

Arkansas
Association
of
Educational
Administrators

**A REVIEW OF ADEQUACY
IN
FINANCING PUBLIC EDUCATION
IN ARKANSAS**

*Prepared for: The Education Adequacy Subcommittee
of the Arkansas General Assembly*

Prepared by: Arkansas Association of Educational Administrators



Executive Summary

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Under the Arkansas Constitution, it is the state's responsibility to provide a revenue structure that supports an adequate and equitable education for all students in its public school system.

- Adequacy represents an attempt to move beyond considering the fairness of fiscal inputs toward the broad-based improvement of educational outcomes.
- Adequacy seeks to ensure that all students have a quality education.
- Adequacy asks, "What level of educational resources is sufficient to generate a specific set of educational outcomes?"

Over the years, state government has struggled to transform its approach to financing public education and to fulfill its promise of equal opportunity. Finally, a new funding structure for public schools was enacted by the General Assembly, and adopted by the Arkansas Supreme Court declaring the Arkansas school funding system constitutional. So, how does Arkansas rank on school finance when compared to other states? The 2014 **Quality Counts** report published by Education Week gives Arkansas an overall grade of 74.1 (C) compared to the national average of 75.5 (C). This overall grade can be broken down to a grade of 87.6 (B+) for equity of resources across the state but a 60.7 (D-) for overall spending on K-12 education.

On behalf of the children of Arkansas, the Arkansas Association of Educational Administrators (AAEA) is appreciative of this progress and the Legislature's efforts. However, if we expect children to achieve at high levels, then schools must be funded for success. Economists have long believed that investments in education, or "human capital," are an important source of economic growth. Dollar for dollar, investing in public education grows the economy. Several studies by the Brookings Institute conclude that the cost of improving education, through programs such as universal preschool, is covered several times over by the growth in national revenue.

In the Special Masters' Interim Report and Final Report it was pointed out that constitutional compliance is an "*ongoing task requiring constant study, review and adjustment.*" Continual assessment and funding priority are provided through state law. Therefore, the AAEA welcomes the opportunity to submit written recommendations and commentary on sustaining and advancing an *adequate* education for the public schools and children of Arkansas.

The following describes and provides recommendations on adequate funding along with findings and research to support these proposed changes. All recommendations are based on the prototypical 500 student school.

- **COLA (Cost of Living Adjustment)** - As established by Act 124 of 2007, the Foundation Funding Matrix is to be adjusted each year for inflation of any appropriate component of the funding system. Due to yearly statutory obligations for salaries of both certified and classified employees (AR Code 6-17-2403 for certified and AR Code 6-17-2203 for classified), it is crucial that a **COLA** be added each year to those components of the Funding Matrix.
- **Carry-Forward (Transportation)** - Fund a high cost transportation category for those districts with an extremely high number of route miles within their boundaries. Make this a line-item in the Funding Matrix under Categorical Program Funding. The Adequacy Committee recognized this inadequacy in 2010 and recommended a formula for distributing future transportation



increase funding in different manner. However, the Legislature chose not to follow this recommendation and appropriated an allotment of \$500,000 to be distributed to those districts with high transportation costs. The original Adequacy Report called for a study of a high cost transportation formula. While the issue has been discussed in several Adequacy studies, a yearly funding stream distributed by a high transportation cost formula has not been approved.

