

2022 Adequacy Study

FACILITIES FUNDING AND EXPENDITURES



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2022 Facilities Report

- Introduction
- Impact of Facilities on Learning
- Arkansas Funding for Academic Facilities
- Survey Responses



2022 ADEQUACY REPORT



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Introduction

- The General Assembly found that because of the opinions of the Supreme Court in the matter of *Lake View School District No. 25 vs. Huckabee*, it is the duty of the State of Arkansas to provide all public school children with an opportunity for an adequate education, which includes access to adequate academic facilities and equipment
- 45 states have had school finance cases similar to Arkansas's *Lake View* case
- 17 state courts have heard school facility inequity arguments and recognized the detrimental effect of poor quality school facilities, citing disparities in school facilities as a violation of student rights and as evidence of the need for change in the state's school facility funding formula



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Impact of Facilities on Learning

RESEARCH FINDINGS



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Research Findings

- Studies show mixed results regarding the relationship between facility quality and student achievement
- Impact on health
- Student and teacher perceptions of safety



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State Models

FUNDING FOR ACADEMIC FACILITIES



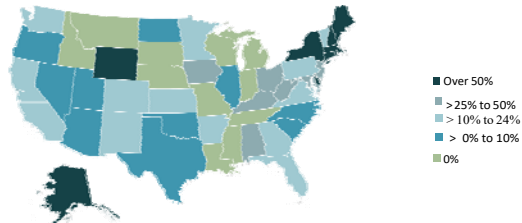
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State Models: Academic Facilities Funding

State	State Capital Construction Policy
Louisiana	State does not provide K-12 facility funds.
Mississippi	Direct Appropriations or Grants
Missouri	State does not provide K-12 facility funds
Oklahoma	State does not provide K-12 facility funds.
Tennessee	Direct Appropriations or Grants
Texas	Direct Reimbursement

Levels of State Contribution to District School Construction Capital Outlay FY09-19



Levels of State Contribution to District School Construction Capital Outlay FY09-19

- Elementary and secondary school facilities are the second largest infrastructure capital outlay behind highways.
- Local school districts bear the heaviest responsibilities for funding school construction projects.
- State support is highly variable, ranging from 11 states paying nothing to eight states paying over 50% of district level capital costs.
- Local districts held \$486 billion in long-term debt at the end of FY2019, a national average of slightly over \$11,000 per student.

Academic Facilities Funding in Arkansas

DISTRICTS AND OPEN-ENROLLMENT PUBLIC CHARTER SCHOOLS



Facilities Funding for Arkansas Public School Districts and Open-Enrollment Public Charter Schools

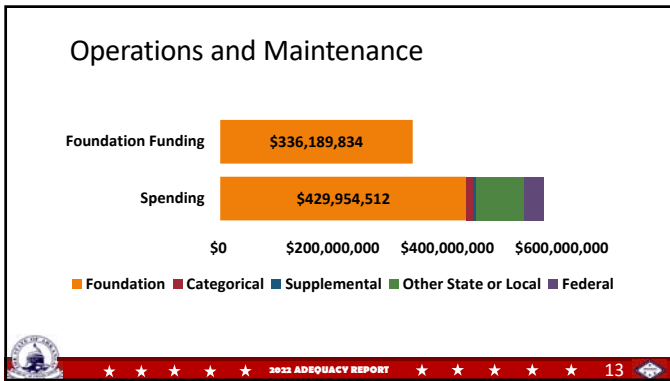
- Arkansas public school districts and open-enrollment public charter schools (“charter schools”) have access to different funding sources for building, renovating and, maintaining academic facilities.
- Funding for routine maintenance is provided to districts and charter schools through foundation funding, while funding for new construction and renovation projects is provided differently for school districts and charter schools.



Operations and Maintenance (O&M)

- O&M includes the staff and other resources necessary to maintain school facilities and grounds and to keep school buildings clean, heated, and cooled.
- The O&M funding level for utilities and costs of custodial, maintenance, repair, and renovation activities, including related personnel costs, is based on 9% of each public school district’s respective foundation funding amount.
- While public school districts are required to spend at least 9% of their annual foundation funding on O&M needs, charter schools do not have this spending requirement for foundation funding they receive.





