior year’s enrollment data, a provision (Act 2283 of 2005) was created to provide additional NSL funding for districts that have experienced significant growth. ADE rules established that districts qualify for the funding if their enrollment has increased at least 1% each of the last three years (Student Special Needs Funding Rules 6.03.2). (This funding is separate from student growth funding. See page 86.) A total of \$707,259 in NSL growth funding was provided to 15 districts in FY2014-15. Three open-enrollment charters received a total of \$277,081 in NSL growth funding in FY2014-15.

NSL transitional adjustments: Districts with NSL percentages that are close to the funding rate break points (for example, 69%-70% and 89%-90%) can easily shift between rates from one year to the next, resulting in significant gains or losses. To ease the transition from one rate to another, Act 811 of 2007 created a provision that allows districts moving from a higher or lower funding rate to receive adjustments over a three-year period. This ensures that districts shift to a higher or lower rate gradually, rather than in a single year.

In 2014-15, 22 districts received a transitional adjustment. Of those, only one shifted to a lower rate, while 21 shifted to a higher rate. Transitional adjustments for school districts collectively reduced their total NSL funding by \$5.4 million. Two open enrollment charter schools also received transitional adjustments totaling \$65,852.

TOTAL NSL FUNDING FOR 2014-15

When NSL growth funding is added and transitional adjustments are applied, the NSL funding districts and charter schools received in 2014-15 totaled nearly \$210 million.

FY2015	Districts	Charters
NSL Funding (with NSL Transitional Adjustment)	\$205,633,809	\$3,366,160
NSL Growth	\$707,259	\$277,081
Total	\$206,341,068	\$3,642,241

Total NSL funding for districts increased nearly 32% between 2009 and 2015. For comparison, the total amount of foundation funding provided to districts increased 13% for the same time period. Total NSL funding has increased substantially for open enrollment charter schools as well. In 2008-09, only 12 of the 17 charter schools operating at the time received NSL funding. The 12 schools received a total of a little over \$1 million. In 2014-15, 16 of the 18 open-enrollment charter schools in operation received NSL funding. These schools received a total of \$3.6 million, more than triple the funding provided in 2009.

NSL FUNDING USES

Based on recommendations by consultants, Odden and Picus, the Arkansas General Assembly introduced NSL state during the Second Extraordinary Session of 2003, with the first appropriation for the 2004-05 school year. These consultants argued that districts with high concentrations of poverty need additional resources and, they recommended the state provide additional funding for two purposes: teacher tutors and pupil support personnel. In 2003, they noted that, for struggling students, “the most powerful and effective strategy is individual one-to-one tutoring provided by licensed teachers” (p. 25). They also stated that districts need to provide student support and family outreach based on their level of poverty.⁶²

Based on this advice, NSL funding was created as a categorical program, where the money can be spent only on certain approved uses. The following table shows how districts spent the majority of their NSL dollars. Of all district expenditures made using NSL funds, about 67% was spent on the items listed in the table below. Districts spent only about 1.9% of their NSL expenditures on the tutors deemed critical by the consultants.

Use	FY 2014 % of All NSL Expenses
Instructional facilitators	21.0%
School improvement plan, scholastic audit, etc.	12.4%
Transfers to other funds	10.5%
Teacher aides	9.4%
Other ADE approved activities	14.4%

⁶² Odden, A., Picus, L. O., Fermanich (2003). *An Evidence-based Approach to School Finance Adequacy in Arkansas. Final Report*, September 1, 2003.

In 2013-14, districts received nearly \$199 million in NSL funding (including NSL transitional adjustments and NSL growth funding), and collectively they spent about \$199 million, including \$21 million that districts transferred from NSL funds to other categorical funding programs. NSL funding can be carried over from one year to the next, allowing districts to spend more than they received if they have balances from previous years.

FY2014		
	NSL Funding Received	NSL Expenditures
Districts	\$198,972,119	\$199,454,122
Charters	\$3,331,118	\$3,142,887

NSL FUND BALANCES

Because districts are allowed to carry over unspent NSL funds from one year to the next, they frequently end the year with NSL fund balances. Collectively districts had \$17.30 million in NSL fund balances, while open enrollment charter schools had \$259,917. Since the 2010-11 school years, more districts are carrying fund balances, but individual districts are carrying smaller balances.

	Total NSL Fund Balance	Districts
2010-11	\$26.65 million	213
2011-12	\$21.68 million	212
2012-13	\$18.36 million	222
2013-14	\$17.30 million	225

Act 1220 of the 2011 Regular Session (A.C.A. § 6-20-2305) requires districts to spend at least 85% of the total NSL allocation they receive each year. At the end of the year, districts with NSL fund balances above 15% of their current year allocation are required to reduce their balance by at least 10% each year until their balance is within 15% of the year’s allocation. If a district fails to comply, ADE may withhold a portion of the district’s NSL funding in the following year. The law also allows ADE to redistribute to other districts any funding it withholds.

Eleven districts were unable to adequately spend down their NSL fund balances in 2012-13, and ADE withheld the following amounts from their NSL funding in 2013-14.

District	Amount Withheld
Helena West-Helena	\$926,998
South Mississippi County	\$106,527
Hughes	\$21,395
Cleveland County	\$16,018
Stephens	\$11,611
Des Arc	\$7,448
Marvell	\$5,968
Booneville	\$4,304
Cutter-Morning Star	\$3,511
Kirby	\$1,744
Riverside	\$151
Charter Schools	Amount Withheld
Benton County School of Arts	\$28,869
LISA Academy	\$6,789
SIA Tech	\$1,623

Alternative Learning Environments

An **Alternative Learning Environment (ALE)** is a program that “seeks to eliminate barriers to learning for any student whose academic and social progress is negatively affected by the student’s personal characteristics or situation” (§ 6-48-101(1)(A)(i)). The programs are meant to provide a different learning environment for students who have trouble learning in the traditional classroom. ALE programs are based on the premise that all students can learn if provided with a non-punitive environment that is conducive to learning. ALEs offer smaller class sizes, individualized or specialized instruction, and additional services integrated into the academic atmosphere.

Arkansas law requires every school district to offer an ALE program for all students who qualify (§ 6-48-102(a)(1)). In 2014-15, there were 468 ALE programs operating in the 236 school districts. Districts may provide ALE programs in a separate classroom in a traditional school or as a separate stand-alone facility.

Open enrollment charter schools do not have formal ALE programs and most have waivers from the statutory requirements for ALE as part of their approved charter. Thirteen of the 18 charter schools operating in 2014-15 requested and received waivers from the ALE statutes. That does not mean that these schools are not providing services that might otherwise be considered alternative learning programs. In fact, several open-enrollment charter schools operate with a school mission to serve at-risk students and provide dropout recovery programs, services that would be part of any ALE program in a traditional public school.

ALE ELIGIBILITY

In Arkansas, state statute does not specify eligibility criteria for students’ placement in an ALE program. Instead it requires ADE to develop criteria for identifying students for ALE programs (§ 6-48-104(a)(1)(B)). According to ADE Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds (4.02), students may be placed in ALE if they are exhibiting or experiencing at least two of the following:

- Ongoing, persistent lack of attaining proficiency levels in literacy and math (*Students cannot be placed in an ALE program for 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

Students may be placed in ALE only with the referral of an Alternative Education Placement Team. Students’ placement in an ALE is not intended to be permanent, and state law prohibits its use as a punitive measure (§ 6-48-103(b)(2)).

