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BUREAU OF
LEGISLATIVE RESEARCH

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MEMORANDUM

TO: The Members of the House and Senate Interim Committees on Education

FROM: Nell Smith, Senior Research Analyst
Mark Hudson, Senior Legislative Analyst

SUBJECT: Changes to the Adequacy Report

DATE: August 7, 2008

A draft copy of the "Report on Legislative Hearings For the 2008 Interim Study on Educational Adequacy" was presented to the Joint Adequacy Evaluation Oversight Subcommittee on June 3, 2008. Attached to this memo is a revised copy of that report. The new version is largely unchanged from the June 3rd draft. However, the following modifications have been made:

- In the Student Achievement section (page 8 of the revised version), the State Benchmark Test Scores were updated to include the 2008 results.
- In the Fiscal Distress section (page 18 of the revised version), three references to *schools* being in fiscal distress were changed to school *districts* being in fiscal distress. This section was also updated to include the removal of two districts from the fiscal distress list and the July decision placing the Decatur School District on fiscal distress.
- The Facilities Distress section (page 19 of the revised version) was updated to include the July decision placing the Hermitage School District on facilities distress.
- The Leadership section (pages 26-28 of the revised version) was updated to reflect further work by the Ad Hoc Committee on Educational Leadership.
- The Recommendations section (page 52 and 53 of the revised version) now includes the recommendations approved by the Adequacy Subcommittee during the June 3rd and August 6th meetings. The June 3rd recommendation regarding transportation appears as stricken language, and the August 6th recommendation appears in bold. The Transportation section of the report (page 38) was minimally altered to reflect the Subcommittee's recommendation.
- The report's Table of Contents was altered to reflect the new page numbers resulting from the above changes.

**A REPORT ON LEGISLATIVE HEARINGS
FOR THE 2008 INTERIM STUDY ON EDUCATIONAL ADEQUACY
(ACT 57 OF THE SECOND EXTRAORDINARY SESSION OF 2003
AND ACT 1204 OF 2007)**

VOLUME I

**FINAL REPORT AND RECOMMENDATIONS
OF THE
JOINT ADEQUACY EVALUATION OVERSIGHT SUBCOMMITTEE
TO THE
HOUSE INTERIM COMMITTEE ON EDUCATION
AND THE
SENATE INTERIM COMMITTEE ON EDUCATION**

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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, overseen by the House and Senate Interim Committees on Education. The committee's charge was to study the state's educational system and determine how it can offer an adequate education to all Arkansas public school students. A year later the General Assembly made that responsibility ongoing with Act 57 of the Second Extraordinary Session of 2003 (Act 57), which requires the Education Committees to study the system and report their findings and recommendations in September before every regular session. During the 2007 legislative session, the General Assembly refined the Act 57 requirements, passing Act 1204 of 2007 (Act 1204). (Acts 57 and 1204 are codified at A.C.A. § 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 establishes 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 establishes that these broad reviews will be accomplished by:

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

Act 1204 also established that the legislature would review any other program or topic identified for further study.

This report is presented in response to 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. This guide also indicates which sections respond to reviews required by interim study proposals (ISPs), many of which were developed during the previous biennium's educational adequacy review.

How the 2008 Study Was Conducted

On May 15, 2007, the Chairs of the House and Senate Interim Committees on Education (Education Committees) made a motion to create the Joint Adequacy Evaluation Oversight Subcommittee (Adequacy Subcommittee) to review the adequacy of education in Arkansas for the 2008-2010 biennium. In September 2007, the Adequacy Subcommittee began hearing testimony on the topics established in Acts 57 and 1204. The Adequacy Subcommittee met 13 times, and presenters included representatives from the Arkansas Department of Education (ADE), the Attorney General's office, school districts, and the Bureau of Legislative Research (BLR). (A list of all presenters can be found in Appendix C.) This report represents a summary of all testimony presented to the Adequacy Subcommittee and some of the testimony presented to the Education Committees.

BLR staff also undertook extensive surveys of all 245 school district superintendents and a sample of 74 school principals. The review included site visits to each of the 74 schools and sought information on school and district needs. The analysis of that data compared how schools and districts used their funding with how the state's funding formula intended that money to be spent. Did the schools employ as many teachers as the funding formula intended, for example?

BLR staff used ADE's financial data to examine school district revenues and expenditures. This analysis reviewed each district's per-student expenditure and compared districts' expenditures by category. For example, how much did each spend on instruction compared with administration?

The testimony, the school and district surveys, and the expenditure analysis drew from a wide variety of sources, including audits, surveys of other states, surveys within the state, and data from national and regional authorities, such as the National Education Association and the Southern Regional Education Board. Arkansas teacher salaries were compared with other states using the Comparable Wage Index developed by the National Center for Education Statistics. Inflation factors were determined by using projections from Moody's Economy and Global Insight, producers of national economic forecasting services. The Adequacy Subcommittee also solicited comment from educational associations.

Volume 2 of this report, which is available upon the internet, contains copies of all materials presented to the Adequacy Subcommittee and the Education Committees for this adequacy review. Citations to the research mentioned in this report can be found with the original materials presented to the committees.

For its recommendations, the Adequacy Subcommittee carefully considered all of the information presented. After an extensive review, the Adequacy Subcommittee proposes a number of recommendations to the Education Committees concerning educational policy and funding. The recommendations are listed in Section 12 of this report.

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Section 2: Legal Landscape

The Arkansas Constitution provides that the state "shall ever maintain a general, suitable and efficient system of free public schools and shall adopt all suitable means to secure to the people the advantages and opportunities of education." Ark. Const. art. 14, § 1. The primary Arkansas Supreme Court decisions interpreting this constitutional provision are *Dupree v. Alma Sch. Dist. No. 30 of Crawford County*, 279 Ark. 340, 651 S.W.2d 90 (1983) and *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 370 Ark. 139, ___ S.W.3d ___ (2007). The *Dupree* court held that the state's constitutional responsibility included providing "equal educational opportunity" to the state's public school children.

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

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

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

The following September, the Adequacy Subcommittee held its first meeting. Matt McCoy, assistant attorney general, told the subcommittee that after 15 years of litigation, the state now has a constitutional system of public education. He stressed the importance of the state maintaining its focus on the condition of the public education system and taking appropriate actions to keep the system in constitutional compliance.

Section 3: Educational Adequacy

Definition

The Adequacy Subcommittee 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

The state's system for funding public schools is made up of a base per-student amount, known as foundation funding (A.C.A. § 6-20-2301 et seq.). Each district receives the foundation funding amount multiplied by its student count, or average daily membership (ADM). The foundation funding was set at \$5,662 per student for 2006-07 and \$5,719 for 2007-08. The formula for arriving at those amounts is known as the matrix, which is located in Appendix E. Foundation funding is discussed in greater detail in Sections 8 and 9 of this report.

School districts also receive four other groups of funding, known as categorical funding. Three of the four categorical funds are designed to help schools educate students with special needs. The fourth categorical fund is designed to pay districts for providing staff professional development. See Sections 8 and 9 for more detailed discussion of categorical funding.

Categorical Funding Type	Description	Amount in 2006-07
English Language Learners (ELL)	Funding designed to help school districts educate students with limited English language proficiency.	\$195 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.	\$32.50 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%: \$1,440 per NSL student 70%-90%: \$960 per NSL student <70%: \$480 per NSL student
Professional Development (PD)	Funding designed to pay for professional development for teachers and staff.	\$41.11 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 help isolated schools.

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

Analysis of Adequacy Studies

Over the past 15 to 20 years, states across the country have conducted adequacy studies primarily in response to state education lawsuits. BLR staff summarized for the Adequacy Subcommittee the four approaches for determining the sufficiency of funds to provide an adequate education:

- Professional judgment
This approach involves education experts coming to a consensus about the resources and associated costs necessary for meeting the state's adequacy definition.
- Exemplary school district
This approach identifies school districts that can serve as models for funding because they have fulfilled state expectations. Resource allocation and spending levels in these exemplary school districts are used to calculate a base cost per student, which is then adjusted to account for differing student and school district characteristics.

- Evidence-based
This approach relies on current education research to identify the resources needed for a prototypical school to meet a state's student performance benchmarks. Then the costs of the prototypical school designs are estimated and applied to schools in the state, adjusting for characteristics such as students with disabilities.
- Cost function
This approach relies on statistical procedures to determine what resources are needed to produce desired outcomes.

The methodology used this biennium was the evidence-based strategy. The study conducted by the BLR used established education research, including research completed in previous years by the state's consultants, to identify the resources needed for a prototypical school to meet state standards. (See Section 9 for the study's findings.)

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Section 4: Student Achievement

Achievements in Education

Over the past 15 years, funding reforms and new educational policies have allowed the state to make considerable improvements on student test scores and many other measures. Still, additional opportunities for improvement remain. The following table shows the gains that have been made since the last adequacy report was published and additional areas that could be improved.

	Previous Adequacy Report	Current Adequacy Report
National Assessment of Educational Progress (NAEP) Scores	2005 Math Arkansas Nation 4th: 236 237 8th: 272 278 Reading Arkansas Nation 4th: 217 217 8th: 258 260	2007 Math Arkansas Nation 4th: 238 239 8th: 274 280 Reading Arkansas Nation 4th: 217 220 8th: 258 261
State Benchmark Test Scores: Percent Proficient or Advanced	2005 Math • 4th: 50% • 8th: 33% Literacy • 4th: 51% • 8th: 57%	2008 Math • 4th: 74% • 8th: 56% Literacy • 4th: 67% • 8th: 67%
Iowa Basic Skills Scores	2005 • K-Reading: 51 • K-Math: 64 • 1st-Math: 56 • 2nd-Math: 56 • 5th-Concepts & Estimation: 62 • 6th-Concepts & Estimation: 54	2007 • K-Reading: 58 • K-Math: 68 • 1st-Math: 62 • 2nd-Math: 62 • 5th-Concepts & Estimation: 67 • 6th-Concepts & Estimation: 58
Quality Counts Achievement Index: State Ranking	2007: 29th	2008: 34th Overall ranking: 8th **2008 was the first year overall grades were given
Median Per Pupil Expenditure: State Ranking	2003-04: 41st	2004-05: 30th

	Previous Adequacy Report	Current Adequacy Report
Average Composite ACT Scores	2006 <ul style="list-style-type: none"> Arkansas: 20.6 Nation: 21.1 2005 <ul style="list-style-type: none"> Arkansas: 20.3 Nation: 20.9 	2007 <ul style="list-style-type: none"> Arkansas: 20.5 Nation: 21.2
Mean SAT Scores	2006 <p>Arkansas</p> <ul style="list-style-type: none"> Critical reading: 574 Mathematics: 568 <p>Nation</p> <ul style="list-style-type: none"> Critical reading 503 Mathematics 518 2005 <p>Arkansas</p> <ul style="list-style-type: none"> Verbal: 563 Mathematics: 552 <p>Nation</p> <ul style="list-style-type: none"> Critical reading: 508 Mathematics: 520 	2007 <p>Arkansas</p> <ul style="list-style-type: none"> Critical reading: 578 Mathematics: 566 <p>Nation</p> <ul style="list-style-type: none"> Critical reading: 502 Mathematics: 515
Graduation Rate	2002-03 <ul style="list-style-type: none"> Arkansas: 71.8% Nation: 69.8% 	2003-04: <ul style="list-style-type: none"> Arkansas: 72.2% Nation: 69.9%
Average Teacher Pay: State Ranking	2005-06 <ul style="list-style-type: none"> 1st of the 7 surrounding states 8th of the 16 SREB states 30th of all 50 states** ** uses different data from the rankings of surrounding states and SREB states 	2006-07 <ul style="list-style-type: none"> 2nd of the 7 surrounding states 9th of 16 SREB states 31st of all 50 states
Average Teacher Pay Adjusted With Comparable Wage Index: State Ranking	2005-06 <ul style="list-style-type: none"> 2nd of 16 SREB states 	2006-07 <ul style="list-style-type: none"> 2nd of 16 SREB states
College Remediation Rate	2005: <ul style="list-style-type: none"> Reading: 29.6% Math: 47.5% 	2007: <ul style="list-style-type: none"> Reading: 29% Math: 45%

	Previous Adequacy Report	Current Adequacy Report
Technology Counts: State Ranking	2007 Overall ranking: 10	2008 Overall ranking: 13

The Achievement Gap

Despite the progress that Arkansas has made, there remains a gap in the level of student achievement between economically advantaged and disadvantaged children and between white and minority children in the state. White students outscored African-American students by 28 to 31 points on the 4th and 8th grade NAEP tests in math and literacy. And middle-income students outscored low-income students by 20 to 27 points.

Dr. Jay Barth, associate professor in the Department of Politics at Hendrix College, and Dr. Keith Nitta, assistant professor at the Clinton School of Public Service, studied the problem, conducting a critical review of existing research. Their report, *Education in the Post-Lake View Era: What Is Arkansas Doing to Close the Achievement Gap?*, suggested several steps the state could take to reduce the achievement gap. (The full report, including research references, is contained in Volume 2.)

Barth and Nitta noted that Arkansas has developed a high-quality pre-kindergarten initiative available to all needy families. They recommended a major public communications effort to ensure all three- and four-year-olds who are eligible for free preschool actually enroll and attend.