Public School Districts

ACADEMIC FACILITIES FUNDING

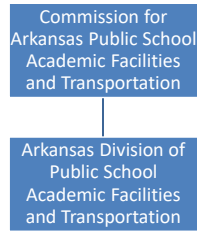
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Academic Facilities Partnership Program

- The Academic Facilities Partnership Program (“Partnership Program”) is a program of financial partnership between the state and public school districts to share the cost of school facilities construction and major renovations.
- Open-enrollment public charter schools are not entitled to participate in the Partnership Program because they do not have taxing authority and cannot raise millage revenue to provide the local share required by the Partnership Program.

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Academic Facilities Partnership Program



Advisory Committee on Public School Academic Facilities

- Act 801 of 2017 created a temporary, uncodified requirement that the Advisory Committee on Public School Academic Facilities (“Advisory Committee”) conduct a “comprehensive review and provide a report to the Commission for Academic Facilities and Transportation” on a variety of issues relating to academic facilities programs.
- The Committee identified recommendations for changes to the Partnership Program process, rules, and criteria used for making funding decisions.
- Numerous changes have since been made to the Partnership Program, including amendments to the Arkansas Public School Academic Facility Manual and Partnership Program Rules.



Academic Facilities Partnership Program Changes: 2023-2025 Cycle

- Establishment of a statewide needs priority list that guides district-level planning, and is used as part of the project ranking process.
- Two Partnership Program project categories, rather than three, and projects are prioritized within the two lists, rather than Space/Growth projects taking priority over Warm, Safe, and Dry projects.
- Partnership funds will be distributed equally between the project type categories.



2018 Advisory Committee on Public School Academic Facilities: Estimated Capital Needs

Estimate of Annual Academic Facilities Capital Needs 2019-2023	
Condition Adequacy of academic facilities	\$346,000,000
Design Suitability and Adequacy of academic facilities	\$173,000,000
New construction of 11,274 seats—over 5 years	\$85,682,400
Total Annual Needs	\$604,652,400



Academic Facilities Funding Sources

General Revenue: From FY2007 through FY2015, the State allocated about \$35 million annually for school district facilities. Beginning in FY2016, the allocation for facilities was increased to almost \$42 million annually. In FY2023, the allocation will jump to over \$70 million annually.

Bonded Debt Assistance: As its distributions to districts decrease, the remaining funds are transferred to the Academic Facilities Partnership Program. DESE estimates Bonded Debt Assistance for FY2023 will be over \$19 million.



Academic Facilities Funding

Fiscal Year	General Revenue	Transfers from Savings in Specified PSF Line Items	Total Funding
2019	\$41,828,951	\$17,017,230	\$58,846,181
2020	\$41,828,951	\$17,940,512	\$59,769,463
2021	\$41,828,951	\$18,608,566	\$60,437,517
2022	\$41,828,951	\$47,776,620	\$89,605,571
2023*	\$70,238,951	\$19,944,674	\$90,273,625



Catastrophic Facilities Funding

Total State Funding Provided to Districts FY2008-FY2021	Districts
\$2,849,290	16



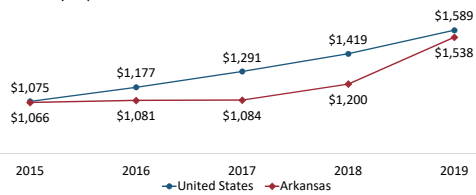
Academic Facilities Expenditures

Fiscal Year	Partnership	Catastrophic	Total
2017	\$73,790,114	\$0	\$73,790,114
2018	\$71,948,301	\$5,944	\$71,954,245
2019	\$96,253,022	\$0	\$96,253,022
2020	\$105,281,931	\$0	\$105,281,931
2021	\$79,997,440	\$6,428	\$80,003,868
Total	\$427,270,808	\$12,372	\$427,283,180