NUMBER OF ALE STUDENTS

School districts reported having nearly 5,500 ALE full-time equivalent (FTE) students in 2014-15. ALE FTE students consistently make up about 1% of all students. None of the open-enrollment charter schools have reported any ALE FTEs. ALE programs typically have higher proportions of male students and minority students than exist in the total student population. In 2014-15, ALE programs reported being comprised of 44% minority students and 65.8% male students, compared with the total student population, which is 37% minority and 51.3% male.

Most ALE students in Arkansas (70%) were in high school in 2015 (7,649 students in grades 9-12), while 1,607 students, or 14%, were in elementary school (grades K-6), leaving 1,709, or 16%, in middle school. Arkansas is one of 13 states that have ALE in elementary school and one of 22 states that have it in middle school.

ALE FUNDING

Because ALE students need intensive services, the state provides districts with funding to serve these students in addition to foundation funding. ALE funding is provided to districts for students who have been in an ALE program for at least 20 consecutive days, and students are counted on a full-time equivalency basis. An FTE student is one who has spent the entire day (6 hours) in the ALE program for the entire year. A .5 FTE student may have spent all day in ALE for half of the year or half of the day for the entire year. To calculate ALE funding for the current year, districts count ALE FTE students in the prior year.

ALE funding is not intended to cover the full cost of ALE programs. The funding was designed to enhance the foundation funding districts receive for these students and allow districts to provide more intensive services for their additional educational needs. In the current school year, each ALE FTE student generated \$4,471 in ALE funding and \$6,584 in foundation funding for a total of \$11,055 per student. Additionally, students who are eligible for free or reduced price lunch also generate another \$522, \$1,042 or \$1,562 per student in NSL state categorical funding, depending on the percentage of low income students in the district. Districts often use other categorical funding to supplement their ALE programs by transferring it into their ALE fund. Most of the categorical funds transferred to ALE are NSL dollars, but districts also transfer small amounts of ELL and PD funds to support their ALE programs. Districts transferred \$16.4 million from NSL funds to ALE in 2013, \$14.5 million in 2014 and \$13.5 million in 2015. Districts also transferred to ALE between \$300,000 and \$900,000 each year from other categorical funds.

	Total ALE Categorical Funding Provided by Statute	NSL, ELL and PD Transfers to ALE	Total Funding Available as ALE Categorical Funds*
2012-13	\$22,950,771	\$16,891,631	\$39,842,402
2013-14	\$22,109,450	\$15,378,267	\$37,487,717
2014-15	\$23,961,251	\$13,846,111	\$37,807,362

*Total available funding does not include districts' existing fund balances that may be carried over from one year to the next.

ALE EXPENDITURES

The following table shows the expenditures districts made for all ALE programs and services from ALE funds, transfers from other categorical and foundational funding, and any other funding spent on ALE programs. In 2014-15, ALE programs were funded at a rate of \$4,383 per FTE student, and districts spent a total of \$10,467 per student on these programs.

	Total Expenditures From ALE Categorical Funds*	Total Expenditures on ALE Programs Using Funding Other Than ALE Categorical Funds	Total Expenditures on ALE Programs**
2012-13	\$39,923,626	\$16,287,361	\$56,210,987
2013-14	\$37,206,494	\$19,181,526	\$56,388,020
2014-15	\$37,964,576	\$19,261,042	\$57,225,618

English Language Learners

English language learner (ELL) funding is state categorical funding that supports students who are not proficient in the English language. The process of identifying an ELL student starts with administering a home language survey to parents and guardians. A district's English speakers of other languages coordinator reviews survey responses to identify potential English language learners. Students identified are then given a placement test to determine if they are not fully fluent in English and should be placed in an ELL program.

Each ELL student is assigned a group of educators – language placement and assessment (LPAC) – that monitors the student's progress toward English language proficiency. The LPAC evaluates classroom performance, language-specific assessment results, and achievement testing. ELL programs are designed and administered by the district. While program components and delivery vary across districts, ELL teachers must be certified and have an ESL endorsement added to their licenses.

Districts are not required by statute or ADE rules to employ an ESL teacher or coordinator, but they must provide any identified ELL student with instruction that is in compliance with Title VI of the Civil Rights Act of 1964.

According to ADE, there were 37,330 ELL students in the state's public school districts and an additional 248 ELL students in open enrollment charter schools. Data retrieved from ADE's State Aid Notice indicate ELL enrollment has increased by roughly 85 percent since 2006. This mirrors similar growth in the overall Spanish-speaking population in Arkansas.⁵

The most widely spoken languages for ELL students in school year 2014-2015 are: 1) Spanish (32,293 or 86%), Marshallese (2,344 or 6.2%), Vietnamese (499 or 1.3%), Laotian (378 or 1%), and Hmong (291 or 0.8%).

ELL FUNDING

ELL funding, unlike categorical funding for NSL and ALE, is based on the number of ELL students in the *current* school year. In 2015, 152 districts and nine open-enrollment charter schools received \$317 per ELL student (§ 6-20-2305), or about \$11.9 million. In addition, districts in 2014-15 transferred about \$3.9 million from other categorical funds, the majority (about \$3.7 million) of which was transferred from NSL funds.

ELL EXPENDITURES

District and open-enrollment charter school expenditures of ELL funds for FY2014-15, including expenditures of funds transferred to ELL, totaled about \$15.9 million or \$425 per student. Thus, on average, districts spent roughly 134 percent of the ELL categorical funding they originally received for that purpose. Funds transferred from other categorical funding into ELL allow districts to spend more than the money provided for ELL in a given year. The following table shows ELL state funding levels as well as ELL district and open-enrollment charter school expenditures for three fiscal years.

FY 2014-15	Total ELL Categorical Fund Expenditures	Per Student ELL Funding	Per-Student ELL Expenditures
2012-2013	\$14,847,413	\$305	\$431
2013-2014	\$14,895,274	\$311	\$420
2014-2015	\$15,997,816	\$317	\$425

Professional Development

According to the ADE Rules Governing **Professional Development**, “The purpose of professional development is to improve knowledge and skills in order to facilitate individual, team, school-wide, and district-wide improvement designed to ensure that all students demonstrate proficiency on the state academic standards” (2.02). Under state law, districts are required to develop a professional development plan that spells out the PD activities for the district. Teachers, administrators and classified employees must be involved in the design, implementation and evaluation of the PD offerings (§ 6-17-704(c)(2)(A)). Additionally, every educator is required to develop a professional growth plan that identifies PD the educator will obtain during the year based on identified needs (§ 6-17-2806(a)).

Landmark meta-analyses and systematic narrative reviews have shown that effective PD programs enhance knowledge and skills of teachers and administrators associated with achievement gains of students.⁶³ Research indicates that the most effective means of professional learning involves job-embedded modeling, coaching, classroom observation and feedback, collegial collaboration, and teamwork. Regular grade-level and content-specific team meetings are essential to targeted knowledge and skill acquisition.