Arkansas has also become a national leader in developing a longitudinal tracking system of student learning. The report's authors recommended aggressively implementing the longitudinal tracking system and using this data to improve the way Arkansas teachers are educated, distributed, and developed on the job.

The only elements of school choice initiatives that have shown any convincing evidence of success in closing the achievement gap are charter schools with certain traits, such as extended learning time, rigorous professional development and strong school leadership. Barth and Nitta recommended the state Board of Education review all charter school applications for evidence that they employ research-based methods for closing the achievement gap.

Research shows that students with health problems spend less time in school, resulting in lower levels of achievement, a greater likelihood of grade retention, and lower graduation rates. The report's authors recommended that Arkansas reintroduce state funding to support school-based health clinics for under-served students or promote their development through the Coordinated School Health Initiative, a joint project between ADE and the Arkansas Department of Health.

Research on class-size reduction in Tennessee shows that a class size of 13-17 students in the early grades significantly improved students' test scores and graduation rates. The report's authors recommended funding reduced class sizes in schools with high proportions of students from low-income, African-American, or Latino families.

Research shows that summer learning loss and unproductive time between 3 p.m. and 6 p.m. are key causes of the achievement gap. Arkansas lacks a statewide funding and quality assessment system for after-school and summer programs.

After-School and Summer School Programs

A separate study by BLR staff found that schools collectively spent about \$3.55 million of their NSL funds, or 2.5 percent, on before- and after-school programs in 2006-07 and another \$2.6 million, or about 1.85 percent of their NSL funds, on summer programs.

The average number of after-school teachers reported in the BLR study was five per 500 students, with one district reporting as many 44 after-school teachers per 500 students. About 21 percent of the study's 74 sample schools said they had no after-school teachers. Nearly half of the schools that responded to questions about before- and after-school programs reported having no students in those programs.

To address the after-school and summer school needs in Arkansas, Gov. Mike Beebe appointed 19 people to the Governor's Task Force on Best Practices for After-School and Summer Programs. Sen. Shane Broadway updated the Adequacy Subcommittee on the Task Force's progress.

The Task Force created three subcommittees to address youth development, resources, and quality standards. Among the discussions in those subcommittees are the following:

- Unmet needs
- Barriers to after-school and summer school programs, such as transportation
- Current funding and new funding opportunities
- Implications of implementing statewide quality standards

The Task Force will continue researching and discussing policy recommendations.

Alternative Learning Environment Programs

Some students need different learning environments due to social or behavioral factors that make learning difficult in the traditional classroom. For these students the state provides funding to educate them in an alternative learning environment (ALE). State law requires each school district to provide an alternative learning environment program (A.C.A. § 6-18-508).

A 2006 BLR study found that alternative learning environments in Arkansas vary widely in their delivery of instructional and behavioral assistance to those students. Following that study, the legislature passed ISP 2007-013, which called for a study to identify best practices for alternative learning environments, determine how those best practices can be implemented statewide, and identify the resources needed for implementing alternative learning environments that provide those students with an adequate education.

ADE made a presentation to the Adequacy Subcommittee describing the guidelines the state uses to evaluate alternative learning environments through the scholastic audit process. The Arkansas guidelines are based on the nine guiding principles for standards and quality alternative education programs drafted by the National Alternative Education Association.

These national principles include the following:

- Maintaining a program culture that is characterized by a positive rather than punitive emphasis in behavior management and student discipline
- Emphasizing a non-judgmental, solution-focused approach that includes parents as equal partners in all aspects of their child's alternative education plan
- Maintaining high academic expectations for students across academic, behavioral, social, vocational, and life skills domains

In addition to the nine guiding principles, Arkansas has added one more: school-based mental health services. Schools must provide each ALE student with access to the services of a school counselor or mental health professional (ADE special needs funding rule 4.02.1.4).

ADE is required to monitor each school's alternative learning environment program at least every three years to ensure that it is conducive to learning and is providing intervention services designed to address individual needs of students. Expenditure evidence indicates that ALE services are not being provided in all districts as required.

Student Mobility

The Adequacy Subcommittee also addressed the educational issues surrounding students who move from one school to another. During the 2007-08 school year, 6,000 students attended at least two schools in Arkansas, according to a report presented by BLR staff. Of those, 76 students attended at least three different schools in the state.

Analysis of a sample group of ten districts with declining enrollment showed that students who left one district for another Arkansas school typically moved to a neighboring or nearby district. School officials do not know where 5 to 20 percent of the students leaving these districts went. Some may have left the state, dropped out, switched to a private school, or even died.

For students who move, the educational consequences can include disruption in learning, lower test results, increased risk of not graduating (if the move occurs during high school) and social problems. Those problems can also shift to the schools those students attend. New students can slow down the pace of teaching the curriculum or disrupt classroom teaching, which may result in lower test scores even for stable students.

To alleviate these problems, other states and localities have adopted policies that allow students who move within the same community to remain at their school — without transportation — for the rest of the school year. Other communities created programs to offer after-school community homework centers near subsidized housing.

Research suggests that districts should include mobility data in annual yearly reports and analyze the reasons for transfers. Teachers should receive professional development on facilitating the integration of new students, and students should receive counseling to help them recognize and develop alternative responses to life problems, including moving.

Section 5: Statewide School Monitoring Programs

ADE presented a series of reports to the Adequacy Subcommittee describing what the federal No Child Left Behind Act requires, what the state has done to comply and the resulting gains in student achievement and school improvement. This section provides summaries of those reports as well as summaries of other related reports made to the Adequacy Subcommittee and the Education Committees.

No Child Left Behind

The federal legislation known as the No Child Left Behind Act (NCLB) requires states to develop rigorous and challenging academic standards in language arts, math, and sciences (No Child Left Behind Act of 2001, Pub. L. 107-110, 115 Stat. 1425). NCLB requires states to test students in reading, writing, and math in grades 3-8; in high school starting with the 2005-06 school year; and in science beginning in 2007-08.

NCLB requires schools to improve student test scores each year at a pace known as Adequate Yearly Progress (AYP). AYP is the target amount of progress schools need to make to ensure that all of their students are testing at grade level in literacy and math by 2013-14. AYP is based on procedures established in federal law. Schools must meet AYP for both their total population and for each of the subgroups.

ACTAAP

To comply with NCLB, Arkansas developed the Arkansas Comprehensive Testing, Assessment, and Accountability Program (ACTAAP), the state student testing system in which every student and every school is required to participate (A.C.A. § 6-15-401 et seq.). ACTAAP tests students to gauge their understanding of the state curriculum and uses the collective test results to measure the quality of the education that schools provide.

Arkansas public school students currently take five types of exams:

- Augmented benchmark exams (grades 3-8 literacy and math and grades 5 and 7 science)
- End-of-course exams (Algebra I, Geometry, and Biology)
- Grade 11 literacy exams
- Alternate portfolio assessments (for students with disabilities)
- Norm-referenced tests (grades K-2, grade 9)

Norm-referenced tests (NRT) are national standardized exams used to compare students' performance with one another and make state-to-state comparisons. Criterion-referenced tests (CRT), on the other hand, are state-developed exams, designed to test a student's mastery of a particular topic. The state's augmented benchmark exam includes CRT questions that were customized to the Arkansas education standards, and it provides an NRT score comparing Arkansas students to other students nationally.

All students enrolled in Algebra I, Geometry, and Biology for high school graduation credit must take the end-of-course exam. All grade 11 students must take the grade 11 literacy exam or participate in the alternate portfolio assessment. Schools began giving the first Algebra II exams in the spring of 2008. Students are given several opportunities to pass the end-of-course exams. Those who are unable to pass them take an alternate

course with an alternate test. If they are still unable to pass, they receive no credit for the course and cannot graduate.

All students enrolled in a resource class for grade 9 math and for grade 10 science must participate in the alternate portfolio assessment to meet NCLB requirements.

Student scores from the augmented benchmark exams are used to measure how well schools are educating students as required by Arkansas curriculum standards and by the No Child Left Behind Act. Arkansas began testing in reading, writing, and math in March 2005, and the state began administering science tests in April 2008.

Formative Assessment

In addition to the ACTAAP testing system, there is a need to consider developing a state-supported program for formative assessment. ISP 2007-043 called for a study of the issue.

Dr. Margaret Heritage, assistant director for professional development at the National Center for Research on Evaluation, Standards and Student Testing (CRESST) at the University of California at Los Angeles, presented a report on formative assessment to the Education Committees.

Formative assessment is an ongoing process to close the gap between a learner's current state and the desired goals. By frequently evaluating student understanding — through quizzes, questioning, mid-lesson checks, etc. — formative assessment helps teachers tailor lessons to student learning. Formative assessment practices include:

- Eliciting evidence of student learning
- Providing feedback to teachers and students about learning
- Using feedback to adjust instruction and learning tactics in real time
- Involving students actively in their learning

Heritage said that education research shows that classroom assessment combined with quality feedback produces powerful and positive effects on achievement. Teachers who use formative assessment are able to achieve in six or seven months what would otherwise take a year.

For formative assessment to improve student achievement, teachers need:

- Knowledge of their subject and formative assessment strategies
- Skills in interpreting evidence and using evidence to plan instruction
- Support from policymakers, administration, and stakeholders for the use of formative assessment
- Pre-service training
- Sustained investment in professional development
- Recognition that developing formative assessment practices takes time
- Relief from having to administer more tests

Curriculum Frameworks

The Arkansas student testing system is built around the state curriculum frameworks. State law requires the Board of Education to set up a process and a cycle for the review of the education curriculum. The curriculum for at least one school subject is currently scheduled for revision each year through 2015.

For each standard revision, ADE establishes a committee to review other states' standards as well as international standards. The committee looks at national organizations' standards evaluation, surveys the state Higher Education and Workforce Education Departments and asks content experts to review the state's existing standards. Once the Board of Education has approved the revised standards, the department aligns the educational system to those standards, including the selection of textbooks and instructional materials.

The state Textbook/Instructional Materials Selecting Committees recommend to the Board of Education a wide range of textbooks and other instructional materials that are consistent with the standards and curriculum framework. The committee selects textbooks based on the teaching merits and content of the texts and instructional materials, whether they are up to date, and whether they are consistent with the state guidelines for eliminating bias.

Additionally, the alignment of the educational system with ACT testing is currently under consideration by The Task Force on Higher Education Remediation, Retention, and Graduation Rates. The ACT test is used to measure the need for college remediation.

ACSIP

As part of the state's school accountability system and to comply with NCLB, all Arkansas public schools and school districts are also required to develop an Arkansas Comprehensive School Improvement Plan (ACSIP) as a guide for meeting AYP and improving student achievement (A.C.A. § 6-15-401 et seq.). The ACSIP is a written plan schools use to outline goals and activities that they believe will raise student academic achievement. It is written by schools and filed with ADE.

ADE's 20-person ACSIP unit assists schools and school districts with writing and submitting school improvement plans, implementing school-wide programs, and implementing educational theories. The unit also completes a desk review of ACSIP submissions for state approval.

The 2006 Adequacy Subcommittee recommended that ADE use ACSIP plans to expand the agency's monitoring of schools' accounting systems and fund balances. The Adequacy Subcommittee hoped such oversight would help determine whether to mandate how categorical funds are spent.

The General Assembly passed Act 807 of 2007, which requires ADE to ensure that schools and school districts have done what their school improvement plans prescribe. The new legislation also required ACSIP plans to document the districts' use of instructional facilitators and categorical funds.

ADE presented to the Adequacy Subcommittee a progress report on the implementation of new ACSIP monitoring requirements. The department has begun developing a monitoring system with two functions. One is a budget review to see if schools are

spending money the way they planned in their ACSIPs. The other is an on-site school visit to see how the plans are being implemented.

As part of the budget review, the ADE ACSIP unit found that, collectively, district NSL funds supported salaries and benefits for:

- 113 literacy instructional facilitators
- 90 math instructional facilitators
- 15 science instructional facilitators
- 3 social studies instructional facilitators

The analysis also showed that professional development funds supported salaries for:

- 3 math instructional facilitators
- 1 science instructional facilitator
- 4 literacy instructional facilitators

For the on-site monitoring component, ADE developed a draft evaluation instrument as well as a logistics guide. The monitoring instrument is scheduled to be piloted in 2008-09.

ADE determined that the size of its ACSIP staff is “significantly lower” than what is needed to serve all of the schools in the state. ADE proposed the creation of an ACSIP monitoring team that consists of at least three employees. ADE also proposed adding another six certified staff positions and another support staff position.

Distress Programs

The state distress programs are designed to identify school districts that are unable to adequately educate students, are struggling financially, or are unable to adequately maintain their buildings. The programs provide a graduated level of state assistance and impose sanctions if the school districts are still unable to meet standards. The state has three distress programs: academic distress, fiscal distress, and facilities distress.

Academic Distress

Academic distress is the state designation for a district that has, for a sustained period of time, demonstrated a lack of student achievement on the state-mandated, norm-referenced or criterion-referenced tests. The ADE has not yet identified any school as being in academic distress. However, the state oversees another program in conjunction with the federal No Child Left Behind Act to identify schools that are struggling with academics. The program measures schools based on whether they meet AYP.

