

SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to read as follows:

6-20-301. Title.

This subchapter shall be known as the “Public School Funding Act of 2003.”

6-20-302. Legislative findings.

(a) The General Assembly recognizes that intelligence and virtue are the safeguards of liberty and the bulwark of a free and good government and that the Arkansas Constitution, Article 14, § 1 requires the state to ever maintain a general, suitable, and efficient system of free public schools and to adopt all suitable means to secure to the people the advantages and opportunities of education.

(b) The General Assembly finds that because of the decision of the Arkansas Supreme Court in November 2002 in the case of *Lake View v. Huckabee, et al.*, it is the responsibility of the State of Arkansas to provide all public school children with an opportunity for an adequate education.

(c) The General Assembly finds that a suitable and efficient system of public education should:

(1) Assure the availability of substantially equal and constitutionally appropriate expenditures by the state for the education of each similarly situated child in the public schools, regardless of where that child resides within the state;

(2) Assure that each school-age child resides in a school district that offers a competitive minimum salary for classroom teachers;

(3) Assure that all students graduating from high school are able to demonstrate a defined adequate level of competence in:

(i) English communications, oral, reading, and writing;

- (ii) Mathematics skills; and
- (iii) Science and social studies disciplines; and
- (iv) Such adequate level of competence evolves over time to higher levels;
- (v) Assure that students with disabilities have the opportunity to graduate from high school by demonstrating alternative competencies or alternative levels of competency;
- (vi) Assure that students who are not on track for high school graduation are identified at a sufficiently early date that they may be provided an opportunity at a reasonable cost to achieve the minimum levels of competence necessary to graduate from high school;
- (vii) Recognize that graduating from high school requires that the student, as well as the parent, parents, or guardian of the student, work hard and assume appropriate responsibility for the student's success or failure;
- (viii) Encourage parental involvement in the public schools and public school activities;
- (ix) Recognize that early attention to and correction of student deficiencies are substantially less expensive and more effective than remedial efforts in the later school grades.

(d)(1) The General Assembly acknowledges that the Arkansas Constitution requires the state to provide a general, suitable, and efficient system of free public schools.

(2) Such obligation has been held by the Arkansas courts to be an absolute duty of the state.

(e) The General Assembly recognizes that the supervision of public schools and the execution of the laws regulating the schools shall be vested in such officers as the General Assembly provides.

(f) It is the intent of this Act to provide a system of school funding that provides to each public school child in the State of Arkansas an opportunity for an adequate education.

6-20-303. Definitions.

As used in this subchapter, unless the context otherwise requires:

(1) “Additional Education Categories” shall mean the following categories:

(a) “Alternative Learning Environment” A student intervention program in compliance with §§ 6-18-508 and 6-18-509 that seeks to eliminate traditional barriers to learning for students and includes a component for the education of gifted and talented students. Each school program shall be determined and approved by rules promulgated by the State Board of Education.

(b) “English Language Learners” An eligible English Language Learner (ELL) student means those students identified by the State Board of Education as not proficient in the English language by an approved English Proficiency Assessment instruments administered in the fall of the current year that measure oral, reading, and writing proficiency. The process for identification of students for ELL funding shall take place annually in the fall of the year. Funds allocated for ELL students to districts under this act shall be expended only for eligible

activities as identified in current rules promulgated by the State Board of Education.

(c) “National School Lunch Students / NSLA” means those students from low socio-economic backgrounds as indicated by eligibility for free or reduced priced meals under the National School Lunch Act as calculated on October 1 of each year and submitted in the Arkansas Public School Computer Network (APSCN) Cycle 2 report.

(d) “Professional Development” means a coordinated set of planned learning activities for teachers and administrators that are standards-based. The professional development shall result in individual, school-wide, and system-wide improvement designed to ensure that all students demonstrate proficiency in the state academic standards.

(e) “Technology” means any equipment for instructional purposes that is electronic in nature including, but not limited to, computer hardware, computer software, internet connectivity, and distance learning.

(3) “Special Education Catastrophic Occurrences:” shall be based upon those individual cases where 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 local school district and funding is pursuant to rules promulgated by the State Board of Education.