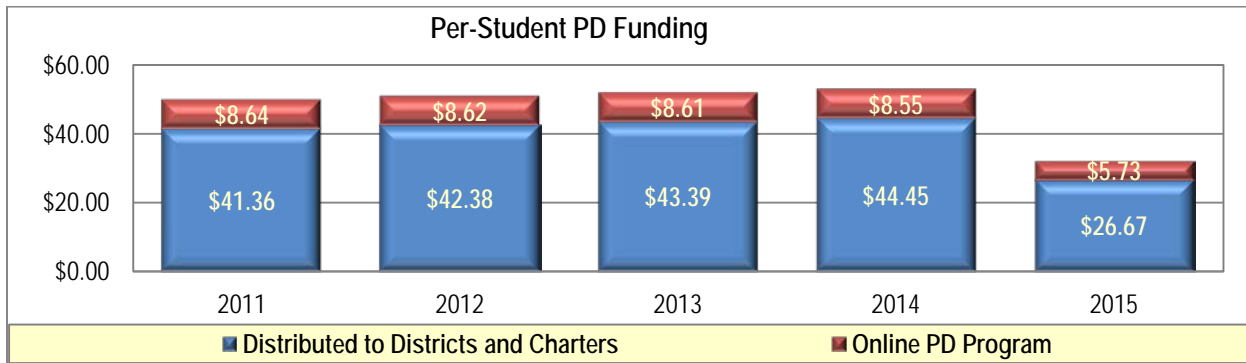
PROFESSIONAL DEVELOPMENT FUNDING

The following table shows the per-student amount of professional development funding the state has provided since 2010-11. The cut in funding in 2015 was the result of Act 2 of the 1st Extraordinary Session of 2013. The savings generated by the reduction were redirected to the public school employee insurance plan.

	2011	2012	2013	2014	2015	2016	2017
PD Funding Rate	\$50	\$51	\$52	\$53	\$32.40	\$32.40	\$32.40
% Change	0%	2%	2%	2%	-39%	0%	0%

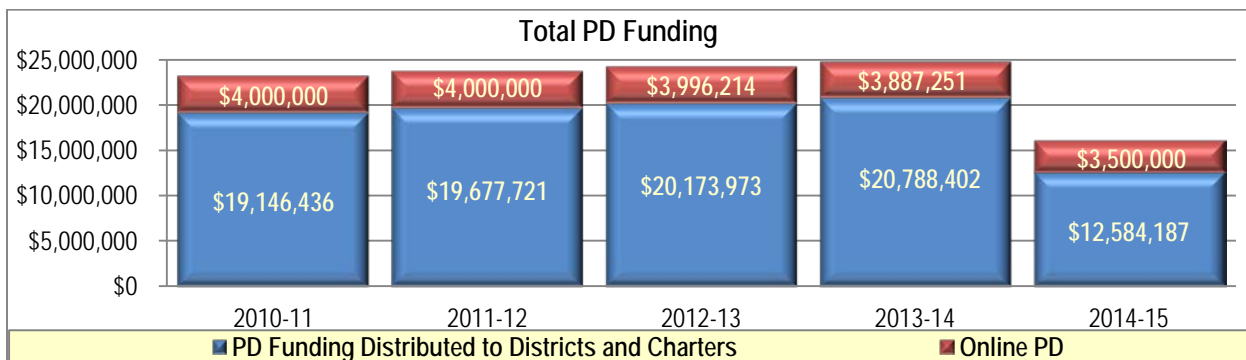
Most of the professional development funding is distributed to school districts on a per-student basis. However, up to \$4 million of the total PD funding has been set aside each year to develop and maintain a statewide online professional development program for educators. The statewide program was designed to pool resources, and to create one online system that individual school districts and co-ops could not afford to develop individually. The following chart shows the total amount of PD funding distributed per student to districts and open enrollment charter schools and the amount set aside for the statewide online PD program for eight years.

⁶³ For example, Blank, R. K., & de las Alas, N. (2009). Effects of Teacher Professional Development Gains in Student Achievement: How Meta-analysis Provides Evidence Useful to Education Leaders. Washington, DC: Council of Chief State School Office.



Data Source: The per-student amount distributed to districts and charter schools comes from the Arkansas Department of Education’s State Aid Notice for each year. The remaining amount was calculated as the PD funding rate, minus the amount distributed to districts and charter schools. *ADE supplemented the \$5.73 per student with reserve funds to provide a total of \$3.5 million for the online PD program.

The chart below shows the total PD funding distributed to districts and charter schools and the amount allocated to the online PD program.



Data Source: Department of Education Grants Summarized by the Division of Legislative Audit
 * In 2014-15, ADE supplemented the \$5.73 per student from the Professional Development categorical funding with agency reserve funds.

PROFESSIONAL DEVELOPMENT EXPENDITURES

The table below shows the total amount of funding provided to school districts and charter schools and the expenditures they made from those categorical funds. (The expenditures do not include any PD funding districts and charters transferred to other categorical funds.) The table also calculates the PD funding and expenditures as a per-student amount. These data show that collectively districts spent about 11% and 8% more professional development funding than they received in 2013 and 2014, respectively. They were able to spend more money than they received in PD funding, in part, because they transferred money from other categorical funds.

	Total PD Funding Provided by Statute	Transfers From Other Categorical Funds	Total PD Expenditures*	Per-Student PD Funding Provided by Statute	Per-Student PD Expenditures
2012-13	\$20,173,973	\$2,085,266	\$21,181,539	\$43.39	\$45.56
2013-14	\$20,788,402	\$2,832,728	\$21,049,638	\$44.45	\$44.98
2014-15	\$12,584,187	\$4,273,795	\$17,089,118	\$26.67	\$36.22

Note: PD funding above shows the amount of funding calculated after penalties stemming from Act 1220 of 2011 were removed. PD expenditures exclude transfers made from PD to other categorical funds.

*2015-16 Funding amounts are based on preliminary figures.

The following table indicates that, on a per-student basis, the traditional school districts collectively spent more of their PD funding than the 18 open enrollment charter schools. This does not necessarily mean that school districts spent more money in total on professional development, only that they spent more of the categorical funds provided for this purpose. Districts and charter schools are allowed to use other types of funds (e.g., federal funds) to pay for professional development expenses. Expenditures on professional development using other types of funds are not reflected in this analysis.

	236 Districts	18 Charter Schools
PD Per-Student Expenditures	\$36.43	\$26.93

Section 11: Other Types of State Funds

In addition to state categorical funds and foundation funding, some districts and open-enrollment charter schools receive other types of funding. Districts and charter schools may receive additional funding to help with growth, declining enrollment, or due to being in an isolated (or remote) location with rugged conditions. Between October 2015 and July 2016, the BLR presented three reports on student growth, declining enrollment, isolated and special needs isolated funding.

School districts and charter schools receive foundation funding based on their ADM, a measure of student count. When a district’s ADM grows or declines rapidly, their costs may not decrease or increase at the same pace. To adjust for changes in ADM from one year to the next, the state provides funding through two funding programs: **student growth funding** and **declining enrollment funding**.

Student Growth

Student growth funding is an unrestricted type of funding that is disbursed to districts or charter schools to help ease the financial burdens associated with an increase in student enrollment. School districts are eligible for growth funding if they have more students in the current year than they had in the previous year. Essentially, districts receive the per-student foundation funding rate for each student added over the previous year.