- **Categorical Programs** - Increase funding for FY15 and FY16 to reflect accurate COLA adjustments since many expenditures from the National School Lunch, English Language Learners, and Alternative Learning Environment categories are for personnel costs.
- **Teacher Salaries** - Efforts are needed to increase teacher salaries in the state. In March, 2014, the Bureau of Legislative Research (BLR) reported to the Joint Committee on Education that, for 2012-13, both Arkansas' minimum starting salary of \$29,244 and the average teacher salary of \$46,631 rank 12th out of the 16 SREB states. BLR also reported that Arkansas' average teacher salary ranked 8th among SREB states in 2005-2006 but has fallen to 12th in 2012-2013. It is also worth noting that the starting teacher salary of \$29,244 has not been amended or increased since the 2007 legislative session.
- **Public School Employee Health Insurance** - Additional funds at the state level needs to be appropriated for public school employee health insurance. The school employee health insurance "problem" has long been recognized as evidenced by the 2008 recommendation of the Educational Adequacy Subcommittee for additional state funding in the amount \$63,000,000 for the school employee health insurance. At that time, this recommendation was only partially funded in the amount of \$15,000,000 (Act 1421 of 2009). A thorough review of the current school health insurance program is currently underway, and if at all possible, changes need to be ready for implementation by January 1, 2015. As outlined in A.C.A. 21-5-401 regarding the legislative intent of the State and Public School Health Insurance Board, a long term solution needs to be "a concerted effort toward a common goal of parity between public school and state employee insurance programs." It is obvious that the legislative intent of a single Insurance Board was to develop parity for state and public school employees in regards to health insurance benefits and cost. AAEA supports this legislative intent of parity which would require additional state funds to be appropriated to offset the cost of premiums. Health insurance costs for school teachers affect the future of the profession in Arkansas. It will be hard to recruit highly qualified individuals to the teaching profession when there is a health care benefit that is really no benefit at all.

AAEA also supports the modification of the current State and Public School Health Insurance Board to include more representation from public school employees. Currently, of the twelve (12) Board members, only two (2) are public school employees which represents approximately 17% of the total board. Yet, the school employees represent 67% of the members of the State Public School Health Insurance Program.

- **Technology (Bandwidth)** - AAEA continues to bring the need for adequate bandwidth to legislators' attention. This need has become an adequacy issue as we now have students who do not have the resources available to them as other students in the state. Act 1280 of 2013 requires all school districts to provide a digital learning course by the 2014-15 year. With the passage of Act 1280, we recognize that legislative policy makers understand the need to enhance student opportunities for digital learning and access. Digital learning is much more than just a classroom with computers. Digital learning is any instructional practice that uses technology to strengthen the student learning experience. It may include formative assessments, digital media, flipped classrooms, adaptive technology for students with special needs, and more. Using technology as

a method to connect instructors and students in different locations, is a type of digital learning. It allows highly-qualified teachers to reach students in every corner of the state via e-mail, online forums, videoconferencing, chat rooms, bulletin boards, or instant messaging.

Policy makers should explore the most economical method of providing bandwidth to schools. This would certainly include the use of the Arkansas Research and Education Optical Network (ARE-ON). There are 42 states who have similar networks such as ARE-ON. Arkansas is the ONLY state who legislatively prohibited K-12 from using that network by passing Act 1050 of 2011. The cost of broadband varies dramatically across the state with the lowest being \$1.20 Mb and the highest being \$280 Mb. The average cost is approximately \$34 per Mb averaged across 278 demarcs. If schools were allowed to use ARE-ON the cost could be approximately \$10 Mb, and the cost could be even lower according to the Executive Director of ARE-ON.

Unless action is taken to provide additional bandwidth for our children, the state will not be able to fulfill their constitutional obligation of providing an adequate education for our children. Nor will our students in Arkansas be able to compete with similar children around the nation. **Students having access to adequate bandwidth will either by the great equalizer...or it will become the great divide.**

- **Professional Development** - Increase PD categorical funding to the level prior to the 2013 Special Session - \$54 per student for FY16. Research studies have demonstrated that teaching quality is the single most important factor in affecting student learning. Based on these studies, a number of national education initiatives have made recommendations regarding teacher preparation and on-going professional development aimed at improving the quality of teaching and learning. Providing both high-quality teacher preparation and professional development are the cornerstones for ensuring quality teaching, learning, and education reform. High quality professional development also improves the capacity of educators to meet the challenging needs of every student.

In the final Odden & Picus Report to the Joint Committee on Educational Adequacy in September, 2003, it included a recommendation that all school faculties receive ongoing professional development. In fact, this Report goes even further by referring to recent research in identifying six (6) structural features of effective professional development.