(4) “Average daily membership” or “ADM” means the total number of days attended plus the total number of days absent by students in grades kindergarten through twelve

(K-12) during the first three (3) quarters of each school year divided by the number of school days actually taught in the district during that period of time rounded up to the nearest hundredth. In those instances in which the average daily membership for less than three (3) quarters is specified, the number of days used in the calculation shall be the days in the specified period of time. As applied to this subchapter, students who may be counted for average daily membership are:

(A) Students who reside within the boundaries of the school district and who are enrolled in a public school operated by the district or a private school for special education students, with their attendance resulting from a written tuition agreement approved by the Department of Education.

(B) Legally transferred student living outside the district but attending a public school in the district; and

(C) Students who are eligible to attend and reside within the boundaries of a school district and who are enrolled in the Arkansas National Guard Youth Challenge Program, so long as the students are participants in the program;

(5) “Foundation Funding Amount per ADM” shall mean \$5000.00 per average daily membership. For purposes of this definition, the revenue generated in each district under the Uniform Rate of Tax shall be included, as well as Miscellaneous Revenues.

(6) “Local school district” mans a geographic area with an elected board of directors that qualifies as a taxing unit for purposes of ad valorem property taxes under § 26-1-101 et seq. and which board conducts the daily affairs of public schools pursuant to the supervisory authority vested in it by the General Assembly and Title 6 of the Arkansas Code;

(7) “Mandatory callable bonds” means a bond issue in which all net proceeds from debt service millage used to secure the issuance of that bond must be applied to payment of the issue and cannot be used for any other purposes;

(8) “Millage rate” means the millage rate listed in the most recent tax ordinance approved by the county quorum court under the authority of § 14-14-904;

(9) “Miscellaneous funds” means those average funds collected in the previous five (5) years or previous year, whichever is less, from funds received by a local school district from federal forest reserves, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, severance taxes, funds received by the district in lieu of taxes, and local sales and use taxes dedicated to education pursuant to §§ 26-74-201 et seq., 26-74-301 et seq., 26-75-301 et seq., and 14-164-301 et seq.”

(10) “Previous year” means the school year immediately preceding the school year in which funds are allocated;

(11) “Uniform rate of tax” means a uniform rate of ad valorem property tax of twenty-five (25) mills to be levied on the assessed value of all taxable real, personal, and utility property in the state to be used solely for the maintenance and operation of the schools as required by Amendment 74 of the Arkansas Constitution.

6-20-304. Liberal construction.

All general provisions, terms, phrases, and expressions used in this subchapter or any related provisions of this Code shall be liberally construed so as to effectuate its purposes.

6-20-305. Miscellaneous.

The State Board of Education shall have authority, acting pursuant to its rule-making powers, to adopt regulations for the implementation of the provisions of this subchapter.

6-20-306. School funding.

(a) For each school year, a school district shall receive “Foundation Funding Amounts” based upon the following formula:

(1) The difference between the school foundation funding amount of \$5000.00 per ADM, and the sum of ninety-eight (98%) of the uniform rate of tax times the property assessment of the school district plus seventy-five percent (75%) of miscellaneous funds of the school district.

(b) Funds distributed to school districts under each category of “Additional Education Category” shall be expended only for students in those categories under rules promulgated by the State Board of Education and pursuant to the authority of § 6-20-312, and shall be funded in each category for the 2004-2005 school year as follows:

- (1) “Alternative Learning Environment” funding shall be \$3,175.00 per identified ALE student.
- (2) “National Student Lunch Act” funding shall be \$490.00 per identified NSLA student.
- (3) “English Language Learner” funding shall be \$460.00 per identified ELL student.
- (4) “Professional Development” funding shall be \$50.00 per prior year three quarter average ADM.

- (5) “Technology” funding shall be \$175.00 per prior year three quarter average ADM.
- (c) General facilities funding, Isolated funding (§ 6-20-601), student growth funding, Special Education Catastrophic Occurrences and all other line item funding shall be allocated and funded to local school districts pursuant to law and rules governing such funding and from available funds in a line item appropriation within the Public School Fund.
- (d) The sum of (a), (b) and (c) of this subsection shall be the total state aid allocated and funded to local school districts.

6-20-307. Line Item Funding.

(a) General facilities funding, isolated funding, and student growth funding shall be provided to local school districts from available funds in a line item appropriation within the Public School Fund.