In 2013-14, 113 districts received about \$29.2 million dollars in student growth funding, which equaled an 18% decrease compared with 2012-13. In 2014, student growth payments ranged from \$783 (Viola School District) to \$2.8 million (Springdale School District). The average student growth payment for school districts was \$258,496.

In 2014, there were nine charter schools that received a total of \$4.5 million dollars in student growth funding. Charter school growth funding payments ranged from \$3,724 (Haas Hall Academy) to \$3.48 million (Arkansas Virtual Academy). Due to special language in Act 1309 of 2013 that allowed an open-enrollment public charter school that is a virtual school to enroll up to 3,000 students, the enrollment cap for Arkansas Virtual Academy was raised from 500 to 3,000. The following school year, Arkansas Virtual Academy enrolled 1,334 students and received growth funding.

In 2014, districts spent about \$22.6 million dollars of student growth funding. In the same year, charter schools spent about \$4.4 million.

2013-2014 Student Growth Funding			
Districts		Charter Schools	
Funding	\$29,210,065	Funding	\$4,520,698
Expenditure	\$22,632,058	Expenditure	\$4,498,902

Declining Enrollment

Similar to growth funding, declining enrollment funding is unrestricted aid that is awarded to districts and charter schools to help them supplement the loss of foundation funding due to a decrease in student enrollment. To calculate declining enrollment funding, districts and charter schools 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. In 2013-14, 78 districts received about \$9.7 million in declining enrollment funding. Individual district payments for the year ranged from \$1,151 (Cedarville School District) to \$1.27 million dollars (Little Rock School District). The average district payment was \$125,295. In 2013-14, only two charter schools received a total of \$192,877 in declining enrollment funding. In 2013-14, districts collectively spent \$9.6 million dollars. Similar to growth funding, declining districts and charter schools receive their funding allotment at the end of the school year.

2013-2014 Declining Enrollment Funding			
Districts		Charter Schools	
Funding	\$9,773,009	Funding	\$192,877
Expenditures	\$9,654,695	Expenditures	-

The ADM is used to calculate both declining enrollment and growth funding. Therefore, it is possible for a district or charter school to qualify for both growth and declining enrollment funding. In 2014, 64 districts were *eligible* for both types of funding. However, state statute prohibits school districts or charter schools from actually receiving both types of funding (§ 6-20-2305 (a)(3)(C)). Therefore, ADE provides eligible districts or charter schools with the funding type that offers the most money. State statute also prohibits districts from actually receiving both declining and special needs isolated funding (§ 6-20-2305(a)(3)(A)).

Isolated and Special Needs Isolated Funding

Arkansas is a rural state with a number of schools located in sparsely populated or remote areas. School districts in these communities may encounter geographic challenges such as rugged road conditions or low student density. These circumstances can increase costs due to longer bus routes or other types of unavoidable inefficiencies. To compensate districts for these circumstances, the state provides additional money known as isolated funding. There are two types of isolated funding: isolated and special needs isolated funding. Districts receiving isolated funding and special needs isolated funding may receive one or both types of funding.

Although the state has provided some form of funding for isolated districts since 1983, the modern version of the program was established in 1997. Act 1318 of 1997 (§ 6-20-601) created a new section of statute defining the isolated school districts and the criteria they must meet to receive **isolated funding**. Districts were defined as isolated if they had fewer than 350 students AND they met four of five criteria, including long distances from schools in neighboring districts, low density ratio among transported students, and low proportion of hard-surfaced roads.

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 65 of the Second Extraordinary Session of 2003 created the definition for isolated *school areas* and provided continued isolated funding for the districts that received the former districts as part of the consolidations.

When a district closes an isolated school, the district stops receiving the isolated funds for that school. This results in decreasing expenditures statewide. As a result, only 39 isolated schools remained in 23 districts by 2014-15. These districts collectively received approximately \$2.5 million dollars, as shown in the table below.

Year	# of Districts Receiving Isolated Funds	# of Isolated School Receiving Isolated Funding	Total Amount of Funding
2012-13	27	44	\$2,693,633
2013-14	23	41	\$2,690,925
2014-15	23	39	\$2,548,281

In 2014-15, individual isolated fund payments ranged from a total of \$54 (Nevada School District) to \$414,810 (Jasper School District). The average district payment was \$110,795.

Special needs isolated funding is for districts with needs due to a consolidation with or annexation of an isolated district/school. Act 1452 of 2005 noted that “school districts which contain isolated schools need additional funding to provide an adequate education for students attending schools in those districts.” However, Act 1052 of 2007 added statutory language that noted special needs isolated funding is “in addition to and in excess of the amount of funds necessary to provide an adequate education.”

Qualifying districts that receive special needs isolated funding are awarded an amount equal to a percentage of their foundation funding. Districts may qualify for 20%, 15%, 10% or 5% of their foundation funding provided for each student. A district’s percentage is determined by ADM, student density, and the number of isolated schools in their district.

The following table shows the number of districts that received special needs isolated funding in 2014-15, and how they are categorized by their percentage of foundation funding.

Percent	Number of Districts
20%	2
15%	1
10%	12
5%	9
Total	24

In 2014-15, a total of 24 districts received special needs isolated funding. Individual payments from districts ranged from about \$41,000 (Bryant School District) to about \$869,000 (Jasper School District).

In addition, Act 1052 of 2007 established a method of distributing any remaining special needs isolated funding after the distributions described above are made. This funding is known as special needs isolated-transportation funding. Any remaining funding is divided equally among the districts that received special needs isolated funding except those that received special needs isolated funding at the 5% level. This portion of the funding must be spent on transportation expenses. In 2014-15, 15 districts were awarded a total of about \$3.8 million in special needs isolated-transportation funding, and payments to each district were \$254,188.

In 2014-15, districts received a total of \$10.9 million dollars in isolated funding and special needs isolated funding combined. Districts collectively spent about \$11.8 million dollars of that funding, spending down balances of isolated/special needs isolated funds from previous years. In the past school year, 79% of districts' isolated/special needs isolated funding expenditures was spent in two areas: instruction-related expenditures (\$4.7 million) and transportation (\$3.9 million).

Districts that received isolated or special needs isolated funding tend to cover a larger geographic area, have lower student density, and have higher transportation costs per student than districts that do not receive this funding. These districts tend to have higher overall expenditures per student, higher concentrations of poverty, 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.

Section 12: State Disbursements

State Disbursements to Local School Districts

During the February 2016 adequacy study meeting, the Division of Legislative Audit presented an annual report entitled, *Department of Education Grants Summarized by the Division of Legislative Audit For the Year Ended June 30, 2013*, 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 54 types of funding distributed to districts through the Public School Fund, in addition to foundation funding and categorical funding. The report also recorded 20 types of federal funds disbursed to districts.

The report documented about \$2.24 billion provided to the districts through state foundation funding aid and categorical funding in FY2014-15. (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 grant funding from the Public School Fund totaling \$276.2 million, and they received \$492.8 million in federal grant funds.

