

MINUTES**JOINT ADEQUACY EVALUATION OVERSIGHT SUBCOMMITTEE**

1:30 P.M.
Tuesday, February 2, 2010
Room 171, State Capitol
Little Rock, Arkansas

Senator Steve Bryles, the Senate Co-Chair of the Joint Adequacy Evaluation Oversight Subcommittee, called the meeting to order at 1:30 p.m.

MEMBERS OF THE JOINT ADEQUACY EVALUATION OVERSIGHT SUBCOMMITTEE IN ATTENDANCE: Senator Steve Bryles, Senate Co-Chair; Representative Bill Abernathy, House Co-Chair; Senator Jimmy Jeffress, Senate Vice-Chair; Representative Eddie Cheatham, House Vice-Chair; Senator Shane Broadway; Senator Joyce Elliott; Senator Kim Hendren; Senator Johnny Key; Senator Mary Anne Salmon; Representative Toni Bradford; Representative Les Carnine; Representative David Rainey; and Representative R.D. Saunders.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Steve Faris; Senator Randy Laverty; Representative Nancy Blount; Representative Jerry Brown; Representative Richard Carroll; Representative Joan Cash; Representative Ann Clemmer; Representative Robert Dale; Representative Monty Davenport; Representative Jody Dickinson; Representative Jane English; Representative Stephanie Flowers; Representative Clark Hall; Representative Willie Hardy; Representative Debra Hobbs; Representative Karen Hopper; Representative Barry Hyde; Representative Ray Kidd; Representative Uvalde Lindsey; Representative Buddy Lovell; Representative Mark Martin; Representative Allen Maxwell; Representative Robert Moore; Representative George Overbey; Representative Tracy Pennartz; Representative Mark Perry; Representative Johnnie Roebuck; Representative Tiffany Rogers; Representative Gene Shelby; Representative Linda Tyler; and Representative Jon Woods.

Without objection, the minutes of January 5, 2010, were approved as written.

Review of Division of Legislative Audit Report, "Department of Education Grants Summarized by the Division of Legislative Audit for the Year Ended June 30, 2009"

Mr. David W. Webb, Audit Supervisor, Division of Legislative Audit, was recognized. Mr. Webb presented an overview of the report which provides a summary of all state and federal education grant programs. A copy of the report had been furnished to the Subcommittee. Mr. Webb said that nearly \$3.1 billion in grants from several sources including the public school fund, federal awards, and other funds had been provided to school districts, education cooperatives, and others during the past fiscal year. He said the Division of Legislative Audit prepared this report by: 1) extracting information regarding grants and aids to school districts from AASIS; 2) adding amounts of electronic transfers made to other state entities; and 3) deducting the amounts of refunds that came from recipients back to the Department of Education. Of the \$3.1 billion that was granted to recipients during the year, approximately \$2.5 billion was provided through the public school fund. Other state and federal funds accounted for over \$600 million in funding. Mr. Webb clarified that this report does not reflect how the grant recipients actually spent the money; it only shows the programs from which the funds were provided. Mr. Webb concluded by saying that a copy of this report, as well as reports from prior years, can be found on the Division of Legislative Audit's Web page.

Senator Bryles thanked Mr. Webb for his report.

Discussion of Distress Programs Administered by the Arkansas Department of Education

Mr. Bill Goff, Assistant Commissioner, Fiscal and Administrative Services, Arkansas Department of Education (ADE), was recognized. He provided the Subcommittee with the ADE document, "Proposed Rules Identifying and Governing the Arkansas Fiscal Assessment and Accountability Program." Mr. Goff provided the Subcommittee with a brief history of the fiscal distress program, noting the most recent changes made by Act 1289 of 2009, which included education service cooperatives in the program, and Act 798 of 2009, which established an early intervention program for efforts to head off fiscal distress.

After introducing the ADE staff that works directly with school districts either to prevent them from falling into fiscal distress or to help districts get out of it, Mr. Goff reviewed the rules for the fiscal distress program with the Subcommittee. He indicated that seven (7) districts are currently classified as being in fiscal distress. Mr. Goff went on to discuss the recent history of school districts being added and removed from the fiscal distress list, noting that, in most cases, districts in fiscal distress can turn themselves around financially and get off of the fiscal distress list.

A question and answer session followed. The topics included:

- Common reasons for, and early indicators of, fiscal distress in a school district,
- A definition of "material failure,"
- Qualifications/training of a superintendent for financial management,
- The weakness of the budgeting process in some school districts,
- Transparency and community involvement, and
- The debt service level in the budgets of the seven (7) school districts that are in fiscal distress, and if that level is directly related to the fiscal distress.