6-20-308. Department of Education to provide funding – Adjustments for overpayments.

(a) If the Department shall determine that an overpayment has been made to a local school district in any appropriation authorized by this subchapter, the Department is authorized to withhold the overpayment from state funding and is authorized to transfer the amount withheld for the overpayment to the line item appropriation from which the overpayment was initially made. The Department is authorized to request a refund in the amount of the overpayment and the district shall comply as directed by the Department.

6-20-309. Monitoring of expenditures.

(a) A local school district shall only use general facilities funding for the purchase of school buses, furniture, equipment, and computer software or for the renovation or repairs of existing facilities, or the repayment of commercial bonds or revolving loans.

(b) The General Assembly determines that although funds may be distributed to school districts under this act, that it is the duty and responsibility of the State of Arkansas to monitor such expenditures to ensure that each public school child in Arkansas is provided with an adequate education.

(c) Each school district shall ensure that funds distributed by the State of Arkansas to such district are utilized in an efficient manner in order to provide an adequate education.

In connection therewith, each school district shall:

- (1) Expend sums for teacher salaries to meet requirements of Arkansas law;
- (2) Expend such sums allocated to such school districts under each category of “Additional Educational Categories” solely and exclusively for salaries and other instructional aid components to benefit the students in such categories in the school district. The school district shall further ensure that those sums are used to improve the educational opportunity of those children, with a primary emphasis on improving such student’s proficiency;
- (3) Expend such other sums as may be allocated under this act as may be required by law in order to provide an equal opportunity for an adequate education;

- (4) Ensure that sums appropriated by law and allocated to such school districts are used to meet standards of accreditation and provide the required curriculum for all students in such districts; and
- (5) Ensure that sums allocated for facilities or other capital needs are spent in accordance with law.

(d) During the appropriate Arkansas Public School Computer Network (APSCN) reporting cycle each year, each school district shall submit appropriate data to the Arkansas Department of Education establishing the district's compliance with the provision of (b) of this section. The data shall be timely, accurate and in the format required in rules promulgated by the State Board of Education. The data reported shall be responsible to those expenditure categories for compliance as set out herein. Reports for each school district shall be developed by the Department and transmitted to the Governor and Education Committees for the House of Representatives and the Senate.

6-20-310. Other requirements for state aid.

In order for a district to be entitled to state aid under the provisions of this subchapter, each district shall satisfy the following requirements:

(1) Expenditures for any fiscal year shall not exceed the legal revenues for that year available to the district as determined by state law or regulation of the State Board of Education;

(2) The district shall maintain such records and make such reports relative to attendance, receipts, and disbursements and other reports as required by the Department of Education for the administration of this subchapter;

(3) The district shall maintain proper financial records in accordance with the state's

school accounting manual (handbook II r²) and regulations promulgated by the State Board of Education;

(4) The district shall file with the State Board of Education annually a salary schedule for its certified employees which recognizes a minimum level of training and experience. This schedule shall reflect the actual pay practices of the district. Salary increments for experience or education, or both, shall be identified on the schedule;

(5) All pupil attendance records shall be kept in their original form and shall be public records. They shall be kept according to law and regulations, on paper or electronic forms either furnished or approved by the department. Original attendance records shall be kept on file in the office of the superintendent of schools after the school term is ended for a period of three (3) years, and these records shall be available for monitoring purposes during any day of the school term by the teachers or other persons designated to keep attendance.

6-20-311. Computation of classroom teacher salaries.

Local school districts may not include the cost of substitute teachers, extended contracts for extracurricular activities, or supplementary pay for extracurricular activities in meeting the expenditures requirement for student classroom teacher salaries.

6-20-312. Special Needs Students and Pupil Support Services.

(a) The Department of Education shall provide assistance for students with special needs and pupil support services to local school districts from available revenues from line item appropriations in the Public School Fund.

(b) Funding for students in Alternative Learning Environment Programs (ALE) shall be distributed based on rules promulgated by the State Board of Education. For the 2004-2005 school year the ALE funding shall be \$3,175.00 per identified ALE student.

