

MINUTES
JOINT MEETING
OF THE
HOUSE AND SENATE INTERIM COMMITTEES ON EDUCATION

Tuesday, December 6, 2011
10:00 A.M.
Room 171, State Capitol
Little Rock, Arkansas

Representative Eddie Cheatham, the Chair of the House Interim Committee on Education, called the meeting to order at 10:00 a.m.

MEMBERS OF THE SENATE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE:
Senator Bruce Holland.

MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE:
Representative Eddie Cheatham, Chair; Representative Johnnie Roebuck, Vice Chair; Representative Duncan Baird; Representative Jerry Brown; Representative Les Carnine; Representative Ann Clemmer; Representative Robert Dale; Representative Jody Dickinson; Representative Jane English; Representative Debra Hobbs; Representative Donna Hutchinson; Representative Bobby Pierce; Representative Randy Stewart; Representative Tim Summers; and Representative Tommy Wren.

NON-VOTING MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative John Catlett; Representative Gary Deffenbaugh; Representative Jeremy Gillam; Representative Justin Harris; Representative Andrea Lea; Representative Homer Lenderman; Representative Tiffany Rogers; and Representative Garry Smith.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Cecile Bledsoe; Senator Randy Laverty; Senator Bill Pritchard; Representative Tommy Lee Baker; Representative Jonathan Barnett; Representative Nate Bell; Representative John Burris; Representative Billy Gaskill; Representative Clark Hall; Representative Kim Hammer; Representative Sheilla Lampkin; Representative Buddy Lovell; Representative Jim Nickels; Representative Betty Overbey; Representative Mike Patterson; Representative James Ratliff; Representative Mary Slinkard; Representative Linda Tyler; and Representative Jeff Wardlaw.

Without objection, the minutes of October 24, 2011 and October 25, 2011, were approved as written.

Representative Cheatham noted the updated list of meeting dates for 2012 in the members' packets.

Morning Session

Discussion of the Equity in the Funding Formula for Public Institutions of Higher Education

Mr. Shane Broadway, Interim Director, Arkansas Department of Higher Education, and **Ms. Jackie Holloway**, Senior Associate Director of Finance, Arkansas Department of Higher Education, were recognized. Using a PowerPoint presentation with a handout, Mr. Broadway discussed the background of the Higher Education Funding Formula in order to give members insight into the discussion of equity. He stated that institutions wanted a needs-based formula that would give every institution the same funding for the same course credit. He said that after 2001, the Arkansas Department of Higher Education (ADHE) began work on developing a formula with the following characteristics:

- Equitable, simple, and stable,
- Effective and efficient,
- Responsive to change,
- Sensitive to different missions,
- Provided replicable data,
- Supportive of state goals, and
- Sensitive to special purposes (medical, research, public service, agriculture, etc.)

According to Mr. Broadway, three (3) formula-driven models were developed: 1) University Funding Model, 2) Two-Year College Funding Model, and 3) Technical Schools Funding Model. He went on to discuss the components and operation of the University Funding Model and the Two-Year Funding Model. In summary, Mr. Broadway said this is a good formula, one that is fair and equitable, and one that works as long as it is funded (to fully fund this model, to catch up today, would take \$284 million). He stated that flat or reduced state funding and rapid enrollment growth at both the 4-year and 2-year levels over the last several years have provided challenges and have created a disparity between institutions based on need.