1. Form – PD should be school-based, job-embedded, and focused on the curriculum being taught.
2. Duration – At least 100 hours of PD and closer to 200 hours per year.
3. Collective Participation – PD should be organized around groups of teachers from a school that over time includes the entire faculty.
4. Content Focus – PD should be focused on improving and deepening teachers’ content knowledge as well as how students learn the content.
5. Active Learning – PD is most effective when it includes opportunities for teachers to work directly on incorporating new techniques into instruction.
6. Coherence – The alignment of PD to standards, evaluation, and goals.

In January, 2014, the Arkansas Bureau of Legislative Research presented to the Joint Committees on Education a policy brief entitled “Essential Points from Research on Effective Interventions (Strategies) for Achievement Gains.” Regarding professional development, this brief included the following statements.

1. Three essential factors leading to effective teaching are hiring practices, effective leaders, and professional development.
2. In schools that successfully “turn around” academic performance, leaders work with academic coaches and other teachers to create a culture, structures, and dispositions that promote continuous incremental professional development aimed at identifying individual teacher and student needs.

Rules developed by the Arkansas Department of Education (ADE) require that teachers, administrators, and paraprofessionals be involved in the design, implementation, and evaluation of their respective PD offerings. ADE rules also require that all educators in a school have an individual PD plan that has been developed in cooperation and collaboration with the educator consistent with the Teacher Effectiveness and Support System (TESS). The ADE has the authority to monitor compliance and, if needed, sanction districts for non-compliance. AAEA supports these rules, recognizes the importance of ADE monitoring, and also supports continuous incremental PD that is developed collaboratively and is aimed at the specific needs of each school. Professional development needs to be job-embedded throughout the school year and educators should be given the opportunity to incorporate new strategies and techniques into their instructional and leadership practice. The criteria for evaluating the impact of PD should be based on student achievement and the evaluation of PD offerings. Regular monitoring of existing school PD plans should be able to identify proven “best practices” that could be duplicated in other AR districts.

Arkansas is in the midst of implementing three ambitious initiatives that create a tremendous need for targeted and specialized professional development in order to be successful. As Arkansas continues implementation of the Common Core State Standards (CCSS), fully implements the Teacher Excellence and Support System (TESS), and fully implements the Leader Excellence and Development System (LEADS), the need for targeted and specialized professional development that is research-based and standards-based will increase dramatically.

- **Using the Matrix as an Expenditure Model** - The matrix was designed as a method of distribution of dollars to meet the current state requirements placed on school districts. As we move further away from the Lakeview Court Case, AAEA is concerned that policy makers may not understand why the matrix was designed as a revenue model and not an expenditure model. As you know, every school in every area of the state has different needs, and school leaders need the flexibility to meet those needs at the local level. For example, a district may not be spending the matrix amount on technology because they have identified an intervention program not funded by the matrix but which has been successful in improving student achievement. Or, they have identified funds outside the matrix (such as federal funds) for technology expenditures. There are different levels of state oversight with our distress laws. However, we also need to allow professionals to make decisions to meet their individual district needs without having to jump through so many hoops.

It has been some time since staffing in the funding matrix has been studied. AAEA encourages a new study of staffing be done to research the costs of additional requirements and responsibilities district administrators and staff have had added. Some of the supplementary administrative duties concerning TESS, LEADS, Common Core, Digital Learning and facility requirements of Master Plan and facility preventative maintenance should be reviewed to see the additional time and costs associated with the added administrative functions.

There are other areas of education outside the Funding Matrix and Categorical Funding that also need to be addressed. AAEA is offering additional recommendations in these areas.