The following table provides the actual funding levels authorized for K-12 education for FY2004-05 through FY2015-16 that have been allocated from the following funds:

	Dept. of Education Public School Fund Account	General Education Fund Dept. of Education Fund Account	Educational Excellence Trust Fund		Educational Facilities Partnership Fund Account and Dept. of Public School Academic Facilities & Transportation Fund Account	Educational Adequacy Fund	Total All Selected Funds
			Dept. of Education Public School Fund Account	Dept. of Education Fund Account			
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
2013	\$1,936,432,524	\$15,471,687	\$193,026,506	\$945,665	\$62,465,585	\$444,832,631	\$2,653,174,598
2014	\$1,980,965,210	\$16,578,345	\$195,093,479	\$955,792	\$84,858,082	\$456,647,180	\$2,735,098,088
2015	\$2,072,170,259	\$16,587,878	\$199,766,427	\$978,685	\$51,071,087	\$460,221,761	\$2,800,796,097
2016	\$2,113,356,522	\$16,162,434	\$202,031,412	\$989,781	\$98,785,465	\$460,624,739	\$2,891,950,353

Section 13: Educational Equity

Equity is a key component of achieving and maintaining a constitutionally sound system of funding education in Arkansas, and has been since the 1983 case *Dupree v. Alma Sch. Dist. No. 30, 279 Ark. 340 (1983)*. Equity has been conceptualized and measured using three different approaches. Horizontal equity examines the degree to which districts receive equal revenue. Vertical equity is concerned with equal district spending within certain key categories (or ranges) such as race and poverty level. Neutrality measures are used to examine inequities that may arise from differences in property wealth between districts. The BLR presented the “Equity Analysis Report” during the February 9, 2016 meeting.

Equity Analyses of District Revenue

The Court has relied on the federal range ratio and to a lesser extent the coefficient of variation and the Gini coefficient to measure disparities and determine equity (*Lake View*, 351 Ark. 31, 49 (2002)). The “federal range ratio” is the restricted range (the difference between the revenue of the district at the 5th percentile and revenue of the district at the 95 percentile) divided by the value at the 5th percentile (the “restricted range” is the difference between the per-pupil revenue at the 5th percentile and the 95th percentile). The coefficient of variation is the standard deviation divided by the mean (or average) revenue distributed to districts. The Gini coefficient measures the degree to which the cumulative percentage of revenue is equal to the cumulative percentages of districts (e.g., do 20% of the districts receive 20% or the revenue).

District revenue was examined for horizontal equity with two variables. The first variable was Foundation Funding and Property Taxes Per Student. This is district revenue made up of foundation funding and revenue from local millage raised above the first 25 mills. To eliminate the effect of temporary increases or decreases in revenue (debt service millage) due to capital projects, tax revenue used to service construction debt was excluded.

The second variable is “Foundation and Other Adequacy-related Funding Per Student”. This revenue consists of all the revenue included in the first variable, plus selected types of state funding, such as categorical, declining enrollment and student growth funds. Revenue in both cases was divided by each district's prior year ADM.

Foundation Funding and Property Taxes Per Student

Horizontal Equity	2013	2014	2015
Restricted Range	\$1,818.62	\$2,072.56	\$1,840.38
Federal Range Ratio	0.29	0.32	0.28
Coefficient of Variation	0.16	0.19	0.17
Gini Coefficient	0.056	0.055	0.056

The first horizontal equity analyses examine Foundation Funding and Property Taxes Per Student using the statistics listed above. The restricted range is commonly used to eliminate extreme revenues or outliers. It indicates that the difference between the per-pupil Foundation Funding and Property Taxes between the 5th percentile and 95 percentile has remained approximately the same across the 3 years examined. The results from the horizontal equity analyses are within the commonly accepted range for denoting equity. The Gini coefficient is considered the most powerful statistic of those examined, and it is clearly within the commonly used acceptance range of 0.05 to 0.10.

The same conclusions are drawn from the results of the horizontal equity analyses of per-pupil Foundation and Other Adequacy Funding. The possible exception would be that the federal range ratios for 2013 and 2014 extend beyond the normally accepted range of acceptability. However, this ratio is a very limited measure of equity because it only considers the difference between the 5th and 95th percentile values.

Foundation and Other Adequacy Funding Per Student

Horizontal Equity	2013	2014	2015
Restricted Range	\$2,390.70	\$2,487.43	\$2,371.17
Federal Range Ratio	0.39	0.39	0.33
Coefficient of Variation	0.15	0.15	0.16
Gini Coefficient	0.061	0.060	0.060

Neutrality Measures of Revenue

The following two tables show the correlation between per-student Property Wealth and Foundation Funding and Property Taxes, and the regression of the latter on the former (or wealth elasticity measure). The correlation noticeably declined from 2013 to 2014, then rose again in 2015. At the same time, all three wealth elasticity coefficients are small, indicating that a dollar increase in per-student property wealth is associated with 20 cents or less increase in funding and property taxes.

Property Wealth: Foundation Funding and Property Taxes Per Student

Statistic	2013	2014	2015
Wealth-Neutrality Correlation	0.85	0.78	.89
Wealth Elasticity	0.000*	0.16	.20

Note: *The coefficient is 0.00000

Property Wealth: Foundation and Adequacy-Related Funding Per Student

Statistic	2013	2014	2015
Wealth-Neutrality Correlation	0.81	0.83	.85
Wealth Elasticity	0.000*	0.17	.19

Note: *The coefficient is 0.000002

Picus et al.⁶⁴ clearly state that large correlations between property wealth and funding are not relevant to policy when wealth elasticity coefficients are small.

Equity Analyses of District Expenditures

Vertical equity statistics are typically conducted on expenditures to assess the equity in spending according to key district characteristics. The district characteristics addressed in this study are ADM, percent non-white, percent of students eligible for free or reduced-price lunch, and per-student property wealth.

Two variables are examined in relation to district characteristics to determine vertical equity. The first variable is “per-student expenditures from select state funding.” These expenditures include only those made using foundation funding, property taxes, and the revenues listed on the previous page as “other adequacy-related funding.” To eliminate the effect of temporary increases or decreases in expenditures due to capital projects, the expenditures do not include any facilities acquisition or construction, and they do not include debt service payments. These expenditures were divided by each district’s prior year ADM. The second variable, “total expenditures per-student,” includes all expenditures made using all funding sources (including federal funding). However, expenditures made using desegregation settlement funding were excluded. These expenditures were divided by each district’s prior year ADM, and exclude facilities acquisition and construction and debt service payments.

⁶⁴ Picus, L. O., Odden, A., & Fermanich, M. (2004). Assessing the equity of Kentucky’s SEEK formula: A ten-year analysis. *Journal of Education Finance*, 29, 315-336.

When district characteristics, commonly associated with school expenditures, were divided into deciles, the vertical equity analyses revealed limited and relatively insignificant differences, with the exception of more spending in districts with higher concentrations of poverty and lower ADM. These latter findings are well-established in the school finance literature.⁶⁵

All measures of equity indicate that Arkansas school districts are within the accepted ranges of equity in revenue and expenditures. The only exceptions are due to extra funding for districts that have high concentrations of poverty to provide more resources to address the challenges associated with poverty, and the higher administrative costs typically related to running a smaller district.

⁶⁵ Odden, A. R., & Picus, L. O. (2013). *School finance: A policy perspective (5th ed.)*. Columbus, OH: McGraw Hill.