Following Mr. Broadway's presentation, a lengthy discussion took place that included the following topics:

- ◆ Lottery scholarship funds figuring into the funds colleges are getting,
- ◆ Lottery scholarship funds impacting enrollment in universities,
- ◆ Relationship of total for undergraduates in Table 1 of University Model to total enrollment,
- ◆ How shortfall in funding would affect students,
- ◆ Reasons for enrollment data for past year showing a growth in 4-year and a decline in 2-year institutions,
- ◆ Allowances built into the model for performance-based results as it impacts the amount funded,
- ◆ Allowances or built-in cautions in the model in case remediation money is taken away from ADHE and shifted elsewhere,
- ◆ Diseconomy of Scale based on FTE,
- ◆ Principle of equal funding and the Lake View School District case,
- ◆ Principle of equal funding and the 2-year school with the highest Hispanic population receiving the lowest funding,
- ◆ Numbers for rapid enrollment,
- ◆ Lottery producing a different effect than that which was originally speculated,
- ◆ Local funding taken into account in the formula-determined need of 2-year institutions,
- ◆ Effect of increases in enrollment over an extended period of time and a flat level of state funding,
- ◆ Possibility of reviewing the requirements and dollar amounts of the Academic Challenge Scholarship in the next Regular Session of the Arkansas General Assembly,

- ◆ Clarification of the variance in per student cost between 4-year and 2-year institutions; freshman/sophomore classes at a 4-year university subsidizing the junior/senior classes; requiring attendance at a 2-year college for the first two years making the cost of the last two years of a four-year education substantially higher,
- ◆ Affect of the current formula on the success of students in an institution with increased enrollment that is not being funded at the correct level,
- ◆ Request for comparison of tuition and fees at 4-year and 2-year institutions for current academic year,
- ◆ Funding remedial classes at the same rate as regular classes,
- ◆ Effect of performance-based funding on raising standards for admission to institutions,
- ◆ Issues raised in cost containment hearings; discussions with institutions about the waiving of out-of-state tuition,
- ◆ Rewarding what is expected; making sure money is part of the outcome in college completion; Academic Challenge Scholarship amounts awarded; moving from an enrollment conversation to a completion conversation; availability of funding and addressing the issue of equity;
- ◆ Directing students to institutions where they can be successful, and
- ◆ Establishing the same funding for the first two years of higher education regardless of where a student goes, and increasing funding for the junior and senior years at 4-year institutions.

Representative Cheatham thanked Mr. Broadway for the presentation.

The Honorable Donna Hutchinson, State Representative, District 98, was recognized, and requested that the Chair recognize Dr. Rebecca Paneitz, President, NorthWest Arkansas Community College, and allow her to say a few words, since NorthWest Arkansas Community College (NWACC) had been mentioned a number of times.

Dr. Rebecca Paneitz, President, NorthWest Arkansas Community College, was recognized. Dr. Paneitz said she appreciated the opportunity to briefly address the Committees on the subject of funding. She stated that, because of the shifting population in Arkansas and other situational factors, NWACC is the most inequitably funded 2- or 4-year institution in Arkansas. She said that in the past five years it has seen an increase of 64,000 Student Semester Credit Hours (SSCH), from 101,000 in 2005 to 165,000 credit hours in 2010. She cautioned that, with no new money and with the increased enrollment that both NWACC and Pulaski Tech have had, inequitable funding will develop. She added that no other 2- or 4-year institution in Arkansas has seen or responded to this kind of growth. Dr. Paneitz said there has been concern at NWACC about inequitable funding for some time; and noted that the issues will be exacerbated when moving from an inequitable position into performance funding. She discussed some of the consequences of not meeting goals. Dr. Paneitz referred to Act 1203, and said that all students should be funded equitably, but that this is not happening. She supported any assistance the state can give to NWACC. In Dr. Paneitz' conclusion, she stated that NWACC tries to be very proactive when it comes to cost-containment, in terms of getting grants and philanthropic funding, but said it is harder and harder to do when state funding is not adequate, and is, in fact, less than 50% of need.

A brief discussion ensued on reasons for the drop in the one-year growth at NWACC.

Representative Cheatham thanked Dr. Paneitz for her comments.

Mr. Shane Broadway was recognized, and addressed some of Dr. Paneitz' concerns regarding moving into performance funding. He said that in moving through the performance-funding process, the formula will have to be evaluated every year to avoid unintended consequences of that formula, which may include an unfair reduction in the amount of funding for an institution.