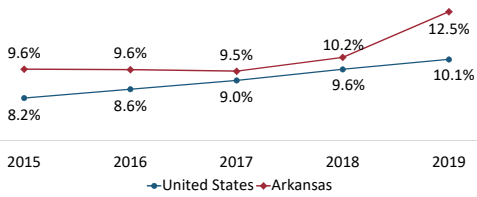
National Comparison

Capital Outlay Expenditures Per Student



National Comparison

Capital Outlay as % of Total Expenditures



Partnership Program Projects

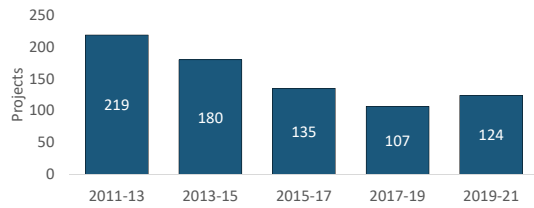


Academic Facilities Partnership Projects

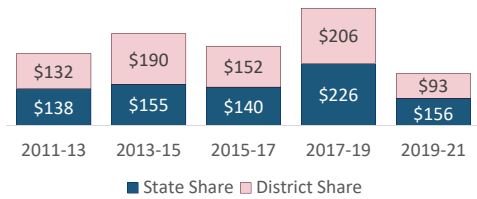
- Every two years, districts have the opportunity to apply for Partnership Program funding.
- After a thorough evaluation of project applications against established criteria, and a detailed analysis of the current state of school facilities, a tentative list of approved projects are ranked by the Division per the prioritization method established in Partnership Program Rules.
- A state financial participation for each project is computed by the Division using standards and cost factors, and the district's Facilities Wealth Index.
- Based upon the amount of program funding provided by the legislature, the Commission for Academic Facilities and Transportation approves funding for projects based on ranking.
- Funding for the approved projects is not available until the beginning of the fiscal year of odd-numbered years.

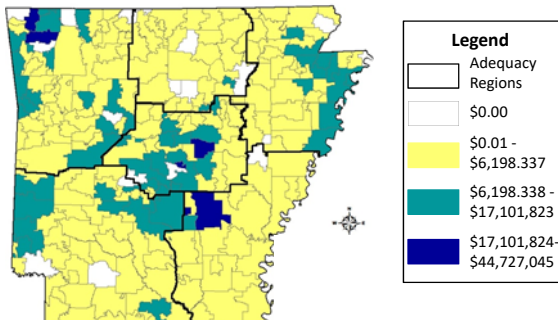


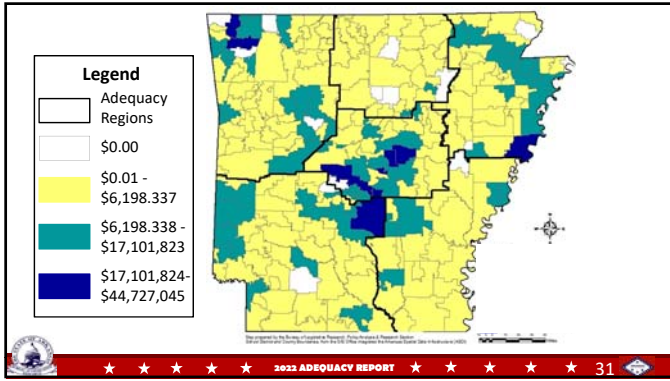
Funded Partnership Projects by Funding Cycle



State and District Share by Partnership Funding Cycle







Districts That Have Never Received Partnership Funding			
Armored ²	Eureka Springs ¹	Nevada ¹	West Side (Cleburne) ¹
Brinkley ^{2, 3}	Fayetteville ²	Rector ³	
Calico Rock ^{2, 3}	Fountain Lake ¹	Russellville ²	
Cedar Ridge ¹	Gravette	Shirley ^{1, 3}	

¹Six districts that have never applied for Partnership Program funding.
²Five districts that had approved projects that were rescinded before Partnership Program funding was disbursed.
³Four districts received facilities funding from Programs that preceded the implementation of the Partnership Program, Immediate Repair and Transitional.

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Open-Enrollment Public Charter Schools

ACADEMIC FACILITIES FUNDING

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Open-Enrollment Public Charter School Facilities Funding

- 739 of 2015 created the Open Enrollment Charter School Facilities Funding Aid Program.
- Charter schools must successfully complete the charter school application review and approval process prior to the beginning of the fiscal year for which funding will be disbursed.



Open Enrollment Charter School Facilities Funding Aid Program: Eligibility for Funding

- Virtual technology is not the school's primary method of delivering instruction.
- The school's facility meets all applicable health, fire, and safety codes, and accessibility requirements as reviewed by the Division.
- Charter school **cannot** be in need of Level 5 – Intensive support under or in fiscal distress under the Arkansas Fiscal Assessment and Accountability Program and the corresponding rules adopted by the State Board of Education.
- Charter school **cannot** have received a rating of "F" in the school rating system or placed in probationary status by the state charter authorizer.