Representative Abernathy thanked Mr. Goff for his report.

Dr. Alice Barnes Rose, Assistant Commissioner, Learning Services, Arkansas Department of Education, was recognized. Dr. Rose presented the topic of academic distress and furnished a partial copy of the ADE's "Emergency Rules Governing the Arkansas Comprehensive Testing, Assessment and Accountability Program and the Academic Distress Program" to the Subcommittee. She said the legislative mandate for this program was established by Act 1467 of 2003 and Act 35 of the Second Extraordinary Session of 2003.

Dr. Rose referred the Subcommittee to Section 10.04--Academic Distress. She explained that districts would be classified as being in academic distress if they have 75% of their students scoring at the below basic performance level on the criterion-referenced test. Any student taking a state-mandated test in a district is counted in this calculation. The calculation for the percentage comes from taking all students in a district that have been tested on the criterion-referenced test, and whose scores are below the basic performance level, and dividing that number of students by the math and literacy scores. Dr. Rose, noting that no district is currently labeled as in academic distress, reviewed the remainder of the academic distress rules with the Subcommittee.

Dr. Diana Julian, Deputy Commissioner of Education, Arkansas Department of Education, was recognized and assisted Dr. Rose in answering questions.

Discussion followed on the choice of the 75% figure in the academic distress calculation and whether it's origin is statute-based or set by ADE, on preventive technical assistance for schools that are approaching academic distress, and on a superintendent's authority in a district during academic distress. (*Dr. Diana Julian, Deputy Commissioner of Education, Arkansas Department of Education, was recognized later in the meeting and revised her earlier statement that the 75% figure in the academic distress calculation was statute-based. She said that, after research, it appears to be a rule and regulation that could be dealt with by the ADE with the State Board.*)

Representative Abernathy thanked Dr. Rose for her report.

Mr. Doug Eaton, Director, Division of Public School Academic Facilities and Transportation, was recognized. Utilizing a handout, Mr. Eaton explained the rationale for the facilities distress program, which was designed to provide state oversight and assistance to those school districts that fail to properly maintain their academic facilities in accordance with the academic facility laws and the related rules. Mr. Eaton pointed out that only one district has been placed in facilities distress under the Academic Facility Distress Program. Topics raised for discussion included how a district can work its way out of facilities distress, the amount of money currently in the facilities fund, and the amount of the facilities fund that has been projected to be used for designated projects.

Representative Abernathy thanked Mr. Eaton for his report.

Discussion of the Impact of Federal Funds for Education Purposes under the American Recovery and Reinvestment Act (ARRA)

Mr. Michael Brown, Legislative Analyst, Bureau of Legislative Research, was recognized. Mr. Brown presented a report on additional federal funding available to school districts under the American Recovery and Reinvestment Act. He said that according to data reported by the Governor's Office, the State of Arkansas has received approximately \$104 million in ARRA funding for public education, and an estimated 731 jobs have been saved or created as a result of expenditures to date. He went on to review the various components of ARRA public education funding, and discussed how school districts are spending some of their Recovery Act dollars and the impact of these expenditures on Educational Adequacy.

Dr. Tom Kimbrell, Commissioner, Arkansas Department of Education, and **Ms. Heather Gage**, Special Advisor to the Commissioner, Arkansas Department of Education, were recognized and assisted in answering questions during the discussion that followed Mr. Brown's presentation. Issues raised relevant to the Recovery Act included:

- o Cash flow of dollars, authorized spending
- o Impact of funding on higher education institutions
- o The Education for Homeless Children and Youth Program: the number of students affected, how the funding is used by districts, and reporting requirements
- o The legal definition of "homeless"
- o Number of homeless students that are in schools
- o The necessity of having preventive measures in place for fund expenditures
- o Obligating funds beyond those received
- o Exclusion of expenditures less than \$2,500 in Appendix B: Recovery Act Expenditures for Arkansas School Districts

Representative Abernathy thanked Mr. Brown for his report.

Discussion of Funding Matrix and Categorical Funding

Mr. Richard Wilson, Assistant Director, Research Services, Bureau of Legislative Research, was recognized. Using two (2) handouts, Mr. Wilson discussed with the Subcommittee the current status of foundation and categorical funding.

Representative Abernathy thanked Mr. Wilson for his report.

Representative Abernathy announced that the next meeting of the Joint Adequacy Evaluation Oversight Subcommittee will be at 10:00 a.m. on March 2, 2010, in Room 171 of the State Capitol.

There being no further business, the meeting adjourned at 3:40 p.m.