Mr. Broadway next distributed two additional handouts: 1) *Salary Comparison, 2010-2011*, that compares the teacher starting salary at a 2-year college with the average teacher starting salary in area public schools, and 2) *Estimated Average Salaries of Full-Time Administrators at Public Four-Year Colleges and Universities*.

Representative Cheatham thanked Mr. Broadway for the information.

Representative Cheatham announced that there would be a deviation from the published Agenda to hear an update on the Adequacy Study.

Mr. Richard Wilson, Assistant Director, Research Services, Bureau of Legislative Research, was recognized. Mr. Wilson reported that the Bureau of Legislative Research (BLR) met with the Arkansas Association of Educational Administrators (AAEA) last August and revised the final survey going to the 239 school districts for the Adequacy Study. He said the survey was sent out on October 17, 2011, with a reply requested by October 31, 2011. The first of seventy-four (74) visits to school districts was started on November 1, and, as of today, approximately sixty (60) visits have been completed. While 231 surveys have been completed, he said there are still eight (8) districts that have not complied. At the request of Representative Cheatham, Mr. Wilson identified the eight (8) school districts: Deer/Mt. Judea in Newton County, Dollarway in Jefferson County, Earle in Crittenden County, Monticello in Drew County, Norphlet in Union County, Palestine-Wheatley in St. Francis County, Pine Bluff in Jefferson County, and Russellville in Pope County.

Representative Cheatham thanked Mr. Wilson for the update.

Discussion of Proposed Arkansas Department of Education Rule, *Arkansas Department of Education Rules Governing the Distribution of Supplemental Transportation Funds*

Mr. Mark White, Staff Attorney, Arkansas Department of Education, was recognized. Mr. White presented the rules developed by the Arkansas Department of Education (ADE) in response to Act 1075 of the 88th General Assembly, Regular Session 2011. He stated that in the Act, \$500,000 had been appropriated for the extraordinary transportation needs of public school students. He explained how the rules to distribute those funds will work and how districts that might be eligible for funding will be identified.

Representative Cheatham thanked Mr. White for his explanation.

Representative Cheatham, hearing no questions raised, called for a motion.

The Honorable Johnnie Roebuck, State Representative, District 20, made a motion that the proposed rule, Arkansas Department of Education Rules Governing the Distribution of Supplemental Transportation Funds, had been reviewed by the Committees and would be sent to the Rules and

Regulations Subcommittee of the Arkansas Legislative Council. The motion was passed without objection.

Representative Cheatham announced that Representative Roebuck had graciously agreed to move Item F and Item G on the Agenda to the January 9, 2012 meeting.

At 11:47 a.m., Representative Cheatham called for a recess of the meeting until 1:00 p.m.

Afternoon Session

Representative Cheatham, the Chair of the House Interim Committee on Education, called the afternoon session of the meeting to order at 1:00 p.m., and said the meeting would pick up with Item H on the Agenda.

Preliminary Discussion of Interim Study Proposal (ISP) 2011-190 by Representative Wren, REQUESTING THAT THE INTERIM HOUSE COMMITTEE ON EDUCATION STUDY THE EFFECT AND FEASIBILITY OF TRANSFERRING THE ADULT EDUCATION DIVISION OF THE DEPARTMENT OF CAREER EDUCATION TO THE DEPARTMENT OF EDUCATION.

The Honorable Tommy Wren, State Representative, District 71, was recognized. Representative Wren commented that he is a huge advocate of adult education, and wanted to applaud those in the Adult Education Division and those who have matriculated in adult education programs. He said it has come to his attention that Mr. William L. "Bill" Walker, Jr., Director, Arkansas Department of Career Education (ADCE), recently met with the directors of ADCE's local educational agencies (LEAs) and discussed the consolidation of LEAs. Representative Wren said that since there has been no new money in the last twenty years for adult education in Arkansas, it has been hard to sustain growth in adult education centers. He expressed his concern about closing LEAs without first taking a long hard look at each one, and how the lives of those served by the centers would be affected in the process. Adult education programs have positively affected the lives of individuals, including youth, the unemployed, the underemployed, those for whom English is a second language, and the incarcerated, among others. Representative Wren said this study is necessary so that those in adult education can benefit from Arkansas's education reform efforts, including the goals of College and Career Readiness, implementation of the Common Core State Standards Initiative, and alignment of the state's resources.