- Academic Facilities** – Funds for the Facilities Partnership Program need to be replenished with either a secure ongoing appropriation or a one-time allocation from general improvement funds. Act 1426 of 2005, the Arkansas Public School Academic Facilities Program Act, has the following language, “in order to satisfy the constitutional expectations of the Supreme Court, the state should: (1) provide constitutionally appropriate public school academic facilities for the education of each similarly situated child in the public schools of Arkansas, regardless of where that child resides within the state.” Since 2006, through a large one-time general improvement funding allocation of \$500 million and other ongoing funding appropriations, the Partnership Program has committed over \$1 billion to school districts for the repair, expansion, and construction of academic facilities. However, there are still facility needs to be met in the state, as evidenced by a video presentation before the Joint Education Committee in October, 2013 by Arkansas Advocates for Children and Families. The one-time general improvement allocation has been spent down and a general revenue investment of less than \$35 million is woefully inadequate to meet the current and future school facility needs. In addition, a comparative study of the state’s school district facilities is needed to assess equity between districts and establish priorities for funding decisions. A statewide assessment of facilities has not been conducted since the original study almost 10 years ago. The lack of adequate funding for facilities has been exacerbated by recent legislative action that would transfer approximately \$16 million annually to health insurance for public school employees.
- Pre-K Education** – Funding for high quality Pre-K educational programs needs to be increased. Research continues to confirm the importance of high-quality early childhood education as a strategy for improving the social, emotional, and intellectual development of children as well as increasing the likelihood of their future academic and economic success. A 2008 Arkansas study (Barth, Nitta), for example, found that access to quality pre-k in Arkansas has done more than any other intervention to help close the education achievement gap between white and minority children and between middle-class and low-income students. Numerous national campaigns, such as the National Opportunity to Learn Campaign (OTL) led by the Schott Foundation and the Grade Level Reading Campaign (GLR) led by the Annie E. Casey Foundation have made access to quality early childhood education a focal point of their campaigns to improve educational outcomes for all children. **In order to develop better continuity and transition of curriculum and instruction, AAEA recommends that the Division of Early Childhood Education be transferred from the Department of Human Services to the Department of Education.**
- Remediation** - We commend legislators for continuing to talk about the remediation rate in Arkansas. Although the remediation rate is at an all-time low, we need to evaluate this issue to make sure sound policy decisions are being made in the future. We currently base the entire remediation issue on a student’s score on one exam, ACT. We do this in spite of knowing the ACT is not a good predictor of success in college. In a report submitted to the Joint Subcommittee on Grade Inflation in 2010, Dr. Gibson from ADE, indicated a student’s high school GPA had a .601 correlation compared to the ACT, which had a .418 correlation in predicting college success. Also, a 3-year national study released in February, 2014 by the National Association for College Admission Counseling concluded that high school grades, not ACT/SAT scores, are the best predictor of college success. Yet, our policy has not reflected the research.

One problem with the remediation rate is the fact that schools have been directing nearly every student towards enrolling in a college degree program. Students are being required to take certain courses that they may not view as being relevant to their interest or career. AAEA hopes that the implementation of the Common Core will assist in actually preparing students to be successful in life and a career. All students need quality teachers and rigorous courses; however, it has to be

relevant to the student's interest and goals for their life. Just to force a student to take a particular course because of a study showed those students are more successful in college is not good policy. Students need rigorous courses to allow them to choose **any** career path, but not force them into a field of study.

In many cases, teachers, administrators, parents, etc. tell students to be successful they must earn a four year college degree. This is just not true today. Depending on which economic report you review, approximately 80% of jobs do not require a college degree. Yet, in many school districts 50% to 70% of their students are encouraged to enroll in a four-year college. The jobs that are open and where people can make a good living include high skill high wage technical jobs that are expanding rapidly. We need to ensure our educational systems provides opportunities for kids be be successful in those type jobs.

We need to start measuring the success of a high school differently than just the average ACT score or their remediation rate. We need to measure the success of a school's graduates. We need to start encouraging schools to provide opportunities to earn an associates degree or technical certificate while earning their high school diploma. We have schools doing great work with career academies, STEM, etc., and we need to encourage them to continue those programs and expand opportunities. We need to expand career awareness programs in our middle schools. We need to expand and fund career centers in Arkansas to ensure all students have an opportunity to explore alternative educational paths.