Section 14: Measures of Inflation and Deflation

One option for addressing the foundation funding amount for the upcoming biennium is adjusting for anticipated inflation or deflation. The General Assembly can adjust the foundation funding amount as a whole or the components of the matrix individually. Additionally, categorical funding or other funding programs may also be adjusted. On August 23, 2016, the BLR presented information on inflationary estimates for FY 2018 and 2019. 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 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 and annualized projections from each source.

<u>Quarterly</u>	<u>Moody's</u>	<u>Global</u>	
17:3	2.4	2.3	
17:4	2.6	2.2	
18:1	2.6	2.5	
18:2	2.7	2.4	
FY18	2.6	2.4	2.5

<u>Annual</u>	<u>Moody's</u>	<u>Global</u>	
CY17	2.3	2.5	
FY18	2.5	2.45	2.475
CY18	2.7	2.4	

Section 15: Public Comment

Eight associations representing the interests of citizens, districts, schools, and educators submitted comments and/or recommendations for changes to the state's educational system. The organizations were invited to testify before the House and Senate Education Committees in January 2016 to discuss their written comments. This section provides summaries of testimony from each organization.

Arkansas Advocates for Children and Families

Arkansas Advocates for Children and Families (AACF) is a research and advocacy organization that promotes a wide range of reforms and policy initiatives. The AACF provided the following recommendations to the Education Committee.

1) Fully fund a quality early childhood education program.

To illustrate one benefit of a pre-K program, the AACF cited a study conducted by the National Institute for Early Education Research (NIEER). The results of the study indicated that investing in a high quality pre-K program could save the state more than \$26 million dollars by the year 2030. The AACF pointed out some benefits of a fully funded early childhood education program:

- Public and private pre-K programs provide local employment opportunities;
- Parents are able to work, because their children have a safe place to go; and
- With the purchase of goods and services within the community, local economies receive a boost.

2) Ensure NSL funding for students, who need it the most, is correlated with programs that increase their achievement.

The AACF recommended using NSL state categorical funds for evidence-based programs such as early childhood education, after-school and summer programs, and tutoring to increase the achievement of children.

3) Make sure kids are in school.

The AACF recommended three ways to address chronic absenteeism in Arkansas's schools:

- Offer professional development and peer-to-peer learning to empower teachers, administrators, and counselors to use data to identify patterns of absenteeism;
- Provide parents with support, such as before- and after-school care; and
- Start early. Attendance matters at all grade levels, even in pre-K.

4) After-school and summer programs.

The AACF recommended providing funding for the Positive Youth Development Act passed in 2011, which will help create programs to address social, emotional, and other needs of students.

5) Highly qualified teachers and the wealth gap.

The AACF recommended addressing the following areas to improve teacher retention:

- Resolve teacher salary inequity by paying teachers an adequate salary;
- Raise teacher morale by ensuring they feel appreciated and valued; and
- Incorporate cultural competency into Arkansas's teacher preparation programs due to the state's changing classroom and community demographics.

Arkansas Association of Educational Administrators

The Arkansas Association of Educational Administrators (AAEA) represents the interests of superintendents and other central office personnel. AAEA supports and assists administrators through educational leadership, training, and advocacy. The organization offered the following recommendations to the Education Committee.

1) Cost of Living Adjustment (COLA)

Due to annual financial obligations on the salaries of certified and classified employees and to keep up with fluctuating inflation, the AAEA recommended adding an annual COLA to a corresponding component of the foundation funding matrix that is affected by inflation.

2) Carry-Forward (Transportation)

The AAEA recommended funding a high-cost transportation category for districts with an extremely high number of route miles within their boundaries. The organization suggested this could be phased in over time by freezing the per-student amount currently allotted for transportation funding. As COLAs are applied to this amount in the future, the additional funds can be distributed to districts based on a high-cost transportation formula.

3) Using the Matrix/Foundation Funding as an Expenditure Model

The AAEA recommended that the school funding matrix be viewed only as a “funding method,” not an “expenditure model.” According to AAEA, districts need flexibility to spend foundation funding in a way that meets their individual needs, especially in situations where spending may fall outside the parameters of matrix funding. The AAEA noted that the current matrix funding model does not match how every district may need to spend the funding.

4) Fund Balances

The AAEA recommended establishing a 20% cap on districts’ net legal balance and giving them an allotted amount of time to decrease their current balance. A similar approach was done with categorical funding. If a district exceeds its net legal fund balance, its extenuating circumstances must be approved by ADE.

5) Funding to Categorical Programs

Since personnel costs account for many of the expenditures from the NSL, ELL, and ALE categorical funds, the AAEA recommended increasing funding in FY17 and FY18 to reflect accurate COLA adjustments. The organization gave other recommendations for the following categorical funds:

- National School Lunch (NSL)
AAEA believes it is important that NSL funds remain intact for public schools to improve the quality of student education in Arkansas. Therefore, AAEA recommended a review of allowable expenditures. They also supported a ForwARd Arkansas suggestion to make changes to the NSL funding distribution model.
- English Language Learners (ELL)
AAEA recommended providing additional funding to serve this population of students due to an increase of districts’ spending in FY15.
- Professional Development (PD)
AAEA noted that previous studies of professional development suggested an increase of funds and the amount of time spent on PD. In 2013, funding and PD requirements were reduced by the General Assembly. The AAEA recommended studying the policy implications of reducing professional development.

6) Teacher Salaries, Staffing, and Benefits

- Teacher Salaries
To improve teacher recruitment and retention, AAEA recommended increasing foundation funding and minimum teacher salaries by the same percentages at the same time. AAEA cited research on declining enrollment in educator preparation programs between 2010 and 2015. According to the organization, state universities enrolled 8,255 students. By 2015, enrollment in those programs dropped to 5,258.
- Staffing
AAEA recommended the completion of a new study on staffing to determine the costs of additional requirements and responsibilities added onto district administrators and staff by the General Assembly. AAEA also supported a recommendation from a recent ForwARd Arkansas report that suggested districts create a school administration manager and explore the establishment of teacher leader roles.
- Public School Employee Health Insurance
AAEA recommended the current State and Public School Health Insurance Board include more representation from public school employees. According to AAEA, only three members of the 14 board members are public school employees.

7) Academic Facilities and Technology (bandwidth)

The AAEA provided the following recommendations for the state's academic facilities and technology needs:

- Replenish the funds for the Facilities Partnership Program with either a secure ongoing appropriation or a one-time allocation from general improvement funds;
- Allow "warm, safe, and dry" projects that have been approved, but not yet funded, access to Partnership funds released to the state due to a failed millage;
- Authorize charter schools to access Partnership funding;
- Continue requiring districts to expend 9% of their foundation funding on costs related to maintenance, utilities, repair, etc. of their academic facilities; and
- Monitor and adjust the state's technology resources to match the demand.

8) Education

AAEA provided other recommendations for other areas of the state's education system.

- Career and Technical Education
AAEA recommended making career and technical education part of ADE. Currently, ADE and the Arkansas Department of Career Education (ACE) operate under different missions and different rules.
- Pre-K Education
AAEA recommended increasing funding for high quality pre-K educational programs. The group cited a study on Arkansas from 2008 that concluded that regardless of ethnicity and socio-economic status, access to pre-K programs helps close the achievement gap.
- Remediation
AAEA recommended using a student's grade point average (GPA) as an additional factor in determining remediation in higher education. The AAEA cited a report on grade inflation that noted student GPA has a closer correlation to students' success in college than their ACT scores. Moreover, the organization suggested that students with a certain GPA or a 19 on the ACT should not require remediation.