AYP is determined using five sets of calculations:

- Status
- Status plus confidence interval
- Safe Harbor
- Safe Harbor plus confidence interval
- Growth model

Nearly 950 schools were assessed for AYP in 2006-07, and of those, 475 did not make AYP. Schools not meeting AYP for two consecutive years are considered to be in "school improvement." Of those, 146 were in their first year of failing to make AYP and considered to be in alert status. Another 329 were in school improvement or school improvement MS. (A school is not released from school improvement status until it meets AYP for two years. If a school meets the standard (MS) for one year while in school improvement, it is designated as being in "school improvement MS.")

Seventy percent of all Arkansas schools made AYP on 75 percent of the student subgroups. Sixty percent of the schools in alert status or school improvement failed to make AYP for at least 75 percent of the student subgroup measures in 2007. And 54 percent of schools in alert status or school improvement failed to make AYP for at least 75 percent of the student subgroups.

A common misperception is that many schools are in school improvement for failing to make AYP in just one student subgroup. But the reality is that 82 percent of the schools in alert status or school improvement in 2007 did not meet AYP for two or more subgroups.

More than half of the schools that did not meet AYP failed to do so for the economically disadvantaged subgroup in literacy. Thirty-two percent of schools failed to meet AYP for the African-American subgroup, and 30 percent failed to meet AYP for students with disabilities.

When student subgroups are too small (fewer than 40 students) schools are not held accountable for missing AYP in that subgroup. For example, 67 percent of schools' students with disabilities subgroups cannot be sanctioned for missing AYP in literacy because those schools' subgroups were too small. The same is true for 61 percent of schools' students with disabilities subgroups. Those schools cannot be sanctioned for missing AYP in math. For limited English proficiency subgroups, those percentages were even higher.

During the first year that a school is in school improvement, students have the option of moving to another school in the district that is not in school improvement. In the second year, students can move to another school, but the school must also offer supplemental educational services to students who qualify. In the third year, the school enters corrective action status, and the state must establish and implement a plan of corrective action. In the fourth year, a school that fails to make AYP enters reconstruction status, and the state is required to restructure the school. Though there are no higher levels of sanctions, some schools have reached years 5, 6, and 7 of school improvement.

For selected schools in year 3, 4, or 5 of school improvement, the state conducts scholastic audits. Scholastic audits measure schools against nine standards to identify problems and offer recommendations for improvement. The nine standards cover curriculum, instruction, student assessment, family and community relationships, school culture, professional development, school leadership, business operations, and school improvement.

The scholastic audit process is not a compliance process and should not be confused with accreditation. The scholastic audit is designed to help guide struggling schools

toward greater student achievement. Schools include all recommendations from the scholastic audit in their ACSIP.

ADE conducted 34 scholastic audits in 2006-07, compared with 30 audits ADE expects to conduct in 2007-08. As more schools enter school improvement, ADE will need to review whether it has the right number of staff with the appropriate skills to conduct all the scholastic audits the agency may need to perform.

For school turnaround guidance, 30 Arkansas schools used the America's Choice model in 2006-07. Of the schools that used America's Choice, 15 of the 30 had a decrease in the number of subgroups not making AYP, eight had an increase in the number of subgroups not making AYP, and seven did not change.

Fiscal Distress

The state's fiscal distress program was designed to provide early interventions to school districts to improve their financial status before a crisis exists (A.C.A. § 6-20-1901 et seq.).

A district in fiscal distress can be identified by a variety of financial problems including a declining balance that jeopardizes the district's fiscal integrity; material failure to properly maintain facilities; and insufficient funds to cover payroll, benefits, and/or tax obligations.

The process of identifying a district in fiscal distress starts with an annual financial review. Districts with a three-year declining balance are asked to respond to a financial questionnaire and provide additional financial information. ADE has a conference with those districts to collect more information, conducts a thorough financial analysis of the current status of the districts, and reports the findings to the Commissioner of Education. After districts receive notification and an opportunity to appeal, the state Board of Education decides whether to classify the district as being in fiscal distress.

Once determined to be in fiscal distress, a district is prohibited from incurring any additional debt without ADE approval and must file an improvement plan with ADE. With recommendations and technical assistance from ADE, the district has two years to improve its fiscal status. ADE recommendations may include consolidation, annexation, or reconstruction. Any district that fails to make adequate improvements within two years can be consolidated, annexed, or reconstituted. To address the needs of such districts, ADE can replace the superintendent, appoint a new superintendent, suspend the local board or require fiscal training for the district staff or board, among other options.

In 2007-08, 16 districts were listed in fiscal distress. Those districts are Bald Knob, Bismarck, Clinton, Helena/West Helena, Hughes, Midland, Omaha, Turrell, Concord, Gentry, Greenland, Hartford, Hermitage, Mineral Springs, Murfreesboro, and Westside Consolidated. Five districts — Hughes, Omaha, Turrell, Helena/West Helena, and Midland then qualified for removal from the list. Bald Knob and Greenland were taken over by the state.

In July, another district, Decatur, was classified as being in fiscal distress and taken over by the state.

Facilities Distress

Facilities distress is the state designation for a district that has committed any act or violation that jeopardizes any academic facility, including:

- Failing to properly maintain school buildings
- Violating fire, health, or safety codes
- Failing to provide timely accurate master plans for facilities
- Failing to comply with state purchasing and bid laws
- Defaulting on school district debt obligations

In July, the Commission for Arkansas Public School Academic Facilities and Transportation placed the Hermitage School District in facilities distress. It is the first district to receive the designation.

Evaluation Research in Education

BLR staff presented a report on how to conduct systematic evaluations of programs, using accepted research methodology, including design, sampling, measurement, statistical analyses, and reporting findings. The report described the value of evaluations for the design of educational policies and practices.

This level of assessment of interventions used by schools can be conducted without straying into the realm of recommending particular vendors. It is essential to determine which of multiple interventions used by schools (such as one-to-one tutoring versus a professional development program) are providing results and which need to be dropped or modified.

BLR staff compared evaluation strategies and the present practice of scholastic and other administrative audits. Audits provide valuable information on existing resources, such as the qualifications of staff, the adherence to curriculum standards, and the adequacy of supplies, but provide no data on the effectiveness of interventions. Program evaluation, in contrast, is aimed at linking components of intervention to outcomes, such as student achievement gains. Without this kind of program evaluation, it is not possible to determine which strategies work and which do not.

Section 6: Educator Salaries, Benefits, and Working Conditions

Teacher Salaries

BLR staff collected information on teacher salaries in Arkansas and in other states and presented the information to the Adequacy Subcommittee. The data showed that the average teacher salary in Arkansas in 2006-07 (\$44,009) was the second highest among surrounding states and ranked ninth among the 16 states included in the Southern Regional Education Board (SREB). The minimum teacher salary that year in Arkansas was \$28,611, which was the second highest among surrounding states and ranked sixth among the SREB states. Arkansas's increase in average teacher salary between 2005-06 and 2006-07 (3.26 percent) was the 12th highest of the 17 states in the SREB or bordering Arkansas (SREB states plus Missouri).

With a comparable wage index adjustment, Arkansas ranks second among those 17 states. When adjusted for cost of living, Arkansas ranks third.

In Arkansas, the lowest beginning salary in 2006-07 was \$28,611, and the highest was \$41,000, for a difference of \$12,389. That disparity decreased from \$12,581 in 2005-06.

The lowest district average salary in 2006-07 was \$34,080, and the highest was \$59,026, for a difference of \$24,946. That disparity increased from \$22,469 in 2005-06.

NSL Flexibility

ISP 2007-057 called for a review of the ways in which schools are allowed to use state NSL categorical funding to increase teacher salaries or provide bonuses.

State law specifies that schools use state NSL funds to pay for additional classroom teachers and Board of Education programs, such as pre-K and extra tutoring for students in poverty (A.C.A. 6-20-2301 et seq.). Acts 30 and 31 of the First Extraordinary Session of 2006 allow qualifying districts another option known as NSL flexibility. This option allows some districts to use NSL funds to supplement all classroom teachers' salaries either through a salary increase for classroom teachers or through a salary bonus. That permitted use was the focus of this ISP.

If a district chooses to supplement salaries, it must already do two things without using NSL funds:

- Meet the minimum teacher salary schedule
- Comply with state accreditation and fiscal standards

It must also include NSL flexibility actions in the ACSIP plan and cannot use its carry-forward or reserve NSL funds to supplement salaries.

To use NSL funds to increase salaries, schools must reduce the amount of NSL funds they use to supplement salaries by 20 percent each year until no more than 20 percent of their total NSL allotment is used to supplement salaries.

To use NSL funds for non-recurring teacher bonuses, districts must have met the academic needs of students. ADE considers districts to be meeting students' academic needs if the percent of students in each grade who score proficient or above on the

benchmark and end-of-course exams is higher than the state average. Districts have to show that their students did better than the state average in 12 of the 15 exams (grades 3-8 math and literacy, grade 11 literacy, and Algebra I and Geometry end-of-course exams).

A total of 45 school districts requested permission to use NSL funding under NSL flexibility rules in 2007-08. Of those, 31 asked to increase salaries and 14 wanted to provide bonuses. (Five asked to do both and another five withdrew their requests.) In all, ADE approved 35 requests. Those school districts spent about \$7.4 million of NSL funds on across-the-board salary increases and about \$4.9 million on bonuses.

Educational Excellence Trust Fund

ISP 2007-209 called for the Education Committees to review the use of the Educational Excellence Trust Fund (EETF). At issue is the restriction that a portion of the funds may be used only to increase teacher salaries.

The EETF was created by Act 10 of 1991 in part to provide additional funding for teacher salaries. It was initially funded with a one-half of one percent increase in sales and use taxes. Its funding is distributed to the Public School Fund Account and a variety of other education-related accounts. Since its inception, the fund has contributed more than \$3.3 billion and is projected to provide another \$298 million for fiscal year 2008 for public schools, early childhood education, higher education, and workforce education.

The portion of the fund disbursed to the Public School Fund Account — the main focus of this ISP — is distributed to school districts. The amount of EETF funding that each school receives is based on a percentage of its total per-pupil foundation funding. Any funding that a school receives above the highest amount of funding it has received since 1992 must be used to increase teacher salaries. There is no restriction if the funds received do not exceed the highest amount of funding received. Some school officials have noted that this system ensures that growing school districts receive greater fund increases than other districts. And because those districts must use the funding to increase teacher salaries, school officials believe, the policy widens teacher salary disparities in the state. Whether the restricted use of EETF funds actually exacerbates the teacher salary disparity among Arkansas school districts is difficult to determine with any certainty.

An additional concern discussed by the Adequacy Subcommittee is the misalignment of the current method of calculating per student foundation funding for public schools and the restrictions on the use of EETF funds. School officials testified that the two funding methods work at odds to cause school districts to spend a disproportionate amount of foundation funding on their teacher salary schedules. The restriction on the use of EETF funds by public school districts, therefore, may be obsolete in light of changes to public school funding that have been held to be constitutional by the Arkansas Supreme Court in the *Lake View* case. Under the current method for funding public schools, which was enacted eight years after the EETF was created, teacher salaries form the basis for much of the foundation funding calculation. The Teacher Compensation Program of 2003 provides a minimum teacher salary schedule that is reviewed biennially under Act 57.

The Adequacy Subcommittee asked the BLR staff to review the appropriate sections of the statute concerning EETF funds and the funding mechanism for the state's public schools to correct the inconsistencies between the statutes that could be the source of unfunded mandates to local school districts.

School Employee Health Insurance

ISP 2007-014 called for the Education Committees to study the impact of removing school employee health insurance funding from foundation funding and transferring that obligation to the state.

Sharon Dickerson, executive director of the employee benefits division of the Department of Finance and Administration, reported to the Adequacy Subcommittee that as the cost of the premiums have increased in the past few years, the percent of that premium paid by school districts and the state has decreased. As a result, public school employees are paying a larger percentage of an increasing premium.

The problem is particularly acute for employees insuring their families. In Oct. 2007, employees insuring only themselves paid 42 percent of their \$365.45 monthly premium. Employees insuring themselves and their spouses paid 72 percent of their \$977.61 premium, and employees insuring themselves and their family paid 71 percent of their \$983.87 premium.

To maintain the same state commitment as the year beginning Oct. 1, 2005 (49 percent of the premium), the state would have to pay an additional \$34.9 million in 2009 and \$46.1 million in 2010.

Dickerson also presented newly available information from ADE showing that statewide about 71 percent of the public school employees who are eligible to participate in the insurance plan actually participate (46,443 of 65,421 eligible employees).

Teacher Attrition

Following a report on teacher supply and demand in 2006, the Adequacy Subcommittee requested a follow-up study on attrition among teachers in Arkansas. In 2007, BLR staff presented the findings of a survey of 314 teachers who quit the teaching profession. Among the respondents, the most frequently cited reason for leaving was for family or child rearing.

The following table shows all of the reasons cited for leaving. Respondents were instructed to select all that applied.