One of the biggest obstacles for ensuring collaboration between K-12, ADE and Career and Technical is the current makeup of the rule-making body for schools. We have the Arkansas Department of Education (ADE) and the Arkansas Department of Career Education (ACE). These two departments have different missions and certainly different rules for schools to follow. AAEA believes their mission should be the same, which is to produce successful students. ***Therefore, we would recommend making Career and Technical Education a part of the ADE.*** Then schools would have one voice to listen to and hopefully Career and Technical Education would be in the conversations of regular educators as we move forward an agenda to give kids employable skills to be successful in life. ***We would also recommend that the career counselor program be re-established and enhanced.*** Kids, and teachers, need to know what careers are available so they can make quality decisions.

The state currently spends millions on remediation. While a portion of these services certainly need to remain, determining the need for remediation on factors other than one test score should free up funds to implement other successful programs such as career centers, career coaches and quality pre-K.

- **Unfunded Mandates** - In December 2005, during Lakeview deliberations, the Arkansas Supreme Court found that school districts were being faced with unfunded mandates. An unfunded mandate is a statute or regulation that requires a school district to perform certain actions without providing additional money to fulfill the requirement(s). AAEA is concerned with unfunded mandates resulting from bills introduced in committees other than the Educational Adequacy Committee.

Three recent prime examples of unfunded mandates for school districts are as follows:

- Health Insurance for Public School Employees - Act 3 of the 2013 Special Session requires that all money earmarked in the funding matrix for health insurance be spent on health insurance. The requirements of Act 3 coupled with Act 25 of 2006 regarding parity of employee health insurance benefits has caused an unfunded mandate for all funds including

- federal funds and food service funds. Act 3 was introduced and referred to the Insurance and Commerce Committee without going to the Educational Adequacy Committee and no fiscal impact statement being done.
- Act 1314 of the 2013 Regular Session proposes the creation of an Advisory Board to establish rules and regulations for hearing impaired interpreters. This Act was initiated by the Department of Health and introduced and referred to the Judiciary Committee with no fiscal impact statement done as well. AAEA worked with Dept. of Health officials and they heard the pleas of AAEA and districts and agreed to make changes that minimize the fiscal impact on districts.
 - Pre-K Liability Insurance – In September 2013, the Arkansas Dept. of Human Services sent a letter to districts regarding liability insurance requirements for Pre-K programs. The DHS has interpreted that Act 778 of 2009 required districts to purchase liability insurance. This Act was initiated by the Dept. of Human Services and introduced and referred to the Public Transportation Committee as well with no fiscal impact statement being done. This Act could create major costs to districts as well as jeopardize district tort immunity. AAEA worked with DHS regarding the issue of liability insurance; however, no relief has been granted and DHS is standing behind their new interpretation. Districts have now filed court proceedings in order to not lose their legally granted Tort Immunity. Again, this Act did not go through the Educational Adequacy Committee nor has any rule gone through any legislative committee that we can determine.

AAEA supports the direction of the governing board of the Arkansas Teacher Retirement System in their pro-active efforts to maintain the stability of the retirement system. ATRS has initiated a number of legislative changes to keep the system benefits reasonable in regard to the financial stability of the system. The ATRS Board has implemented a number of cost saving measures since 2009 which has saved the system over \$57 million dollars in 2013 to payoff unfunded liabilities. This savings is equivalent to a 2% employer contribution!! A few of the cost saving measures include the elimination of spiking of salaries, paying actual cost to purchase service, making all years of service a 1% reduction in T-Drop, stopping the stacking of college salary, etc. AAEA would encourage legislative policy makers to continue working with the Executive Director, George Hopkins, to ensure the continuation of the quality retirement program.

There is little doubt that Arkansas will continue its efforts to provide its children an adequate and equitable public education. The challenge we face is to engage in continuous dialogue and a continuous process of assessing needs and appropriate levels of funding. AAEA appreciates the opportunity to be included in this process. AAEA also greatly appreciates the work of administrators across the state that provided data, recommendations, and time from their busy schedules in assisting the Association in the development of this crucial report. We also thank them for their commitment to quality instruction for the children of Arkansas.