Arkansas Public School Resource Center

The Arkansas Public School Resource Center (APSRC) is a non-profit, advocacy organization that provides technical assistance, training, and support to public schools in the state. The APSRC provided the following recommendations regarding open-enrollment charter schools.

1) Student-Focused Education

The APSRC provided the following recommendations regarding student-focused education:

- Provide great educational opportunity and flexibility for all Arkansas public schools by making sure the educational model does more than just measure poor school performance; and
- Allow public schools the flexibility to reorient and re-focus existing educational resources to relevant, changing education delivery models that are tied to accurate academic performance and individual student growth.

2) Facilities Funding for Open-Enrollment Public Charter Schools

The APSRC recommended the state continue to provide facilities funding for open-enrollment charter schools through the Open Enrollment Public Charter School Facilities Funding Aid Program. Charter schools do not have access to state partnership financial assistance and cannot raise funds locally through property tax millages. Also, the APSRC suggested changing the formula used to provide facilities funding to the state's charter schools. Currently, a spending model approach is utilized instead of a funding model.

3) Use of Former School District Facilities

The APSRC recommended mandating the repurpose and continued use of closed, vacant, or unused school district facilities or other state public education facilities for use as charter schools.

Arkansas Education Association

The AEA is an advocacy organization that supports teachers, educational support professionals, and students. They advocate for a better state education system as well as improved salaries and working conditions for educators. The AEA provided the following recommendations to the Education Committee.

1) Facilities

AEA provided the following recommendations for educational facilities:

- Review the impact of the Partnership Program funding on furthering facility disparities between students and within districts;
- The Partnership Program needs a consistent, dedicated, and ongoing funding source to meet the evolving needs of students who require access to state-of-the-art facilities; and
- Put restrictions in place to prevent the re-routing of these funds. The AEA noted that transfer of funds from facilities funding to public school employee health insurance will have long-term implications on funding.

2) Educator Recruitment and Retention

AEA recommended the following initiatives to improve educator recruitment and retention:

- Develop an educator mentoring program to support new educators in their first three years;
- Form longitudinal partnerships with institutions of higher education and create high quality alternative routes to certification;
- Offer incentives to attract high quality math, science, and special education teachers to urban and rural districts with National Board Certified Teachers;
- Streamline the hiring process;

- Improve working conditions in school buildings so teachers can have a collaborative environment; and
- Support professional development efforts beyond school districts so teachers meet peers across the state.

3) Teacher Excellence Support System (TESS)

AEA provided the following recommendations to improve the implementation of TESS:

- Streamline the documentation of artifacts. Teachers are spending too much time uploading artifacts into Bloomboard;
- Provide high quality PD to support teachers;
- Offer consistent training for teachers and administrators with guidelines to effectively implement TESS; and
- Complete further study of the TESS process and requirements to align with Every Student Succeeds Act (ESSA) and clearly define the expectations at the district level.

4) NSL

The AEA supported the recommendations from Odden and Picus (O &P) for the state to provide additional NSL funding for students in high-poverty areas that need additional education assistance. These programs include after-school and summer programs, teacher tutors, and pupil support personnel. In addition, the AEA recommended directing NSL money to evidence-based interventions and programs that increase educational outcomes for low-income students for whom NSL dollars were intended.

5) National Board Certified Teachers (NBCT)

The AEA had the following recommendations for improving teacher quality:

- Use board certification as a qualification or preference for clinical faculty at teacher preparation programs, cooperating teachers who work with student teachers, and mentors who work novice teachers;
- Continue to support the NBCT annual retention stipend provided by ADE funding. Double the stipend amount to NBCTs who teach in priority schools or those in academic distress; and
- Continue to support the National Board candidate support system funded by ADE.

6) Teacher Salary Funding and the Minimum Teacher Compensation Schedule

AEA recommended increasing the amount of teacher salary and benefits in the educational funding matrix by two percent (2%) in FY18 and FY19.

7) Declining Enrollment Funding and Expenditures

The AEA recommended school districts that receive declining enrollment funding for two or more consecutive years must demonstrate a reduction in the number of FTEs as a condition of receiving these funds.

Arkansas School Boards Association

The ASBA is a private non-profit organization that offers a variety of specialized services to develop and train school boards in the state. The ASBA provided the following recommendations for the Education Committee.

1) Class Size

The ASBA supported the recommendations from Odden and Picus (O&P) regarding smaller class sizes in Arkansas. According to the ASBA, a study cited by O&P noted that children in smaller classes performed at a significantly higher level, which positively affected minority and low-income children.

The ASBA recommended that Arkansas reduce class sizes in the early grades (K-3), which would require an additional 3.33 teachers to the matrix.

2) Teacher Staffing

The ASBA recommended conducting a study of actual school staffing to determine the relationship between the number of teachers funded through the matrix and the number of staff positions required to meet the Standards for Accreditation.

3) Cost of Living Adjustment (COLA)

The ASBA recommended that districts be given enough new funding through the matrix to keep up with inflation and any new requirements placed upon them by the General Assembly.

4) Transportation

The ASBA believed it is important that all traditional public schools and open-enrollment charters schools in the state provide transportation that meets the needs of students within their boundaries. Therefore, the ASBA recommended developing a formula for enhanced high-cost transportation funding.

5) Categorical Funds

- Professional Development

The ASBA supported the need for PD to be given to all educators in Arkansas. The ASBA also gave the following recommendations:

- Allow districts to use of a portion of their weekly planning minutes for PD;
- Restore both the mandatory number of PD hours and associated funding; or
- Provide enough additional funding so districts can return to using NSL funds for students.

- National School Lunch Act (NSL)

The ASBA offered some support to narrowing the allowable uses for NSL funding. Nevertheless, the organization felt that harm may be done if programs that have proven effective are discontinued. If the definition of allowable NSL uses is amended, the ASBA recommended permitting districts with effective programs to continue those programs.

6) Facilities

The ASBA recommended conducting a statewide facility assessment to determine the current needs of districts' academic facilities. In addition, the organization suggested increasing the current funding factor for facilities based on current construction costs.

Arkansas State Teacher Association (ASTA)

Arkansas State Teacher Association (ASTA) is the state chapter of the Association of American Educators (AAE). ASTA administers services to educators such as professional development and liability insurance. In addition, ASTA is an active voice on education policy both nationally and statewide.

ASTA polled its members to gain insight into the effectiveness of leadership, alignment of resources, and other issues. The responses to its survey have been summarized below.

1) Teacher Retention, Evaluation, and Salary

- Fifty-nine percent (59%) of survey participants reported regularly observing that districts could align funds to retain high quality teachers; 22% were unsure.
- Many respondents reported that the TESS is time consuming and interfered with the abilities of teachers and administrators to manage time and serve students. However, a small number of those polled indicated TESS was effective and not a huge burden.
- The majority of those polled who listed an increase in pay as a need for teachers were from districts that have not had raises in recent years.