Reason For Leaving	Percent of Respondents
Family or child rearing	42%
Low salaries and benefits	31%
Student discipline problems	27%
Lack of administrative support	25%
Opportunities in other fields	21%
Inadequate preparation time	16%
Irrelevant professional development	15%
Excessive paperwork and hours	12%
Lack of colleague competence	11%
Lack of teacher mentoring	9%
Lack of faculty influence	8%
Lack of professional prestige	7%
Lack of professional development	3%

The survey also found that 56 percent of respondents taught just one or two years before deciding to leave the profession. Another 26 percent said they had taught three to four years, and 10 percent of respondents said they had taught for 11 or more years.

The survey also found that a teacher with a graduate degree is 65 percent more likely than one without a graduate degree to stay in the teaching profession three or more years. Also a teacher in math, science, or a computer discipline is twice as likely as other teachers to leave the teaching profession for another field.

Teacher Working Conditions

ISP 2007-002 and ISP 2007-166 called for the Education Committees in conjunction with ADE to determine what should be considered in developing an Arkansas Teacher Support System that includes under one umbrella a center for professional development, teacher compensation issues, higher education teacher preparation programs, etc.

The Arkansas Association of Educational Administrators and the Arkansas Education Association presented to the Education Committees the results of their 2007 study with the Research and Advocacy Network (a consortium of school districts) and the University of Arkansas.

Teacher turnover is a significant factor for Arkansas schools. In much of the state, the turnover rate is 24 percent or higher. Approximately 27,000 of the state's eligible teachers have chosen not to teach. This report stated that school conditions are the biggest reason for teacher dissatisfaction and attrition.

The study found that 12.3 percent of Arkansas teachers surveyed do not believe their school is a good place to work and learn. Having adequate amounts of time to do their jobs, the availability of leadership development, and feeling involved and empowered in school decisions were among the concerns noted by Arkansas teachers.

Teacher Recruitment and Retention Programs

The BLR reviewed the spending and results of ten programs designed to help the state recruit and retain teachers. The data collected represents a one-year (2006-07) snapshot of the impact these programs have had.

Two programs — the High-Priority District Teacher Incentive Program and the Teacher Opportunity Program — had significant amounts of unspent money left at the end of the year. The Teacher Housing Development Program has spent nearly \$300,000 in its first four years of funding, but as of March 31, 2008, had provided incentive payments to nine teachers. The BLR's report included the following details on each of the ten programs.

High-Priority District Teacher Incentive Program

This program provides a one-time \$4,000 signing bonus to a teacher newly hired in a high-priority district, a \$3,000 bonus in the teacher's second and third years and a \$2,000 bonus for a teacher remaining in a high-priority district.

In 2006-07, the program provided incentive pay for 374 teachers:

- 39 receiving \$4,000
- 87 receiving \$3,000
- 248 receiving \$2,000

The program received \$1,600,000 in state funding and paid out \$913,000 in incentive pay. The remaining \$687,000 was not spent.

National Board of Professional Teaching Standards

This program offers teachers grants to pay the cost associated with obtaining the National Board for Professional Teaching Standards certification and a \$5,000 annual bonus for 10 years.

In 2006-07, 569 teachers received bonuses. The program received \$3,711,200 in state funding and paid out \$2,825,000 in incentive pay. The program's additional expenditures totaled \$877,084, and \$9,116 was not spent.

Master Principal Program

The Arkansas Leadership Academy's Master Principal program provides advanced training for school principals. Principals who complete the program receive an annual \$9,000 bonus or a \$25,000 annual bonus if they agree to become the principal of a school in year 2, 3, 4, or 5 of school improvement.

In 2006-07, no principals qualified for the bonus (the program's first incentive payments were made in 2007-08). However 97 principals participated in the Master Principal training that year. Since then, six principals have received the Master Principal designation.

The program received \$500,000 in state funding in 2006-07 and spent \$661,861.53 in program expenses (including \$161,861.53 in carry over funds from the previous year).

Teacher Opportunity Program (TOP)

TOP consists of two programs: the dual certification incentive program and the reimbursement grant. The dual certification incentive program provides forgivable loans to teachers pursuing additional certification in a subject designated as having a shortage

of teachers. The reimbursement grant reimburses teachers for taking additional college coursework.

In 2006-07, TOP provided forgivable loans to 35 licensed teachers pursuing additional certification in a subject area with a shortage of teachers. Eleven of those teachers completed the program that year. The reimbursement grant helped another 423 teachers seeking additional college courses.

The TOP program received \$2 million in state funding and paid out \$51,336 in dual certification incentives and \$522,965 in reimbursement grants. Another \$1,425,699 was not spent.

State Teacher Assistance Resource Program (STAR)

The STAR Program provides forgivable loans to students going into the teaching profession and committing to teach a critical subject and/or in a geographical shortage area.

The program provided loans to 242 teachers in 2006-07. The program received \$2.5 million and paid out \$2,435,776 for those teachers. The program spent another \$9,547 on other expenditures, and \$54,677 was not spent.

Geographical Critical Needs Minority Teacher Scholarship

This program provides scholarships to attract qualified minority teachers to the Delta and critical teacher shortage areas.

The program received \$200,000 in state funding in 2006-07, and paid out \$145,500 in scholarships for 33 teachers. The program spent another \$19,483 in other expenditures and \$35,017 was not spent.

Teacher Housing Development Program

This program provides low interest loans and rental stipends for teachers in high-priority areas.

In 2006-07, the program received \$100,000 in state funding, but paid out nothing to teachers. The program's other expenditures totaled \$125,897, including \$25,897 in carry over funds from the previous year.

The program was first funded in FY2005 with \$300,000. An additional \$100,000 was added annually for the following three years, for a total of \$600,000 for the program. The first housing stipends were awarded in 2008. Through March 31, a total of \$4,500 in rental stipends had been paid for nine teachers. Additional funding had been committed but not disbursed. Total program expenses as of March 31, 2008 were \$283,550.

School Support Program

The Arkansas Leadership Academy's School Support Program provides support to schools in year 1 or 2 of school improvement. The program received \$300,000 to help four schools in 2006-07. The program spent \$273,254.99 with \$26,745.01 remaining at the end of the year.

Office of Teacher Recruitment

ADE's Office of Teacher Recruitment works to recruit teachers to Arkansas and promote the teaching profession within the state. The program received \$448,930 in state funding in 2006-07 and spent \$385,264. Another \$63,666 was left unspent at the end of the year.

Highly Qualified Teachers

The No Child Left Behind Act called for all core subject classes to be taught by highly qualified teachers by the end of the 2005-06 school year. Highly qualified teachers are those who 1) have a bachelor's degree, 2) have full state certification or licensure, and 3) can prove that they know each subject they teach.

The BLR reported to the Adequacy Subcommittee that during the 2005-06 school year, 92 percent of core academic classes in the nation's public schools were staffed by highly qualified teachers.

In 2005-06 the percentage of classes taught by highly qualified teachers ranged from 53 percent in Washington D.C. to 99 percent in Montana and Wisconsin. In Arkansas, 84.8 percent of the state's core classes were taught by highly qualified teachers.

Elementary schools in Arkansas have a higher percentage of classes taught by highly qualified teachers — 97.8 percent — than the state average. In secondary schools, the percentage ranged from 79.4 percent of social studies classes to 87.1 percent of English classes.

Nationally, a higher proportion of core academic classes in elementary schools was taught by highly qualified teachers (94 percent) than in secondary schools (91 percent). Classes in high-poverty schools were less likely to be staffed by a highly qualified teacher than were classes in low-poverty schools.

While there has been progress toward the goal of all teachers nationwide being highly qualified, the increase in the percent of highly qualified teachers has slowed. The rate jumped from 87 percent in 2003-04 to 91 percent in 2004-05 and then to 92 percent in 2005-06.

Leadership

ISP 2007-112, ISP 2007-056, and ISP 2007-056 called for the review of the state's educational leadership development system, with particular focus on leadership training in the Delta and the possible expansion of the Arkansas Leadership Academy's School Support program.

A group of legislators and representatives from ADE, Arkansas universities, and schools formed the Ad Hoc Committee on Educational Leadership. The committee met regularly over five or six months to identify problems and propose solutions for the state's system of developing school leaders.

The committee identified a variety of issues for further study, including the following:

- School district involvement in the recruitment and selection of aspiring administrators should be enhanced.

- Low-performing schools and those in certain areas of the state have difficulty attracting quality leaders.
- The content and quality of ongoing leadership in-service training is not uniformly available or monitored across the state.
- The state should consider coordinating current efforts to redesign the educational leadership system.

The committee recommended 20 strategies and assigned those responsibilities to the following entities:

1. Work with the Arkansas Association of Educational Administrators and school districts to develop a uniform admission package for university leadership programs.	Arkansas Department of Higher Education (ADHE) and AAEA
2. Encourage districts to work with the state to develop leadership cohorts.	ADHE and a group appointed by the legislature
3. Work with the Arkansas Association of Educational Administrators, the Arkansas Department of Education, and school districts to encourage regionally or locally sponsored aspiring leadership academies.	AAEA and ADE
4. Support improved access to leadership programs in the Delta and any other underserved area of the state by providing incentive programs for both institutions and participants.	ADHE, AAEA, and the Arkansas Leadership Academy's Regional Principal Institute and Assistant Principal Institute
5. Review strategies for building the capacity of university leadership programs in the Delta.	ADHE
6. Review appropriate models for partnerships between university leadership programs and school districts.	ADHE
7. Review the professional evaluation of administrators.	ADE, AAEA, and ADHE
8. Review the link between the assessment of administrators' performance and the school improvement plan.	ADE
9. Develop a plan to add coaching/instructional facilitating as an endorsement area.	ADE and ADHE
10. Develop uniform evaluation tools for administrators and provide training to school board members and superintendents on how to properly assess superintendents and principals.	ADE, AAEA, ADHE, Arkansas Leadership Academy's School Support, and ASBA
11. Require superintendents to participate in a formal mentoring program for the first two years of employment as superintendent.	Arkansas Center for Executive Leadership (Arkansas Tech) Mentoring, AAEA, ADE, and Arkansas Professors of Educational Administration

12. Expand the role of co-ops in providing leadership support.	Cooperatives and ADE
13. Expand the Arkansas Leadership Academy's School Support program.	Arkansas Leadership Academy's School Support
14. Require mentoring/training for principals (including the Master Principal program) and superintendents (including individualized institutes) in schools in school improvement.	Arkansas Leadership Academy's Principal Institute and Advancing Systems Change: Superintendent Institute, ADE, Arkansas Center for Executive Leadership Mentoring, and AAEA
15. Require leadership training providers to provide a minimal level of standardized reporting.	ADE and Cooperatives
16. Develop a comprehensive professional development plan for the state that will include mentoring and coaching.	ADE and Cooperatives
17. Create a system to coordinate and monitor all aspects of leadership development based on set educational leadership standards.	Group appointed by legislature
18. Form an ongoing leadership task force with representatives from school districts, universities, and state agencies to review the state's leadership development system and make recommendations.	Group appointed by legislature
19. Expand the Arkansas Leadership Academy's physical presence.	Legislature and the Leadership Academy Partners Executive Committee
20. Consider reallocating existing funds for leadership development.	Legislature

Section 7: Technology

Use of Technology in Education

In their deliberations, the Adequacy Subcommittee and the Education Committees considered many different uses of technology. The following list provides the different purposes that technology serves in schools and describes the different ways schools use technology. Also listed are examples of technology BLR staff viewed during the school site visits as part of the district and school surveys.

1. Student self-directed learning and research

Almost all schools surveyed by the BLR had at least one computer lab with 15 to 30 computers. Classes and individual students could visit these labs to study using programs like PLATO and Accelerated Reader.

The Education Committees heard a presentation on mobile learning centers on Sheridan school busses. This "Aspironaut Initiative" is operated on a bus between the Grapevine community and Sheridan schools.

2. Student career and vocational training

Many schools visited by BLR had vocational training technology such as CAD software for drafting, and Microsoft Office programs for the purpose of learning bookkeeping and other business skills.

The Adequacy Subcommittee reviewed a study completed by the Office for Educational Policy of the University of Arkansas addressing innovative technology usage in programs like EAST, a Geographic Information System program.

3. School administrative technology

Technology is used for district- and school-level financial records and student records including programs for grades, attendance records, and Individual Education Plans. Many districts have records that can be accessed by parents to monitor student progress.

School personnel are using computer technology in libraries rather than paper card catalogs. One district has an all electronic library.

4. Distance learning

Distance learning consists of classes taught remotely by a teacher using traditional methods to present live lessons through video conferencing technology to schools. Only a few districts are not participating in this technology. The Education Committees visited the ADE distance learning facility in Maumelle for a review of the opportunities for this technology.

5. Technology for academic instruction

Educators from the Glen Rose school district attended an Adequacy Subcommittee meeting to demonstrate several types of technology teachers use in their classes. They demonstrated the use of an InterWrite Schoolpad (wireless writing pad), a SmartBoard (electronic whiteboard), an ELMO (document camera), a CPS (Classroom Performance System or student response remote clickers), and a video projector.

The Glen Rose staff stressed the effectiveness of using technology with at-risk, struggling students. Technology can be particularly useful in teaching math. The Glen Rose educators discussed the need to update teaching methods to include technology because today's students are immersed in it outside the school. Another point they stressed was the need for training for teachers so they understand the equipment and know how to use it effectively to communicate the academic material.