(c) Funding for English Language Learner students (ELL) shall be distributed based on students who have been identified as not proficient in the English language based upon a state approved English proficiency assessment instrument. For the 2004-2005 school year the ELL funding shall be \$460.00 per identified ELL student.

(d) Funding for National School Lunch Students shall be based on the number of students eligible for free and or reduced price lunch program under the National School Lunch Act identified on the cycle two (2) APSCN report. NSLA funding for the 2004-2005 school year shall be \$490.00 per identified NSLA student.

(e) Funding for professional development for teachers in Arkansas public schools may be used for professional development training conferences, materials, and other professional development activities as outlined in rules promulgated by the State Board of Education. Professional development funding for the 2004-2005 school year shall be level of \$50.00 per prior year three quarter average ADM.

(f) Funding for technology may include but is not limited to purchases of hardware, software, technology training, technology infrastructure, electronic learning devices, training materials, technology textbooks and courses. Unused technology funds may be carried forward up to two (2) fiscal years based on needs identified in the districts technology plan. Technology support funding for the 2004-2005 school year shall be at a level of \$175.00 per prior year three quarter average ADM.

(g) The State Board of Education may promulgate rules governing the expenditure and use of special need and pupil support funding provided for in this subsection.

6-20-313. Calculation and disbursement of funds authorized.

(a) The Department of Education shall calculate the amount of funds authorized by this subchapter on three (3) occasions during the year. The first of these shall be done at the beginning of the year. A second calculation shall occur at some point during the year, making corrections for clerical errors and student growth. The third of these calculations shall be done at the end of the year and shall settle all funding amounts due to school districts under this subchapter.

(b) On or before July 1 of every year, the department shall set a schedule of payments of funds authorized under this subchapter to school districts.

(c) If statistical data required in this subchapter are not available at the time they are required for calculations or if the school program is disrupted for any cause not controlled by the local board of education, the State Board of Education shall cause procedures to be developed which will ensure that the provisions of this subchapter are properly enforced.

SECTION 2. Differentiated Teacher Compensation Program: Arkansas Code Title 6, Chapter 17, is amended to add the following subchapter:

6-17-2401. Title.

This subchapter shall be known and may be cited as the “Differentiated Teacher Compensation Program of 2003.”

6-17-2402. Legislative Intent.

The intent of this subchapter is for the State of Arkansas to create a teacher compensation system that has the following objectives:

(1) A compensation system that drives improvements in student academic achievement;

(2) A compensation system that attracts and retains the best teachers possible;

(3) A compensation system that provides teachers with meaningful and rewarding opportunities for advancement in the profession based on the acquisition of skills that enhance instructional excellence and student learning, taking on leadership roles, and making exceptional professional contributions;

(4) A compensation system that motivates and provides financial incentives for teacher efforts and performance that leads directly to improved student achievement;

(5) A compensation system that encourages and rewards teachers individually for increasing their knowledge, skills, and competencies, and rewards teachers collectively for improving student performance;

(6) A compensation system that promotes a sense of ownership for student results and a commitment to perform in a manner that promotes student achievement;

(7) A compensation system that promotes professional collegial cooperation;

(8) A compensation system that as a result of the compensation program, teachers have a keen understanding of what is expected of them and the priorities of the state; and

(9) A compensation system that will be affordable, somewhat predictable, and in keeping with the state's educational and fiscal objectives.

6-17-2403. Definitions. For the purposes of this subchapter, the following terms shall have the following meaning unless the context demands otherwise:

(1) "Basic contract" shall mean a contract number of days that is not more

than the number of days in the school year required by the state board's for accreditation for the school year in which the contract is effective;

(2) "Knowledge and Skills Based Pay system" is the compensation system explicated by Arkansas Code §§ 6-17-2305;

(3) "School Based Performance Awards" shall mean the compensation system explicated in Arkansas Code § 6-17-2308;

(4) "Teacher" shall mean any full-time employee of a local public school district who is compelled by law to secure a license from the State Board of General Education as a condition precedent to employment in a position in or related to grades pre-kindergarten through twelve (preK-12) of the public schools of this state.

6-17-2404. Minimum Teacher Compensation Schedule for 2004-2005.

(a) In school year 2004-2005, the board of directors in each school district in the state shall pay their teachers upon a salary schedule that has annual increments for education and experience, that provides for a base salary, a minimum salary for a teacher with a master's degree, and that has at least fifteen (15) years of experience as described in this section.