2) Insurance Benefits

- Over 94% of those polled felt that adequate insurance and benefits were “critical” to recruiting and retaining quality school employees.
- Seventy-three percent of respondents felt their own districts could contribute more to insurance premiums, and 90% felt that the state should contribute more toward health care premiums.
- Approximately 81% of those surveyed were not confident in the ability of the Employee Benefit Division (EBD) to effectively represent the health care needs or manage the public school employee health care program.

3) Professional Development and Other Training

- Many of those surveyed indicated a need for more relevant and helpful professional development.
- Respondents noted the importance of effective and qualified instructional coaches and interventionists.
- The resources to collaborate on and develop curriculum and instruction aligned to standards.
- Respondents requested training and resources to work effectively with students who struggle behaviorally.
- More support staff to assist in classrooms and to staff ALE and in-school suspension (ISS) programs.
- Respondents also wanted more time to collaborate with colleagues.

4) Classroom Resources and Technology

- ASTA reported that 34% of respondents said they believe district personnel allocate an excessive amount of funding on nonessential programs. However, 49% of those surveyed were unsure of their districts’ expenditures. In addition, ASTA reported some respondents felt that the athletic department had an excessive number of expenditures. Others surveyed indicated resources have also been spent on unused software, extravagant buildings and facilities, and ineffective professional development.
- When asked about needed classroom support, many respondents’ answers related to having sufficient technology resources, including broadband. Most respondents who described technology needs described issues related to efficiency, professional development, and accessibility.

5) ASTA made recommendations for improving the allocation of resources:

- Study how districts spend and align their resources to identify effective practices. ASTA noted that the study would help to build an understanding of where additional funding is required or help identify poor spending practices.
- Funding systems should be transparent and shared with educators to help districts effectively align resources.

ASTA reported that survey respondents also noted the following issues: 1) Serious discrepancies related to funding issues still exist; 2) Teachers and other education professionals must have a stronger voice with regard to adequacy decisions; and 3) Arkansas has issues with leadership capacity and program implementation.

Walton Family Foundation

The Walton Family Foundation (WFF) is a philanthropic organization that invests, researches, and provides grants to help further initiatives in the areas of K-12 education and community development. The WFF provided a recommendation on the way NSL funding is allocated to districts with high numbers of students who qualify for free and reduced-price lunch. The foundation recommended creating incentives for districts to use these resources for programs and interventions that will close the achievement gap. Furthermore, the WFF also suggested access to NSL funding should be, in part, performance-based to help effectively use resources.

To accomplish its recommendation, the WFF suggested disbursing 80% of NSL funding to districts as normal. The remaining 20% should be disbursed to districts that have met goals set by the state's accountability systems for math and literacy. The foundation pointed out that some districts may not hit the targeted goals. Thus, any remaining funds could be used for pre-K funding, which will not increase the budget in this area.

Winthrop Rockefeller Foundation

The Winthrop Rockefeller Foundation (WRF) is a philanthropic organization that works with citizens to improve education, prosperity, and community development in Arkansas. The recommendations from WRF addressed three areas:

1) Arkansans must commit to a common vision for a stronger education system.

According to the WRF, all students, parents, policymakers, and other stakeholders should commit to the vision that students should graduate high school prepared for success in college.

2) The state needs to invest early to ensure all students start school ready to succeed.

The WRF recommended early investments for students in grades K-12, including specific recommendations for districts to help third grade students improve reading proficiency. The foundation suggested the following:

- Strengthen parent and community engagement by providing caregivers with the support and resources needed to be their child's first and most important advocates;
- Improve school readiness by expanding access to quality pre-K and evidence-based home visiting programs;
- Reduce summer learning loss by investing in high quality summer and youth development programs; and
- Decrease chronic absence by ensuring children are in the classroom to learn every day and able to learn.

3) Address barriers that prevent opportunities for all students.

According to the WRF, research by the Schott Foundation for Public Education noted that the state loses \$142 million dollars per year due to an inequitable educational system. The WRF recommended improving equity by ensuring a fair tax system is able to improve school district funding.

Section 16: Recommendations

On **DATE(S)**, 2016, the House and Senate Education Committees voted to adopt the following recommendations for each topic addressed in this adequacy study:

Topic	Recommendation	Rationale
Definition of Adequacy		
ACTAAP		
Curriculum Frameworks/ Common Core		
Fiscal Distress		
Academic Distress		
Facilities Distress		
ACSIP		
State's Standing Under No Child Left Behind (ESEA)		
Special Education Funding		
Teacher Salaries		
Partnership Program		
Student Growth Funding		
Declining Enrollment Funding		
Isolated Funding		

Categorical Funding

Topic	Recommendation	Rationale	Funding Level
National School Lunch Funding			
Professional Development Funding			
English Language Learner Funding			
Alternative Learning Environment Funding			

Foundation Funding and the Matrix

Topic	Recommendation	Rationale	Funding Level
Classroom Teachers			
Special Education Teachers			
Instructional Facilitators			
Librarian/Media Specialist			
Guidance Counselor/Nurse			
Principal			
Secretary			
Technology			
Instructional Materials			
Extra Duty Funds			
Supervisory Aides			
Substitutes			
Operations and Maintenance			
Central Office			
Transportation			
Total Foundation Funding Rate			

Proposed Implementation Schedule

Recommendation	Implementation Steps	Agencies and Individuals Responsible	Needed Resources

Bill Drafts for Recommendations

Appendix A: Acts 57, 723, 1204, and 725, codified at § 10-3-2102

(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 Arkansas 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; 2015, No. 554, § 5.

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

Adequacy study responsibilities	Shall be accomplished by	Report Section
<p>(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;</p> <p>(2) Review and continue to evaluate what constitutes an adequate education in the State of Arkansas and recommend any necessary changes;</p> <p>(3) Review and continue to evaluate the method of providing equality of educational opportunity of the State of Arkansas and recommend any necessary changes;</p> <p>(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;</p>	Reviewing a report prepared by Arkansas Legislative Audit compiling all funding received by public schools for each program	12
	Reviewing the curriculum frameworks developed by the ADE	4
	Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program	4
	Reviewing fiscal, academic, and facilities distress programs	4
	Reviewing the state's standing under the No Child Left Behind Act of 2001	4
	Reviewing the Arkansas Comprehensive School Improvement Plan process	4
<p>(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;</p>	Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including:	6, 9
	Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index	
	Reviewing the minimum teacher compensation salary schedule	
<p>(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;</p>	Reviewing expenditures from isolated school funding	11
	Reviewing expenditures from National School Lunch state funding	10
	Reviewing expenditures from declining enrollment funding	11
	Reviewing expenditures from student growth funding	11
	Reviewing expenditures from special education funding	5
	Reviewing disparities in teacher salaries	6
<p>(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;</p>	Completing an expenditure analysis	5, 7-11, 13
	Completing a resource allocation review	9
<p>(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.</p>	Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education	16
	Adjusting for the inflation or deflation of any appropriate component of the system of funding public education	14
	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	Through-out
	Reviewing any related topics identified for further study by the House and Senate Committees on Education	8

Appendix C: Adequacy Study Presenters and Contributors

Experts, state agency officials, and members of advocacy organizations provided information, data, and other assistance for the Adequacy Study.

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Arkansas Department of Education

- **Mr. Johnny Key**, Commissioner
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Other Organizations

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