Statewide Technology Assessment

Gov. Mike Beebe initiated the School eDATA Project in his January 2007 State of the State Address. The project is the state's first effort to inventory and assess all of the technology equipment and software in Arkansas public schools.

Ms. Claire Bailey, director of the Arkansas Department of Information Systems, presented the project's preliminary findings to the Adequacy Subcommittee.

The eDATA Project collected information using on-line surveys, a PC audit, data from various agencies, and an electronic scanning application that can uncover critical workstation security vulnerabilities.

The inventory's preliminary findings indicate that districts had on average 193 rooms with active network connections, for a total of 47,877 rooms statewide. Ninety-seven percent of school rooms have active network connections and 81 percent provide wireless access to the Internet.

Collectively, districts have one computer for every 3.9 elementary school students, one for every 2.8 middle school or junior high students, and one for every 2.7 high school students.

Less than one percent of the school computers using a Windows operating system have the latest version of that system. The remaining 99.4 percent of those computers will need to be upgraded in the next few years.

The project found that only 67 percent of districts responding to an online survey use Spyware protection, and 67 percent said they have wireless security. Without anti-spyware protection, information may be unintentionally released to unknown parties, and when strong wireless security is not implemented, anyone in the vicinity may be able to access sensitive data and critical systems without physically entering the premises.

Section 8: State Disbursements and District Expenditures

The Adequacy Subcommittee examined three types of school expenditures:

- The funding disbursed from state accounts to school districts (disbursements). This analysis examined disbursements for foundation funding and categorical funding. The data used for this analysis came from the Arkansas Administrative Statewide Information System (AASIS) operated by the Department of Finance and Administration.
- The funding spent by school districts (expenditures). This analysis examined school district expenditures statewide on various matrix items and categorical funding items, using data from the Arkansas Public School Computer Network (APSCN) operated by ADE. This analysis appears in this section and under "School Expenditures" and "Categorical Funding" in Section 9 of this report.
- Districts' per-student expenditures analyzed using school accounting categories, such as instruction and pupil support services (per-student expenditures). This analysis uses APSCN data to compare per-student expenditures by race, poverty, test scores, and district size.

State Disbursements

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

Foundation Funding

When foundation funding was first established in FY2004-05, \$1.73 billion in state money was disbursed for the program at the per-student rate of \$5,400. This amount did not include the state funding generated by the Uniform Rate of Tax (URT), the first 25 mills collected by local property taxes (Ark. Const. art. 14, §3; A.C.A. §26-80-101). URT collections are sent to the state for disbursement to the school districts.

During the 2005 Regular Session, the 85th General Assembly did not adjust the amount of funding per student for FY2005-06, but while meeting in the First Extraordinary Session of 2006, the General Assembly did increase the amount of funding per student for FY2005-06 to \$5,528 and for FY2006-07 to \$5,662. State-funded disbursements for foundation funding (not including state URT funding) in FY2005-06 and FY2006-07 totaled \$1.77 and \$1.8 billion, respectively.

Following the 2006 adequacy study, the General Assembly enacted a new per-student amount of \$5,719 for FY2007-08 and \$5,789 for FY2008-09. The total budgeted state amount for foundation funding, not including state URT funding, is \$1.812 billion for FY2007-08.

	2004-05	2005-06	2006-07	2007-08	2008-09
Per Student	\$5,400	\$5,528	\$5,662	\$5,719	\$5,789
Total* (in billions)	\$1.73 disbursed	\$1.77 disbursed	\$1.8 disbursed	\$1.81 budgeted	\$1.81 appropriated

*Total disbursements does not include state funding generated by the uniform rate of tax.

Enhanced Funding

In addition to those amounts, the General Assembly also provided enhanced educational funding in the amount of \$51 per student for FY2007-08 and \$87 per student for FY2008-09 at a total projected amount of \$23.4 million in FY2007-08 and \$40.4 million in FY2008-09. The General Assembly made clear in A.C.A. § 6-20-2305(a)(2)(c)(ii)(b) that this enhanced funding was in excess of the amount required to provide an adequate education and "cannot be ensured and may not be relied on beyond the 2007-2009 biennium."

	2007-08	2008-09
Per Student	\$51	\$87
Total (in millions)	\$23.4 budgeted	\$40.4 appropriated

URT Actual Collection Adjustment

The General Assembly also provided appropriation and funding for a URT actual collection adjustment. That funding is designed to ensure that each district receives state foundation funding aid based on the full 98 percent of URT collections, which is the percent of tax collections that the state foundation formula assumes each district will collect. If a district collects more than 98 percent of its URT, the state can recoup the additional amount.

The original appropriation for the URT actual collection adjustment in FY2007-08 was \$13.4 million, but because the final actual URT collection rate was less than projected, the department has adjusted its appropriation and budget for FY2007-08 to \$24.2 million through an appropriation transfer request authorized by special language in the department's biennial appropriation act. The appropriation amount authorized for FY2008-09 is \$14.3 million, but that amount is subject to change depending on the actual URT collections.

2007-08	2008-09
\$24.2 million budgeted	\$14.3 million appropriated

Categorical Funding

The state also provides categorical funding to school districts, including funding for Alternative Learning Environment (ALE) students, English Language Learners (ELL), National School Lunch (NSL) students, and Professional Development (PD).

1) Alternative Learning Environment (ALE)

ALE disbursed \$18.98 million for the ALE program in FY2004-05, and disbursements decreased significantly in FY2005-06 due to a change in the funding methodology.

Since FY2005-06, the program disbursements have increased, and the department is budgeting \$19.97 million for FY2007-08. The actual appropriation amount for FY2007-08 and FY2008-09 is \$18.5 million, but the department has adjusted its appropriation and budget for FY2007-08 to \$19.97 million through an appropriation transfer request authorized by special language in the department's biennial appropriation act. The appropriation amount authorized for FY2008-09 is also subject to change depending on the FTE participation in the program.

	2004-05	2005-06	2006-07	2007-08	2008-09
Per ALE Student/FTE	\$3,250	\$3,250	\$3,250	\$4,063	\$4,063
Total (in millions)	\$19.0 disbursed	\$14.2 disbursed	\$14.3 disbursed	\$19.97 budgeted	\$18.5 appropriated

2) English Language Learners (ELL)

Effective in FY2007-08 and FY2008-09, ELL funding increased from \$195 per ELL student to \$293 per ELL student. ELL funding is distributed based on the current year number of students. ADE spent \$4.2 million in FY2004-05 for the ELL program and is budgeting \$8.8 million for FY2007-08. Budgeting for FY2008-09 has not been finalized.

According to ADE, there has been significant growth in the number of ELL students, and the agency expects this growth to continue in the 2007-09 biennium. The department estimates a total of 27,656 ELL students in FY2007-08 and 32,427 in FY2008-09, a 17.25 percent increase.

	2004-05	2005-06	2006-07	2007-08	2008-09
Per ELL Student/FTE	\$195	\$195	\$195	\$293	\$293
Total (in millions)	\$4.2 disbursed	\$4.6 disbursed	\$5.3 disbursed	\$8.8 budgeted	\$10.2 appropriated

3) National School Lunch (NSL)

(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.) Effective FY2007-08, the state categorical funding known as National School Lunch (NSL) increased from \$1,440 to \$1,488 per NSL student for districts with 90 percent or more of their students qualifying for free or reduced priced lunches, \$960 to \$992 per NSL student for districts with 70 to 90 percent, and \$480 to \$496 per NSL student for districts with less than 70 percent. Total NSL program disbursements were \$147.6 million in FY2004-05, and the department is budgeting \$154.4 million for FY2007-08.

	2004-05	2005-06	2006-07	2007-08	2008-09
>90% NSL Students	\$1,440	\$1,440	\$1,440	\$1,488	\$1,488
70%-90% NSL Students	\$960	\$960	\$960	\$992	\$992
<70% NSL Students	\$480	\$480	\$480	\$496	\$496
Total (in millions)	\$147.6 disbursed	\$141.2 disbursed	\$149.1 disbursed	\$154.4 budgeted	\$157.4 appropriated

Under a new transitional formula established by Act 272 of 2007, the NSL funding provided a "smoothing" mechanism to ease the funding changes between established break points in the levels of eligibility for the funding. The transitioning formula triggered an increase in state categorical funding.

4) Professional Development (PD)

The last categorical funding program, PD, was initiated in FY2004-05, and a total of \$22.4 million was disbursed in FY2004-05. The department is budgeting \$22.96 million for FY2007-08. Of the total appropriation and funding authorized for PD, the department can use up to \$4 million "to develop and implement statewide professional development support systems for teachers that will benefit student achievement" beginning in FY2005-06. The remaining funding authorized for PD is distributed based on each district's prior ADM and the rate per student is \$41.31 for FY2007-08.

	2004-05	2005-06	2006-07	2007-08	2008-09
Per Student	\$50	\$50	\$50	\$50	\$50
Total (in millions)	\$22.4 disbursed	\$22.6 disbursed	\$22.9 disbursed	\$22.96 budgeted	\$23.2 appropriated

State Funding Levels For Education Funds

The table below provides the actual funding levels authorized for K-12 education for FY2002-03 through FY2006-07 and the projected funding levels for FY2007-08 through FY2008-09 that have been allocated to the following funds:

- Public School Fund
- Department of Education Fund Account
- Educational Excellence Trust Fund
- Educational Adequacy Fund
- Educational Facilities Partnership Fund Account
- Division of Public School Academic Facilities and Transportation Fund Account

Fiscal Year	Department of Education Public School Fund Acct	General Education Fund - Department of Education Fund Acct	Educational Excellence Trust ADE - Public School Fund	Educational Excellence Trust - Dept of Education Fund Acct	Educational Facilities Partnership Fund Acct and DPSAF&T Fund Acct	Educational Adequacy Fund	Total All Selected Funds
2003	\$1,556,908,651	\$11,825,076	\$159,701,636	\$754,861			\$1,729,190,224
2004	1,587,868,208	11,841,192	\$157,108,897	769,700		\$94,052,462	1,851,640,458
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	425,247,548	2,337,020,102
2007	1,722,737,993	13,433,942	\$191,219,957	936,815	90,976,326	450,647,062	2,469,952,094
2008 Est.	1,839,900,862	15,735,808	\$200,422,877	981,901	493,008,621	432,800,000	2,982,850,069
2009 Est.	1,857,415,212	15,068,081	\$192,211,154	941,671	37,445,193	440,900,000	2,543,981,311
Total	\$11,817,628,078	\$93,281,558	\$1,244,029,960	\$6,067,144	\$696,084,896	\$2,286,519,958	\$16,143,611,595

For the most part, the funding amounts for the Public School Fund and the Department of Education Fund Account provided in the table represent the Revenue Stabilization Law allocations (RSA) provided by the RSA amendments enacted each biennium and fund transfers authorized by special language included in ADE's biennial appropriation acts. These amounts are not inclusive of the desegregation settlement amounts that are provided from "off-the-top" general revenues, transit tax revenues, beer tax revenues or Temporary Assistance to Needy Families (TANF) fund transfers.

During the Second Extraordinary Session of 2003, the General Assembly adopted Act 108, which established a fund in the State Treasury known as the "Educational Adequacy Fund" to provide supplemental funding for achieving educational adequacy. In addition, the act also made the unprecedented provision whereby all General Revenue funds except the Department of Education Public School Fund Account are reduced proportionately upon certification by the Chief Fiscal Officer of the State that the fund does not have adequate resources available to provide an adequate educational system. Later, Act 20 of the First Extraordinary Session of 2006, added the Educational Facilities Partnership Fund Account as being exempt from any proportionate general revenue reduction.

The state provided \$10.6 billion for FY2002-03 through FY2006-07 for these selected funds and projected funding levels would add another \$5.5 billion through FY2008-09, for a total of \$16.1 billion for these selected funds. Added together, the annual funding increases for these accounts over FY2002-03 total more than \$4 billion dollars. Approximately \$2.3 billion of this \$4 billion was provided by the Educational Adequacy Fund, which was created during the Second Extraordinary Session of 2003. Nearly \$700 million of the \$4 billion increase has been allocated for public school facilities. General Revenue funding through Revenue Stabilization Law allocations and fund transfers authorized in special language have provided a total increase of \$929 million for the Public School Fund and the Department of Education Fund Account since FY2002-03. Finally, funding allocated to the Educational Excellence Trust Fund for K-12 education will increase a total of \$126.9 million.

Additional Funding Disbursed to Public Schools

School districts receive many other types of funding beyond state URT and foundation and categorical funding. The Division of Legislative Audit staff presented a report to the Adequacy Subcommittee entitled, *Department of Education Grants Summarized by the Division of Legislative Audit for the year ended June 30, 2007*, which detailed funding disbursed by ADE to school districts, charter schools, education service cooperatives, and other organizations. 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 (A.C.A. § 6-20-2501 et seq. and 6-20-2601 et seq.). The report detailed 30 types of funding distributed to districts through the Public School Fund not including foundation funding and categorical funding. The report also recorded 25 types of federal funds disbursed to districts.