Open Enrollment Charter School Facilities Funding Aid Program: Funding Calculations

- A per-student funding rate is calculated by dividing the total available funding by the prior-year three-quarter average daily membership (ADM) counts for all eligible charter schools.
- The Charter Schools Facility Funding Aid for charter schools differs from the funding distributed through the Academic Facilities Partnership Program in that the charters receive facility funding on a per-ADM basis each year that the charter qualifies. In comparison, the Partnership Program funding is awarded to school districts on a facility project basis.



Open Enrollment Charter School Facilities Funding Aid Program: Participating Schools

School Year	# of Charter Systems	# of Charters Receiving Facilities Funding Aid	% Participating	Funding Rate Per ADM
2015-16	22	14	64%	\$562.57
2016-17	24	17	71%	\$533.24
2017-18	24	16	67%	\$455.34
2018-19	26	24	92%	\$473.57
2019-20	22	18	82%	\$514.09
2020-21	23	21	91%	\$465.29



Open Enrollment Charter School Facilities Funding Aid Program

Fiscal Year	Appropriation	Total Annual Funding	Expenditures
2016	\$15,000,000	\$5,000,000	\$4,583,328
2017	\$15,000,000	\$5,000,000	\$4,999,985
2018	\$5,000,000	\$6,500,000	\$5,000,000
2019	\$6,500,000	\$6,500,000	\$6,370,546
2020	\$7,575,000	\$7,575,000	\$7,477,803
2021	\$7,575,000	\$7,575,000	\$7,509,218
2022	\$9,075,000	\$9,075,000	\$5,906,492
2023 (Est)	\$9,075,000	\$9,075,000	
Total	\$130,800,000	\$56,300,000	\$41,847,372



Open Enrollment Charter School Facilities Funding Aid Program: Allowable Uses

- Charter School Facility Funding Aid Program funds can be used only for the lease, purchase, renovation, repair, construction, installation, restoration, alteration, modification, or operation and maintenance of an approved facility that meets specific criteria established in statute.
- If a charter school fails to use funds in an approved way or no longer has the need for the funds, the Division shall certify and recoup the funds.



Open Enrollment Charter School Facilities Funding Aid Program: Actual Uses

- Personal Services: Includes Salaries and Employee Benefits
- Purchased Professional and Technical Services
- Purchased Property Services: Includes Utility and Cleaning Services, Repair and Maintenance Services, Rental of Land & Buildings, Construction Services
- Other Purchased Services: Includes Property Insurance
- Supplies and Materials: Includes Energy Expenses
- Property Expenditures – Acquisition of Capital Assets: Includes Building Expenditures and Technology Related Hardware
- Dues and Fees



Open Enrollment Charter School Facilities Funding Aid Program: Actual Uses

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Personal Services	3.1%	0.0%	4.0%	2.9%	3.4%	3.9%
Purchased Professional and Technical Services	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%
Purchased Property Services	82.9%	81.2%	84.4%	91.2%	92.2%	92.8%
Other Purchased Services	4.0%	4.6%	3.4%	0.0%	0.0%	0.0%
Supplies and Materials	6.1%	6.1%	6.1%	4.1%	4.4%	3.3%
Property Expenditures - Acquisition of Capital Assets	3.9%	8.1%	1.1%	1.8%	0.0%	0.0%
Dues and Fees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenditures	\$4.7M	\$4.9M	\$4.4M	\$7.2M	\$7.3M	\$6.5M

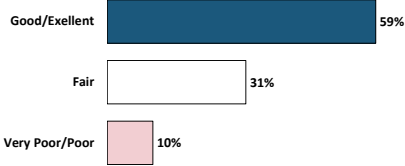


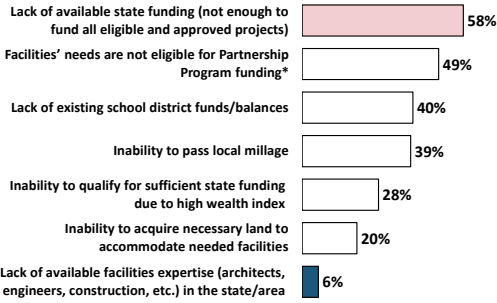
Survey Responses



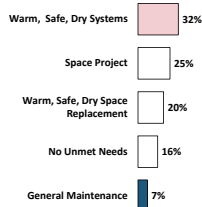
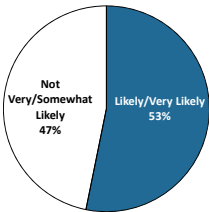
Survey Responses

Most superintendents rated the overall condition of their schools' facilities as fair or better.





Survey Responses



Questions



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