(b)(1) In school year 2004-2005, each school district in the state shall have in place a salary schedule with at least the following levels of compensation for the basic contract:

<u>Years Experience</u>	<u>BA Degree Salary</u>	<u>MA Degree Salary</u>
<u>0</u>	<u>\$29,000</u>	<u>\$32,279</u>
<u>1</u>	<u>29,444</u>	<u>32,789</u>
<u>2</u>	<u>29,888</u>	<u>33,299</u>

3	30,332	33,809
4	30,776	34,319
5	31,220	34,829
6	31,664	35,339
7	32,108	35,849
8	32,552	36,359
9	32,996	36,869
10	33,440	37,379
11	33,884	37,889
12	34,328	38,399
13	34,772	38,909
14	35,216	39,419
15 years or more	35,660	39,929

(2) For purposes of the salary schedule explicated in this subsection, the teacher's experience shall be his or her total years in any public school district in the state, and shall not be based on only the years in the district in which he or she is currently employed.

6-17-2405. Knowledge and Skills Based Pay after 2004-2005.

(a) In school year 2005-2006 and each year thereafter, the board of directors in each school district in the state shall pay their teachers upon a salary schedule that has annual increments for education and experience, that provides for a base salary, a minimum salary for a teacher with a master's degree, and that has at least fifteen (15) years of experience as described in this section.

(b)(1) In school year 2005-2006 and each year thereafter, each school district in the state shall have in place a salary schedule with at least the following levels of compensation for the basic contract:

<u>Skill Level</u>	<u>Step Within Level</u>	<u>Salary</u>	<u>Percent Step</u>
<u>Entry</u>	1	\$29,000	
	2	29,580	2.0%
	3	30,172	2.0%
<u>Emerging Career</u>	1	33,038	9.5%
	2	33,669	2.0%
	3	34,373	2.0%
<u>Career</u>	1	37,638	9.5%
	2	38,391	2.0%
	3	39,159	2.0%
	4	39,942	2.0%
<u>Master</u>	1	43,736	9.5%
	2	44,661	2.0%
	3	45,503	2.0%
	4	46,413	2.0%
<u>Arkansas Fellow</u>	1	50,823	9.5%

(2) For the purposes of the Knowledge and Skills Based Pay system, when a teacher moves from one district to another, the teacher shall be placed in an equivalent position in terms of skill level and steps within the level on the salary schedule of the

school district to which the teacher moves.

(c)(1) No individual without a standard teaching license issued by the State Board of General Education may advance from the Entry Skill Level to the Emerging Career Skill Level.

(2) For an individual to advance from the Emerging Career Skill Level to each successive skill level, that individual must demonstrate sufficient increases in knowledge and skills, and the ability to use those knowledge and skills to advance student achievement, in accordance with rules promulgated by the State Board of General Education.

(3) If an individual no longer demonstrates the knowledge and skills, and the ability to use those skills to advance student achievement, then that individual would be given one (1) year to increase their knowledge and skills appropriate to that Skill Level, otherwise that individual shall be lowered to the appropriate skill level.

(4) An individual must remain in the Emerging Career Skill Level for at least one (1) year before attempting to be promoted to the Career Skill Level. An individual must spend at least three (3) years in the Career Skill Level before attempting to be promoted to the Master Skill Level.

(5) The Arkansas Fellow Skill Level is for teachers who achieve and apply extraordinary expertise in the classroom.

(d) Any individual who has reached the highest Step Within Level without advancing to the next Skill Level shall continue to receive increases in teacher pay equal to two percent (2.0%). When that individual then advances to the next Skill Level, the individual's compensation shall increase by nine and a half percent (9.5%) and shall

continue to increase by two percent (2.0%) each year thereafter.

6-17-2406. Transition from the compensation system in Arkansas Code § 6-17-2304 to the compensation system in Arkansas Code § 6-17-2305.

(a)(1) Prior to July 1, 2004, the State Board of General Education shall promulgate rule to implement all aspects of the Knowledge and Skills Based Pay explicated in Arkansas Code 6-17-2305.