In addition to foundation funding and categorical funding, districts received \$258,747,384 from the Public School Fund in those 30 different types of funding. They also received \$403,667,803 in the 25 types of federal funds listed in the report. Not included in these disbursements is the state URT funding that all districts have as part of the per-student foundation funding.

Schools have myriad sources of funding outside foundation and categorical funding. These additional sources of funding should be considered in evaluating the foundation funding level to avoid the duplication of funding.

Selected State Funding: State Disbursements and District Expenditures

This section of the report reviews four of the other types of funding, describing how much of each the state paid to school districts and how much school districts spent.

Isolated Funding

In FY2006-07 the state disbursed \$10.9 million in funding to isolated school districts. School districts spent \$10.1 million in FY2006-07, including \$1.7 million for instructional needs, \$3.3 million for support services and more than \$5 million recorded as fund transfers. For FY2007-08, the state disbursed to school districts a total of \$3 million to date, with a final disbursement for the year to be made in June 2008.

Special Education Funding

School district special education expenditures for FY2006-07 include \$276.8 million for instructional expenditures, \$65.1 million for support services, and \$3.9 million for other services, totaling \$345.8 million. The funding for the expenditures includes \$103.1 million of federal funding, \$8.4 million restricted state funds, and \$4 million from other sources of funding. The majority of special education funding, \$230.3 million is in the form of unrestricted funding. These unrestricted funds are primarily state funds.

Student Growth Funding and Declining Enrollment Funding

Growth funding is the additional funding schools receive to handle increasing numbers of students. Declining enrollment funding is extra money schools receive to help them deal with a decreasing number of students and a corresponding decrease in foundation funding. Act 1006 of 2007 requires districts to begin using a source of funds code for additional sources of state funding, including student growth funding and declining enrollment funding.

The coding system developed for reporting these expenditures was to be piloted during FY2007-08, with full implementation to begin in the 2008-09 school year. Some districts have indicated that coding will not be assigned to expenditures until the end of the current school year.

Prior to this legislation, funding for student growth and declining enrollment has been combined with other sources of state funding, including foundation funding. The effort to separate it has been made to better respond to concerns about the adequacy of these funds individually.

In FY2006-07 the state disbursed \$40.7 million in student growth funding to school districts. Disbursements for FY2007-08 total \$19.6 million to date, with a final disbursement for the year to be made in June 2008. To date, school districts have spent a total of \$3.2 million, including \$1.7 million for instructional needs; \$0.8 million for support services; \$0.2 million for facilities, acquisition, and construction services; and \$0.5 million for other uses.

In FY2006-07 the state disbursed to school districts \$10 million in declining enrollment funding. All disbursements for FY2007-08 will be provided to school districts in June

2008. School district expenditures to date include \$0.8 million for instructional expenditures and \$0.1 million for support services, totaling \$0.9 million. These are expenditures based on the anticipated disbursement in June.

The school year is not complete as of this report's draft so the expenditures for both of these sources of funding are not final. There was no coding to permit expenditures to be reported for previous years.

Additional Growth Funding Information

ISP 2007-010 called for the Education Committees to study growth funding and identify how much per-student funding is needed to meet the ADM growth needs.

The legislature did not increase the per-student growth funding during the 2005 legislative session, a decision that drew criticism during the *Lake View* proceedings. Some school districts argued that growth students cost the same as other students, while others said a school needs less money for a new student's first year of attendance.

In 2007, the legislature changed the method of calculating growth funding allocations to school districts, allowing schools to receive quarterly payments for new students. Any increase in a school's first quarter ADM over the third quarter of the previous year is multiplied by .25 of the current per-student foundation funding. The second, third, and fourth quarters' ADMs are also compared with the ADM of the previous year's third quarter, and any increases are multiplied by .25 of the per-student foundation funding (A.C.A. § 6-20-2305).

In the first payout for FY 2007-08, 102 of the 245 districts received growth funding. The school districts with the largest growth were Bentonville, Springdale, Little Rock, Rogers, and Cabot. The school districts with the smallest growth were Harmony Grove, Dewitt, Scranton, Lawrence County, and Nevada.

It is difficult to determine how much a growth student costs in Arkansas. Current coding practices make it impossible to tell how schools spend the growth funding they receive. By the time the state's educational system is studied next, the new coding system will provide better information to make that determination.

Transportation

The current funding matrix provides \$286 per student to fund K-12 student transportation. Transportation costs and additional funding options will be addressed in separate analyses and presented to the Education Committees or the Adequacy Subcommittee.

Analysis of Per-Student Expenditures

The BLR staff reviewed all school district expenditures in 2005, 2006, and 2007 by school accounting categories, such as instruction and pupil support services. The study, which was presented to the Adequacy Subcommittee, also examined how district expenditure trends related to test scores, race, school size, and concentration of student poverty.

From 2005 to 2007, districts spent a declining portion of their funding on instructional resources, such as teachers, textbooks, and student computers. In 2005, 60.45 percent

of the state's total K-12 expenditures covered instructionally related costs, compared with 58.51 percent in 2007.

The study also found that districts with higher test scores had lower per-student instructional expenditures and lower total per-student expenditures (not including building construction, building acquisition, and debt service). Those districts also received, on a per-student basis, lower amounts of state revenue and lower amounts of local property taxes above the uniform rate of tax (25 mills). Schools with higher ACTAAP scores also had greater proportions of white students and lower percentages of impoverished students.

School districts in southeast Arkansas and in Pulaski County had the highest per-student expenditures and the lowest percentages of students scoring proficient or above. School districts in the northwest, north central, central (excluding Pulaski County), and west regions of the state have the lowest per-student expenditures and the highest percentages of students scoring proficient or above.

The study also found no significant link between the funding provided to school districts in Arkansas and districts' property wealth. That's likely because the state provides additional categorical funds for schools to serve certain populations of students, such as those in poverty.

Briefly, there are two considerations that should be noted regarding the production of future expenditure data. It would be beneficial to crosswalk the matrix to the school district accounting system to insure consistency and completeness in reporting the expenditures that districts are making for individual components of the matrix. Consideration should be given to better identifying expenditures made only from foundation funding because the purpose of the matrix is to assess the proper level of foundation funding. Also, ADE should disallow the transfer of restricted funds to non-restricted funds.

Fund Balances

ISP 2007-011 called for the Education Committees and ADE to study the possibility of developing more detailed, uniform reporting requirements for school districts' fund balances. The ISP called for the identification of reporting requirements that allow school districts to report on interfund transfers, educational strategies implemented with categorical funds and detailed expenditures made to support those strategies. (For information on the educational strategies implemented with categorical funds and detailed expenditures made to support those strategies, see Section 9: School and District Use of Resources.)

ADE reported to the Adequacy Subcommittee that Act 28 of the First Extraordinary Session of 2006 requires school districts to report the following to ADE by Sept. 15 each year.

- The sources of the funds maintained as fund balances
- The reasons for maintaining — instead of spending — the fund balances
- The amount of funds transferred between various funds during the year
- The amount of fund balances dedicated for the construction, maintenance, or repair of academic or athletic facilities

A report made by BLR staff noted that most districts operate with what they consider prudent levels of fund balances. However, despite past efforts, the state has not established a standard fund balance level that districts should maintain. The levels of fund balances vary considerably among school districts. Districts carried fund balances that ranged from less than one percent of their total 2006-07 foundation funding to more than 100 percent. Collectively school districts had more than \$1 billion in total fund balances that year, or \$2,289.70 per student.

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Section 9: School and District Use of Resources

BLR staff examined each component of the state's funding matrix, the calculation establishing how much of each school resource — teachers, administrative support, operations, and maintenance — a school needs per student. The matrix also calculates how much it costs per student to provide those resources. The BLR compared the level of resources defined in the matrix with the level of resources that schools actually use. The study results were based on a web survey of all 245 school districts and site visits to a sample of 74 schools.

The study reviewed each of the components of the matrix, which is based on a prototypical K-12 school with 500 students. It compared the levels funded by the matrix with the actual levels reported by the 74 sample schools. The study also compared staffing levels by the following categories:

- School level (elementary, middle, or high)
- School size (249 students or fewer, 250 to 499, 500 to 749, or 750 or more)
- Poverty (less than 40 percent of student population is in poverty, 40 to 69 percent, 70 to 89 percent, or more than 90 percent)
- Percent white (more than 50 percent or less than 50 percent)
- Test scores (less than 40 percent of student population scoring proficient or above on state benchmark exams, 40 to 75 percent, or more than 75 percent)

School Staffing

This analysis examined the number of employees each school had and compared that number with the matrix. When examining the results it is important to keep in mind that schools that had larger staffing levels or spent more money on resources than the matrix funded either were using state funding inefficiently (too high in some areas while shortchanging others) or had additional money (for example, federal funds) to pay for extra employees or resources. (The state foundation funding is not the only funding provided for an adequate education. It is not intended to cover all operational costs for schools.) Schools that had smaller staffing levels than the matrix funded are not using state money to its fullest potential.

Among the 74 sample schools, there were schools that staffed above the matrix levels and schools that staffed below the matrix levels in every level of every category (small, medium, and large schools; elementary, middle and high schools, etc.). Small schools, however, tended to staff above the matrix more often than larger schools.

On average, the 74 sample schools had more staff than the matrix funded, with schools staffing only one position — instructional facilitators — below the level set in the matrix. The sample schools employed three categories of school staff at levels significantly higher than the number established in the matrix. The schools had more than double the amount of PAM/elective teachers, more than triple the amount of clerical staff, and more than four times the amount of student services staff.

School Staffing					
Staff	Matrix	Sample Average	Percent Above or Below Matrix	Schools At or Below Matrix	Schools Above Matrix
Core Academic Teachers	20.8	23.7	+13.94%	23	51
PAM/Elective Teachers	4.2	8.9	+112%	27	47
Instructional Facilitators	2.0	1.9	-5%	50	24
Assistant Principals	0.5	0.5	0%	43	31
Special Education Teachers	2.9	3.8	+31.04%	34	40
Librarians and Media Specialists	0.8	1.5	+87.50%	16	58
Student Services Staff	2.5	10.6	+324%	20	54
Principals	1.0	1.6	+60%	22	52
Clerical Support Staff	1	3.3	+230%	10	64
Total	35.7	55.8	56.30%		

Instructional Facilitators

The matrix funds two instructional facilitators, while the 74 sample schools, on average, had 1.9 instructional facilitators. That staffing level represents a significant increase since the previous adequacy study, which found that schools had .45 instructional facilitators. The increase in instructional facilitators, a critical part of improving student achievement, is a positive step for schools.

The schools with the lowest number of instructional facilitators were high schools and large schools. Collectively they had the lowest percentage of students in poverty, and more than half of their students were white. Schools with the lowest number of instructional facilitators were also the ones with the lowest percentages of students scoring proficient or above on benchmark exams.

P.E., Art, and Music (PAM) /Elective Teachers

Previous education consultants referred to this combined group as "PAM." However, the consultants' group included all non-core classroom teachers. The consultants recommended that PAM and elective teachers make up no more than 20 percent of a school's personnel. The BLR analysis showed that PAM and elective teachers actually represent 38 percent of school personnel in the 74 sample schools. The analysis showed that middle and high schools along with small schools (249 students or fewer) tended to have more PAM/elective teachers than elementary schools and larger schools. Those schools whose student population was more than 50 percent white and schools with less than 40 percent of students in poverty also tended to have more PAM/elective teachers than other groups of schools. Schools with the lowest student test scores (less

than 40 percent scoring proficient or above) also had the highest levels of PAM/elective teachers.

Clerical Staff

High schools and small schools had the highest number of clerical staff, according to the analysis.

Student Services Staff

Student services staff include guidance counselors, nurses, speech therapists, social workers, psychologists, and family outreach workers. The analysis showed that schools with fewer than 250 students, schools whose student population is less than 50 percent white, and schools with more than 75 percent of their students scoring proficient or above on the benchmark exams have the highest number of student services staff.

School Expenditures

The following table compares the matrix amounts set for each item with the actual per-student expenditures in 2006-07.

	Actual Expenditures Per Student 2006-07	Matrix Funding Per Student 2006-07	Matrix Funding Per Student 2007-08
Technology	\$58.41	\$185	\$220
Instructional Materials	\$201	\$268	\$160
Extra Duty Funds	\$120.62	\$97	\$50
Supervisory Aides	Not available	\$37	\$49.35
Substitutes	\$55.39	\$59	\$59
Operations and Maintenance	\$773	**	\$581
Central Office	\$376	**	\$376
Transportation	To be addressed in a separate report	**	\$286

Note: Funding for operations and maintenance, central office, and transportation were first broken out as separate matrix amounts in FY2007-08.

Technology

In 2007, schools spent \$26.8 million statewide on technology, including administrative technology services. This equates to approximately \$58.41 per student, compared with \$185 funded by the matrix.

School districts also receive additional state and federal funding totaling \$3,409,566, or \$7.45 per student. And during site visit interviews, school officials said they use state NSL funding and federal Title I funding for technology.

While there is substantial funding currently available for technology, those costs should be re-evaluated. Anticipated costs include updating computer hardware to handle VISTA — an updated operating system — and installing software designed to run on that operating package.