Following the remarks by Representative Wren, a discussion ensued. Topics included:

- Clarification that in the proposal, *only* the Adult Education Division is being considered for assignment to the ADE,
- Results of interim study will provide Committees with costs or cost savings, logistics, and benefits,
- Transferring a monetary problem from ADCE to the ADE,

- General Educational Development (GED) testing to be taken over by Pearson VUE, a private, for-profit company; implementation of a \$125 per test fee and other associated costs with pretesting,
- Sustaining current centers,
- Scrutinizing ADCE's current budget and what has happened in the agency in the last year; projecting what will happen in the future and possibly bring out a different budget in the Fiscal Session,
- Scope of interim study, and
- Locations of adult education centers.

Representative Cheatham thanked Representative Wren for his remarks.

Mr. William L. "Bill" Walker, Jr., Director, Arkansas Department of Career Education, was recognized. Mr. Walker stated that some of Representative Wren's concerns were also his concerns. He provided background information on the current state of adult education, discussed funding issues, and made comments about the fifty-one (51) adult education sites and additional satellite sites throughout Arkansas. He said that as far as ADCE is concerned, this discussion has never been about reducing the accessibility to adult education; it's really about increasing accessibility and consistency among the adult education centers. Mr. Walker also discussed:

- Federal requirement to charge for the acquisition of a GED effective in 2014,
- Financial impact on ADCE of services provided to 16- and 17-year olds, and to Department of Correction inmates,
- The federal government establishing pre-determined goals for adult education students effective in 2013,
- Establishment of standards or expectations for quality adult education programs,
- Insufficient resources,
- Options have been considered, but no decisions have been made, except the decision to act in the best interest of adult education students, and
- Three options will be presented to the Governor for his consideration and decision.

Mr. Jim Smith, Deputy Director, Adult Education Division, Arkansas Department of Career Education, was recognized. He distributed a draft report, *Components of a Quality Adult Education Program*, and another document, *Adult Education Division, July 1, 2009 – June 30, 2010 Academic Program Year, Report Card*, the latter which included a map, *2011 Adult Education Program Local Education Agency County Configuration*, and joined in the discussion that followed Mr. Walker's presentation. The discussion included:

- The national standard for completion of GEDs by enrollees,
- Projections for completion of GEDs based on new pretest,
- Anyone who hasn't earned a GED by January 1, 2014 starts the process all over,
- Projected additional costs of using Pearson VUE, including pretesting and retesting,
- Mandatory age for staying in school; funding provided to ADCE once a student gets a GED,
- Clarification of five (5) proposals discussed at the meeting of LEA Directors,
- Number of eligibles in counties,
- Number of administrative entities in counties, and what should drive the numbers,
- Reasons for adult education not receiving additional appropriations,

- Demographics of those served by adult education; serving 16- and 17-year-old students,
- Establishing standards for LEAs, and having the meeting of those standards drive the competition for which LEAs to leave open or to close,
- Allowing performance-funding to drive decision to close,
- Configuration of map, and
- State funds LEAs, but control is local.

Representative Cheatham thanked Mr. Walker and Mr. Smith for the discussion.

Representative Cheatham announced that, due to another meeting at this time, there would be a deviation from the published Agenda and Item I would be postponed until the meeting scheduled for January 10, 2012. He requested that the presenters come back at that time.

Representative Cheatham announced that the next joint meeting of the Senate Interim Committee on Education and the House Interim Committee on Education would be at 1:30 p.m. on Monday, January 9, 2012, in Room 171 of the State Capitol in Little Rock.

There being no further business, the meeting adjourned at 2:10 p.m.