(2) The State Board of General Education shall work in cooperation with the House Interim Committee on Education and the Senate Interim Committee on Education and any subcommittees created thereby while creating these rules .

(b) During the 2004-2005 school year, the Bureau of General Education shall pilot and evaluate the Knowledge and Skills Based Pay system explicated in Arkansas Code 6-17-2304 in a limited number of school districts.

(c) During the 2004-2005 school year, the Bureau of General Education shall preliminarily determine where each teacher will be located on the Knowledge and Skills Based Pay system explicated in Arkansas Code 6-17-2305.

(d) Beginning July 1, 2005, the Knowledge and Skills Based Pay system explicated in Arkansas Code 6-17-2305 shall be in full force and effect.

6-17-2407. Additional pay for certain teacher qualities.

(a)(1) For the school year 2004-2005 and every school year thereafter, school districts shall pay an additional four and six tenths percent (4.6%) of a teacher's salary if that individual teaches in an academic field in which there is a shortage of teachers.

(2) The State Board of General Education shall annually determine in which academic areas there is a shortage of teachers.

(b)(1) For the school year 2004-2005 and every school year thereafter, school districts shall pay an additional five percent (5.0%) of a teacher's salary if that individual teaches in a geographic area in which there is a difficulty in recruiting and retaining teachers.

(2) The State Board of General Education shall annually determine the geographic areas in which there is a difficulty in recruiting and retaining teachers.

(c)(1) For the school year 2005-2006 and every school year thereafter, school districts shall pay an additional five percent (5.0%) of a teacher's salary if that individual possesses academic credentials that are above what is needed for a standard teaching license.

(2) The State Board of General Education shall promulgate rules that explicate which academic credentials will qualify for this type of incentive pay.

6-17-2408. School based performance awards.

(a)(1) For the school year 2004-2005 and each year thereafter, the Bureau of Education shall pay four different levels of school based performance awards to individual schools that show excellence in meeting state performance goals.

(2) The State Board of General Education shall promulgate rules that explicate how it will be calculated that individual schools qualify for these awards.

(b)(1) The amount of the school based performance award shall be based upon the extent to which the school accomplished established student achievement goals:

(A) For a school that did not accomplish the goals there would be no award;

(B) For a school that had basic accomplishment of the goals, the award would be equal to one thousand dollars (\$1,000) per certified teacher and administrator in

the school plus five hundred dollars (\$500) for support staff in the school;

(C) For a school that had accomplished targeted improvement goals, the award would be equal to two thousand dollars (\$2,000) per certified teacher and administrator in the school plus one thousand dollars (\$1,000) for support staff in the school; and

(D) For a school that exceeded the targeted improvement goals, the award would be equal to three thousand dollars (\$3,000) per certified teacher and administrator in the school plus one thousand five hundred dollars (\$1,500) for support staff in the school.

(2) The State Board of General Education shall promulgate rules that explicate what the student achievement improvement goals are and how they will be determined.

6-17-2409. Monitoring and assessment of the compensation system.

(a) The State Board of General Education shall promulgate rules establishing a system that monitors and assesses the implementation and continuation of the Knowledge and Skills Based Pay system as well as the School Based Performance Awards.

(b) The Director of the Bureau of Education shall establish a unit within the Bureau that will be charged with monitoring, training, and assessing necessary under this subchapter.

6-17-2410. Future adjustments of the compensation system.

Every biennium the House and Senate Interim Committees on Education shall analyze the compensation levels explicated under this subchapter based upon relevant available data and shall make recommendations to the General Assembly of any

adjustments to the compensation levels deemed necessary to further the objective explicated in Arkansas Code § 6-17-2302.

SECTION 3. Funding of Open-Enrollment Charter Schools.

Funding for Open-enrollment Charter Schools will be distributed base on rules promulgated by the State Board of Education and available funding.

SECTION 4. Regulatory Authority of the State Board of Education.

The State Board of Education shall have complete authority to implement any rules necessary to implement, clarify, or establish any and all provisions of this act as long as those rules are not in direct conflict with the explicit terms of this act.

SECTION 5 The following code sections are repealed.

Arkansas Code Title 6, Chapter 20, Subchapter 3.

SECTION 6 Effective Date.

Unless otherwise indicated, the effective date of this act shall be July 1, 2004.