Of the 74 schools surveyed, 21 said they need SmartBoards and computers. Among other frequently mentioned needed technology were ELMO projectors, LCD projectors, microscopes, and other science technology.

Despite these needs, many school districts do not spend their allotted technology money on technology. One superintendent said in a site-visit interview that technology is the first thing to go when there are budget concerns.

Instructional Materials

In 2007, schools spent \$92.1 million on instructional materials statewide. This equates to about \$201 per student, compared with \$160 funded by the matrix.

During the site visits, elementary schools said they need Accelerated Reader software and leveled reading materials. Some said they need additional microscopes and updated science reading materials to properly prepare students for the new science benchmark exams.

Middle schools and high schools were very specific in their needs for science materials and equipment, such as water and gas lines in the science lab. Middle and high schools also indicated that they had adequate fiction materials for their libraries, but would like to update and expand their non-fiction materials, electronic databases, and research materials.

Extra Duty Funds

Schools use extra duty funds to pay stipends for teachers who coach and who supervise after-school clubs or other extracurricular activities. In 2007, schools spent \$55.3 million statewide on extra duty pay. This equates to \$120.62 per student, compared with \$50 per student funded by the matrix.

The extra duty expenditure data is developed by ADE from a calculation that includes regular salaries, coaching salaries, coaching full time equivalencies, and benefits that are not completely known.

One issue to examine is the amount of benefit received from athletic expenditures compared with academic expenditures. Should sports coaches be reimbursed through the adequacy funding formula at the level of academic classroom teachers or two or three times that level, as some schools believe necessary? One option would be to reimburse extra duty pay at the same level or at a reduced level from the average teacher salary and allow additional compensation for those duties from local mills (those above 25 mills), activity fees, gate receipts, etc.

Supervisory Aides

Supervisory aides include staff for bus duty, lunch, and recess supervision. The matrix provided \$49.35 per student for supervisory aides. Coding is being added for 2007-08 that will permit expenditures for this item to be identified. Therefore expenditure information on supervisory aides is not available for 2006-07.

Substitutes

In 2007, schools spent \$25.4 million statewide on substitutes. This equates to about \$55.39 per student, compared with \$59 funded by the matrix. The matrix funds a daily substitute salary of \$87.63 including benefits or \$71.83 without benefits.

In response to the district survey, school districts reported an average daily pay of \$63.22 without benefits for licensed substitutes and \$51.80 for unlicensed substitutes. One district reported paying as much as \$185 a day for licensed substitutes. The average daily pay among the 74 sample schools was \$58.11 without benefits to licensed substitutes and \$51.94 for unlicensed substitutes. One school reported paying as much as \$203.47 for licensed substitutes.

Operations and Maintenance

The matrix level for operations and maintenance is based on a requirement that each school district dedicate 9 percent of its foundation funding exclusively to the payment of utilities and costs of custodial, maintenance, repair, and renovation activities, which include related personnel costs for public school facilities. In 2007, schools spent \$354.7 million, or about \$773 per student, on operations and maintenance statewide. That's about 13.65 percent of the per-student foundation funding level.

The 74 sample schools reported having, on average, 4.56 custodians, .93 maintenance or building engineers, and .41 security personnel.

Arkansas Association of Educational Administrators provided extensive data indicating increased expenditures for salaries related to operations and maintenance; water, sewer, and garbage costs; property insurance; and energy costs. It is not possible to tell from the data provided if the increased salary costs are due to additional personnel or higher salaries. It is also unclear whether other higher costs are the result of additional consumption of utilities or higher utility costs.

Central Office

In 2007, schools spent \$172.2 million statewide for central office administration. This equates to about \$376 per student.

Transportation

As stated earlier, transportation needs will be considered at a later date.

Categorical Funding

As previously mentioned, three of the four categorical funds are intended for student populations with greater needs. These special needs groups include students in poverty, students who are not proficient in the English language, and 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.

National School Lunch

Schools can use NSL funding for classroom teachers, before- or after-school programs, pre-kindergarten programs, tutors, teachers' aides, counselors, social workers, nurses and curriculum specialists, parent education, summer programs, early intervention programs, and materials and supplies.

In 2007, total NSL expenditures exceeded \$143.2 million. The following table shows a breakdown of how schools spent NSL funding in 2006-07.

Purpose	Amount
Literacy specialists, coaches	\$28,021,882
Professional development	\$3,212,907
Highly qualified classroom teachers	\$32,426,727
Before- and after-school academic programs	\$3,554,692
Pre-kindergarten	\$4,475,398
Tutors	\$4,463,006
Teachers aides	\$12,074,730
Student support specialists	\$14,946,477
Curriculum specialists	\$5,762,954
Parent education	\$1,066,244
Summer programs	\$2,649,884
Early intervention	\$1,614,946
School improvement plan	\$11,187,502
Other activities approved by ADE	\$17,173,139
Primarily local district defined	\$602,867

Collectively, schools spent the most (about \$32.4 million) on highly qualified classroom teachers. They also spent about \$28 million on literacy specialists and nearly \$15 million on student support specialists.

Alternative Learning Environments

ALE funding provided \$4,063 per ALE student for FY2007-08 and 2008-09. In 2007, ALE expenditures totaled \$23 million, but only 204 of the 245 school districts reported any ALE expenditures. Of the 44 sample schools that responded to the ALE questions, nine said they had no ALE students, 16 said they had no ALE teachers, and 27 said they had no ALE aides.

English Language Learners

ELL funding provided \$195 for each ELL student in FY2006-07. Expenditures that year totaled \$9.9 million for the 164 districts with ELL students. The funding amount was increased to \$293 per ELL student for FY2007-08 and 2008-09, which is expected to result in an additional \$4 million in funding for FY2007-08 and \$5.5 million in FY2008-09.

Of the 74 sample schools, 49 (66 percent) reported having no ELL teachers, another 17 schools reported having a fraction of an ELL teacher, and eight schools reported having one or more. Fifty-four of the schools (73 percent) reported having no ELL students.

Professional Development

PD funding provides schools with \$41.11 per student for professional development. (Another \$8.89 per student, or about \$4 million, was set aside for ADE and AETN to use to develop statewide PD programs.) PD expenditures by district in 2007 totaled about \$17.5 million, or about \$38 per student.

During site visits to the 74 sample schools, open-ended questions about PD elicited a variety of responses. The majority of school officials interviewed ranked PD as satisfactory or above. Seven schools ranked the PD they received below satisfactory, and three schools did not respond at all.

One area of concern for several schools was the funding allocated to ADE for the AETN statewide program. Only a small percentage of the sample schools said they use the AETN programs. Many reported problems with the technology and training style. However some suggested it is better this year than in previous years, and a few were complimentary of the programs. Schools also indicated that they relied on it for teachers who were behind in completing their hours or who were on temporary leave.

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Section 10: Public Comment

The Adequacy Subcommittee also heard public comment from four Arkansas education organizations:

- Arkansas School Boards Association
- Arkansas Association of Educational Administrators
- Arkansas Education Association
- Arkansas Rural Education Association

Arkansas School Boards Association (ASBA)

In its testimony to the Adequacy Subcommittee, the ASBA suggested studying the matrix using several models to demonstrate what happens when diverse school districts implement the funding formula. Other issues mentioned in ASBA's remarks included:

- There is growing disconnect between the skills that are being tested and those that businesses identify as necessary for success in the world of work.
- The recalibrated funding for hardware, software, and instructional technology staff may be insufficient.
- The method of funding student transportation should be revised.
- The benchmark exams are scheduled in the spring, well before all of the material has been taught.
- A seamless leadership development system is needed.
- The new funding formula requires rethinking the Education Excellence Trust Fund.
- The increasing costs of health insurance and rising fuel prices should be addressed.

Arkansas Association of Educational Administrators (AAEA)

The AAEA said in its testimony to the Adequacy Subcommittee that it believes the current foundation funding matrix contains inaccuracies. The association listed proposed recalculations for most matrix line items. It also made recommendations concerning the Educational Excellence Trust Fund and categorical funding.

Arkansas Education Association (AEA)

AEA noted in its written testimony that teacher quality is arguably the most important component of educational adequacy. The association had the following suggestions and requests related to teacher quality:

- School administrators must be trained to adequately support teachers.
- New teacher and new administrator programs need additional resources, support, and direction.
- A review of the state's various programs for recruiting and retaining successful teachers is needed.
- The state should provide additional resources for the National Board Certification program.
- Professional development improvements are needed in many schools.
- Fund balance information should be evaluated to determine if balances are being increased at the expense of needed educational programs.

- The state should add program evaluation to auditing procedures to assess program effectiveness.
- Funding for health clinics for under-served students should be restored or their development should be promoted through the Coordinated School Health Initiative. High quality after-school and summer school programs and reduced class size in grades K through 3 should be implemented.
- The EETF should be continued in its current form.
- The average teacher salaries in member states in the Southern Regional Education Board and surrounding states are moving targets.
- The ever rising cost of health insurance will erode teacher salaries.

Arkansas Rural Education Association (AREA)

AREA, in its written testimony, supported the concerns voiced by the AAEA, AEA, and the ASBA. The association specifically noted its concern about student transportation. AREA recommended that the legislature leave in the matrix the current \$286 per student for transportation, but reimburse districts for extraordinary needs and legitimate above-average costs. AREA estimated that the additional cost would range from \$8.5 million to \$12.5 million annually.

The complete remarks from each association are provided in Volume 2.

Section 11: Academic Facilities

The Academic Facilities Oversight Committee provided testimony to the Adequacy Subcommittee on recent rules changes made by the Commission for Arkansas Public School Academic Facilities and Transportation. The report included testimony from AAEA and ADE.

The Commission for Arkansas Public School Academic Facilities and Transportation administers the academic facilities programs by which the state provides financial assistance to public school districts for the construction of new academic facilities, and regulates the management of the repair, maintenance, and planning for academic facilities. The programs were established in large part in the 2005 regular session and the First Extraordinary Session of 2006. (See Appendix F for a list of the programs and original enactments.) Therefore, the programs and the rules implementing them have only been in existence for approximately two years. As with any major new statewide funding mechanism, areas of concern developed relating to the administration of the programs. During the 2007-2009 biennium, the Commission conducted a comprehensive review of the construction standards and Program of Requirements (POR) used in the process of determining a school district's eligibility for state funds under the Partnership Program. The review was completed in January 2008 and new rules, including revisions to Chapters 5 (the POR) and 7 (the construction standards) of the School Facility Manual, were adopted by the Commission in March 2008.

The new rule incorporates and mandates the required use of the School Facility Manual and the POR. The POR is the method of calculating the required spaces and minimum total square footage for a newly constructed public school based on the projected ten-year enrollment growth patterns for a school campus/district according to the number of students and the grade configuration serving those students at either a school campus or district level. The Commission sought feedback from school administrators concerning issues with the POR, including complaints that (a) it was overly complex, (b) it used multiple models for building requirements without clear guidance for situations not specifically represented by the models, and (c) requirements and building standards were mismatched.

The Commission's review of Chapter 5 resulted in a reformulated POR. The new POR consists of one model based on student population and the grade level served, and is tied to the ADE Standards for Accreditation of Arkansas Public Schools and School Districts. In revising the POR, the Commission created a model that is easier to use, and looks at the suitability (according to standards for accreditation) of the space being constructed. Also, under the new POR, the purpose and need for the new school construction will be viewed in context with buildings existing either on the same campus or in the school district, as applicable. An electronic form provides the school district with the opportunity to input data and calculate the required space by academic core curriculum, special education, administrative services, performing arts, student dining and food service, and building services. There is a 5 percent variance provision that allows school districts the flexibility to alter required instructional space for design or structural purposes, provided the standard for total gross square footage is met.

In the administration of the new POR, the Commission added a new oversight provision to the process. The Division of Public School Academic Facilities and Transportation will

compare design documents to the project application to ensure the authenticity and scope of the project.

In revising the POR, the Commission also determined that a system of prioritization of projects was needed. With the *Lake View* decision in mind, the Commission set out to develop a prioritization system that was equitable and supported the state's obligations for providing an adequate education for public school students through adequate academic facilities. The new POR uses three equally-weighted components to determine prioritization of Partnership Program projects:

Component	Weight Assigned
The amount of growth in a school district in the ten years prior to the project application	1 = highest growth
The school district or campus Facility Condition Index	1 = worst condition
The school district's Wealth Index	1 = least wealth

All Partnership Program projects are now ranked based on each project's average of the three measures. Projects with the lowest prioritization score are the highest priority. Projects that are the lowest priority (highest score) may be referred to the next cycle. All projects that are determined to be "warm, safe, and dry" projects — that is, the facility does not meet "warm, safe, and dry" standards — are considered the highest priority for state funding in the current cycle and supersede the listed prioritization system.

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Section 12: Recommendations

After careful consideration of all testimony, the Adequacy Subcommittee recommends to the Education Committees the following:

- Continue to base the funding matrix on a prototypical school size of 500 students with the following student-teacher ratios:
 - Kindergarten: 20:1
 - Grades 1-3: 23:1
 - Grades 4-12: 25:1
 - P.E., art, and music (PAM)/elective teachers equal to 20 percent of classroom teachers
- Keep the total number of school-level personnel funded by the matrix at 35.665 positions.
- Add a 1.6 percent to 2.8 percent cost-of-living adjustment to all school-level salaries.
- Add a 1.6 percent to 2.8 percent cost-of-living adjustment to the following line items:
 - Extra duty funds.
 - Supervisory aides.
 - Substitutes.
 - Central office.
- Keep the matrix funding for technology at \$201 for 2009-10 and 2010-11.
- Add 2.25 percent to the current matrix funding for instructional materials.
- ~~Consider adoption of a funding mechanism for transportation costs, using a formula to be studied and developed by the Adequacy Subcommittee based on fair and essential costs of transportation. The purpose of adding a fair and essential transportation funding mechanism is to assist those school districts whose documented student transportation costs exceed the amount of funding currently provided in the funding matrix for this purpose and to establish accountability between present funding and fair and essential transportation costs in all districts.~~
- **Add \$24 million each year of the next biennium for K-12 student "enhanced transportation funding." This enhanced funding is to be provided in addition to the \$286 per ADM that is currently in the matrix. The additional funds should be distributed among the state's 245 school districts according to the statistical model developed by the Bureau of Legislative Research and approved by the Adequacy Subcommittee. The Adequacy Subcommittee will conduct research to determine the amount of funding needed for adequacy.**
- Set the matrix level for operations and maintenance at 9 percent of the total foundation funding, but no less than \$581.

- Refer the task of setting categorical funding levels to the Education Committees. Upon evidence that schools need an increase or evidence that may come from current categorical fund balance reports (due by late summer), the Education Committees should be afforded the opportunity to adjust categorical funding for inflation, if necessary.
- Continue to supplement as necessary to correct any shortfall in the 98 percent URT collection rate used to determine the amount of additional state foundation funding distributed.
- Refer the study of the issue of increasing costs of health insurance for public school employees to the Education Committees.

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Appendix A

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

10-3-2102. Duties.

(a) During each interim, the House Interim Committee on Education and the Senate Interim 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 Workforce Education, and the Department of Higher Education shall provide the committees with assistance and information as requested by the committees.

(d) The Attorney General is requested to provide assistance to the committees as needed.

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

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

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

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

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

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

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

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

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

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

Appendix B

Index of Adequacy Subcommittee reviews as required by Act 57 and Act 1204

Statutory Requirement	Report Section
Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program	Section 8
Reviewing the curriculum frameworks developed by the Department of Education	Section 5
Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program	Section 5
Reviewing fiscal, academic, and facilities distress programs	Section 5
Reviewing the state's standing under the No Child Left Behind Act of 2001	Section 5
Reviewing the Arkansas Comprehensive School Improvement Plan process	Section 5
Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including: <ul style="list-style-type: none"> • Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index • Reviewing the minimum teacher compensation salary schedule 	Section 6
Reviewing expenditures from isolated school funding	Section 8
Reviewing expenditures from national school lunch state funding	Section 8
Reviewing expenditures from declining enrollment funding	Section 8
Reviewing expenditures from student growth funding	Section 8
Reviewing expenditures from special education funding	Section 8
Reviewing disparities in teacher salaries	Section 6
Completing an expenditure analysis	Section 8
Completing a resource allocation review	Section 9
Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education	Section 12
Adjusting for the inflation or deflation of any appropriate component of the system of funding public education	Section 12

Act 1204 also established that the legislature would review any other program or topic identified for further study. The following table lists the interim study proposals addressed by the Adequacy Subcommittee and the Education Committees along with the section of this report where each topic can be found.

ISP #	Study Topic	Report Section
2007-002	Examine the development of an Arkansas Teacher Support System	Section 6
2007-209	Review the use of the Educational Excellence Trust Fund to increase teacher salaries	Section 6
2007-010	Study growth funding and identify how much per-student funding is needed to meet growth needs	Section 8

ISP #	Study Topic	Report Section
2007-011	Study the possibility of developing more detailed, uniform reporting requirements for school district fund balances	Section 8
2007-012	Study funding for instructional facilitators	Section 9
2007-013	Assess the best practices for alternative learning environments	Section 4
2007-014	Review public school employees' health insurance plan	Section 6
2007-015	Examine the possible expansion of the Arkansas Leadership Academy's school support program	Section 6
2007-043	Study the possible development of a state-supported formative assessment program	Section 5
2007-056	Examine leadership development issues in the Delta	Section 6
2007-057	Examine the use of NSLA funding for teacher salaries	Section 6
2007-112	Examine the possible expansion of the Arkansas Leadership Academy's school support program	Section 6
2007-166	Examine the development of an Arkansas Teacher Support System	Section 6

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Appendix C

Education Committees and Adequacy Subcommittee Presenters

Experts, state agency officials, and members of the General Assembly provided information, data, and other assistance to the Adequacy Subcommittee and the Education Committees.

General Assembly

- Sen. Shane Broadway, Co-Chair, Academic Facilities Oversight Committee
- Rep. David Cook, Co-Chair, Academic Facilities Oversight Committee

Bureau of Legislative Research

- Mr. Richard Wilson, Assistant Director for Research Services
- Ms. Jerri Derlikowski, Administrator, Policy Analysis and Research Services
- Dr. Brent Benda, Senior Research Specialist, Policy Analysis and Research Services
- Ms. Lori Bowen, Senior Legislative Analyst, Legislative Fiscal Services Division
- Ms. Cheryl Reinhart, Legislative Attorney
- Mr. Paul Atkins, Senior Research Specialist, Policy Analysis and Research Services
- Ms. Kristen Sharp, Legislative Analyst, Policy Analysis and Research Services
- Ms. Nell Smith Senior Research Specialist, Policy Analysis and Research Services
- Ms. Angie Clingmon, Administrative Assistant, Policy Analysis and Research Services
- Mr. Mark Hudson, Senior Legislative Analyst, Legislative Committee Staff

Arkansas Department of Education

- Dr. Ken James, Commissioner
- Dr. Bobbie Davis, Assistant Commissioner, Fiscal and Administrative Services
- Dr. Diana Julian, Deputy Commissioner
- Dr. Gayle Potter, Associate Director, Curriculum, Assessment, and Research
- Ms. Janinne Riggs, Special Assistant to the Commissioner
- Ms. Lori Lamb, Program Coordinator, Alternative Learning Environments
- Dr. Alice Barnes Rose, Assistant Commissioner, Division of Learning Services
- Ms. Annette Barnes, Coordinator, School Improvement, Division of Learning Services

Division of Legislative Audit

- Mr. Ron Burch, Deputy Legislative Auditor, State Agencies
- Mr. David Webb, Field Audit Supervisor, State Agencies

Glen Rose School District

- Mr. Nathan Gills, Superintendent
- Ms. Melissa Elrod, Special Projects Coordinator
- Mr. Bob Morrison, Technology Coordinator
- Ms. Marianne Gandolph, Literacy Facilitator/Coach
- Mr. Shawn Pilgrim, High School Resource Teacher

Mr. Matt McCoy, Assistant Attorney General, Office of the Attorney General
Dr. Jay Barth, Associate Professor of Politics, Hendrix College
Dr. Keith Nitta, Assistant Professor of Education Policy, Clinton School of Public Service,
University of Arkansas
Ms. Denise Airola, Assistant Director, NORMES, University of Arkansas
Mr. Ron Harder, Policy Service & Advocacy Director, Arkansas School Boards
Association
Dr. Tom Kimbrell, Executive Director, Arkansas Association of Educational
Administrators
Mr. Rich Nagel, Executive Director Arkansas Education Association
Mr. Dale Query, President, Arkansas Rural Education Association
Ms. Sharon Dickerson, Executive Director, Employee Benefits Division, Arkansas
Department of Finance and Administration
Ms. Claire Bailey, Director, Arkansas Department of Information Systems
Dr. Margaret Heritage, Assistant Director for Professional Development, National Center
for Research on Evaluation, Standards, and Student Testing (CRESST),
University of California at Los Angeles

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Appendix D

Lake View History and Legislative Response

Lake View v. Huckabee

The General Assembly's efforts to define and fund an adequate education were driven by a lawsuit filed in August 1992 by the Lake View School District in Phillips County. The lawsuit, filed as *Lake View v. Tucker*¹, claimed the disparity between public school funding for wealthy districts and for low-income districts was unconstitutional.

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

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

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

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

Legislative Response

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

During the Second Extraordinary Session of 2003, the General Assembly enacted 73 education bills into law², including a new funding formula, a comprehensive student testing and school accountability program and a school consolidation plan that

¹ The case was originally filed as *Lake View School District No. 25 of Phillips County, Arkansas v. Jim Guy Tucker*, Case No. 92-5318, In the Chancery Court of Pulaski County, Arkansas. Governor Huckabee was substituted as a party in 2000.

² See Summary of General Legislation, 84th General Assembly of the State of Arkansas, Second Extraordinary Session 2003, <http://www.arkleg.state.ar.us>.

eliminated all school districts with fewer than 350 students. The new state foundation funding formula calculated the amount of funding necessary for providing an adequate education. The legislature also set each school's state funding level at \$5,400 per student and paid for it with new taxes, which generated \$400 million in additional revenue annually.

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

Court Supervision

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

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

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

A year later in May 2007, the Supreme Court, in an historic decision signed by all seven of the participating justices, declared the Arkansas public school funding system constitutional.³

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

Appendix E Matrix

	Current FY07	FY08	FY09	Notes
Matrix Calculations				
School-Level Salaries				
Teacher Salary + Benefits	52,321	54,888	55,954	All teachers, secretaries, PAM teachers, librarians, instructional facilitators, special education teachers, counselors, etc., receive 2% increase each year.
Per Student Matrix Expenditure	3,516	3,695.6	3,767.4	Principals receive 12.88% first year, then 2% second year.
Principal Salary + Benefits	76,335	86,168	87,860	One secretary added to school-level staff.
Per Student Matrix Expenditure	153	172.3	175.7	Recalibration provides first-year increase in school-level salaries per student of 7.32%.
School-level secretary	0	34,751	35,415	
		69.5	70.8	
School-Level Salaries Per Student	3,669	3,937.4	4,013.9	
School-Level Resources				
Teacher Continuing Ed Pay (5 days)	96	0.0	0.0	Rolled into school-level salaries per student.
Technology	185	220	201	Declining index.
Instructional Materials	268	160	163.2	Accepts Picus recommendation less F. A.
Extra Duty Funds	97	50	51.0	Corrected weighted average.
Supervisory Aides	37	49.35	50.35	33% increase first year.
Substitutes	59	59	59	Kept flat due to site visit evidence.
School-Level Resources Per Student	742	538.4	524.6	Recalibration causes decrease.
Carry-Forward				
Operations & Maintenance	n/a	581	581	Includes school-level O&M personnel.
Central Office	n/a	376	383.5	Carry-forward now allocated to three components and first-year total increased
Transportation	n/a	286	286	3.1% after moving secretary to school-level.
Carry-Forward Per Student	1,206	1,243.0	1,250.5	
Foundation Per Pupil Expenditures				
Retirement	5,620	5,719	5,789	One point of retirement benefit rolled into school-level salaries per student.
Matrix Foundation Per Student	42	0.0	0.0	Dollar increase per ADM.
	5,662	5,719	5,789	Per ADM % change in foundation
Incremental FY Cost in Millions				
Collection Rate (98%) in millions		26.1	32.2	Assumes ADM of 457,900 & 460,400.
Enhanced Funding in millions		13.4	14.3	Corrects URT deficiencies.
Total				
		23.3	16.6	Additional to adequacy.
		62.8	63.1	Incremental millions per fiscal year.

Appendix F

Arkansas Public School Academic Facilities Programs

Program	Arkansas Code Section	Original Enactment
Bonded Debt Assistance	§ 6-20-2503	Acts 2005, No. 2206
Academic Facilities Immediate Repair Program (now completed)	§ 6-20-2504	Acts 2005, No. 2206
Academic Equipment Program	§ 6-20-2505	Acts 2005, No. 2206
Transitional Academic Facilities Program	§ 6-20-2506	Acts 2005, No. 2206
Academic Facilities Partnership Program	§ 6-20-2507	Acts 2005, No. 2206
Academic Facilities Catastrophic Program	§ 6-20-2508	Acts 2005, No. 2206
Academic Facilities High-Growth School District Loan Program	§ 6-20-2511	Acts 2005, No. 2206; rewritten by Acts 2007, No. 995
Academic Facilities Extraordinary Circumstances Program	§ 6-20-2514	Acts 2006 (1st Ex. Sess.), Nos. 34 and 35
Arkansas Public School Academic Facilities Financing Act of 2007	§ 6-20-2601 et seq.	Acts 2007, No. 1921
Arkansas Public School Academic Facilities Program	§ 6-21-804	Acts 2005, No. 1426
Academic Facilities Master Plan Program	§ 6-21-805 — 807	Acts 2005, No. 1426
Public School Facilities Custodial Maintenance, Repair, and Renovation Manual	§ 6-21-808	Acts 2005, No. 1426
Arkansas Public School Academic Facility Manual	§ 6-21-809	Acts 2005, No. 1426
Public School Academic Equipment Manual	§ 6-21-810	Acts 2005, No. 1426
Academic Facilities Distress Program	§ 6-21-811	Acts 2005, No. 1426