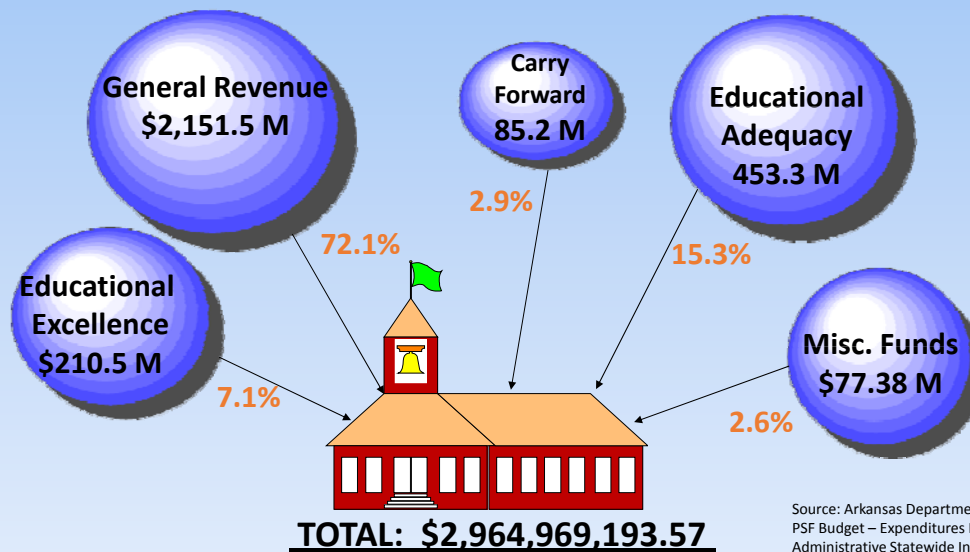


Education Fund Balance Carry Forward Report FY2012-FY2017

Prepared by the Arkansas Bureau of Legislative Research
December 19, 2017

Public School Fund Revenue Sources 2017



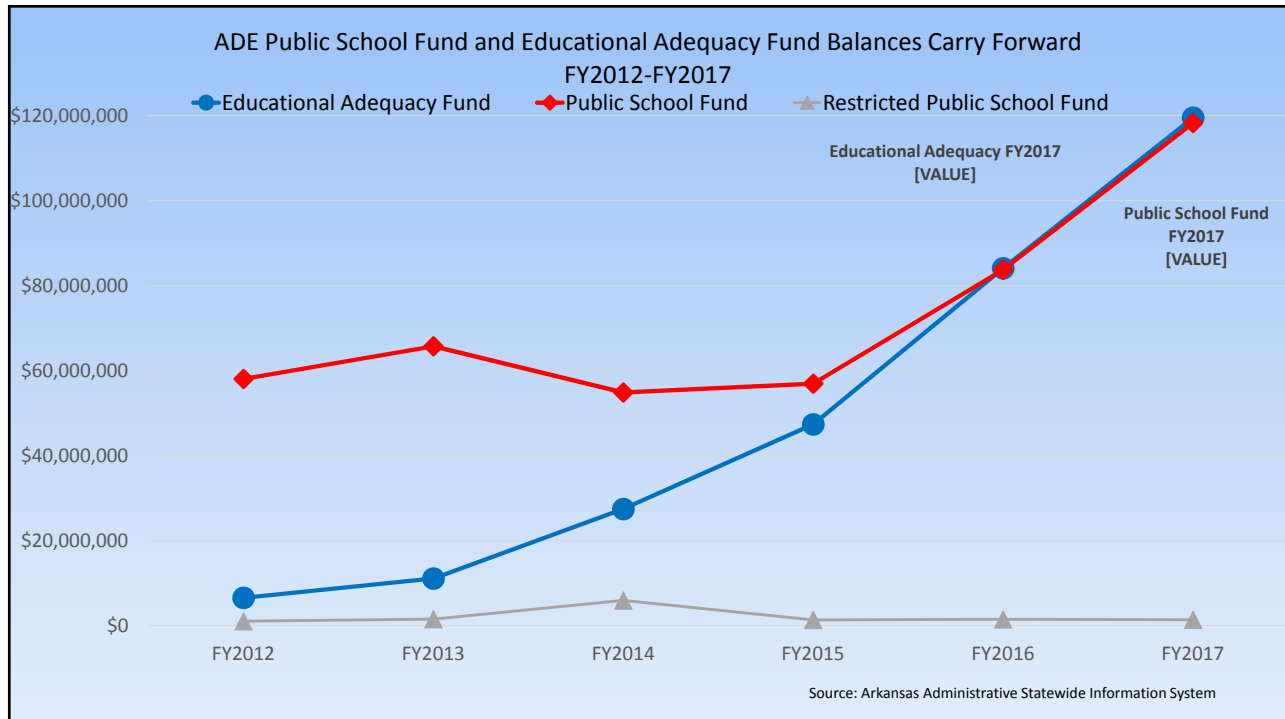
Source: Arkansas Department of Education –
PSF Budget – Expenditures Report and Arkansas
Administrative Statewide Information System

Fund Balance Carry Forward

YEAR END FUND BALANCE COMPARISON PUBLIC SCHOOL FUND AND EDUCATIONAL ADEQUACY FUND ACTUAL FY2012 THROUGH FY2017

PUBLIC SCHOOL FUND		FY2017/1	FY2016/1	FY2015/1	FY2014/1	FY2013/1	FY2012/1
Unrestricted							
Subtotal Unrestricted Fund Balance		118,282,178.79	83,736,874.58	56,943,755.43	54,876,506.07	65,746,055.71	58,065,349.58
Restricted							
Subtotal Restricted Fund Balance		1,388,310.67	1,487,321.10	1,357,197.62	5,952,217.41	1,539,888.21	1,032,484.14
Total Public School Fund Ending Balance		\$ 119,670,489.46	\$ 85,224,195.68	\$ 58,300,953.05	\$ 60,828,723.48	\$ 67,285,943.92	\$ 59,097,833.72
EDUCATIONAL ADEQUACY FUND		\$119,516,428.95	\$84,097,408.75	\$47,365,760.03	\$27,441,762.92	\$11,092,346.68	\$6,557,479.19
Total Year-End Balances (PSF + Adequacy Fund) \$		239,186,918.41 \$	169,321,604.43 \$	105,666,713.08 \$	88,270,486.40 \$	78,378,290.60 \$	65,655,312.91 \$
Total Year-End Balances (Unrestricted PSF + Adequacy Fund)		\$ 237,798,607.74	\$ 167,834,283.33	\$104,309,515.46	\$ 82,318,268.99	\$ 76,838,402.39	\$ 64,622,828.77

Source: Arkansas Administrative Statewide Information System



Question: What is causing the growth in fund balances from year to year?

We Will Review:

Funding Sources for the Public School Fund
Funded Budget Balances for Specific Line Items
Department Budget Requests and Budget Adjustments
Student Counts and Department Estimations for Revenues

Funding Sources of Public School Fund (State)

- 1) General Revenue
- 2) Educational Adequacy Funding
- 3) Educational Excellence Trust Funding

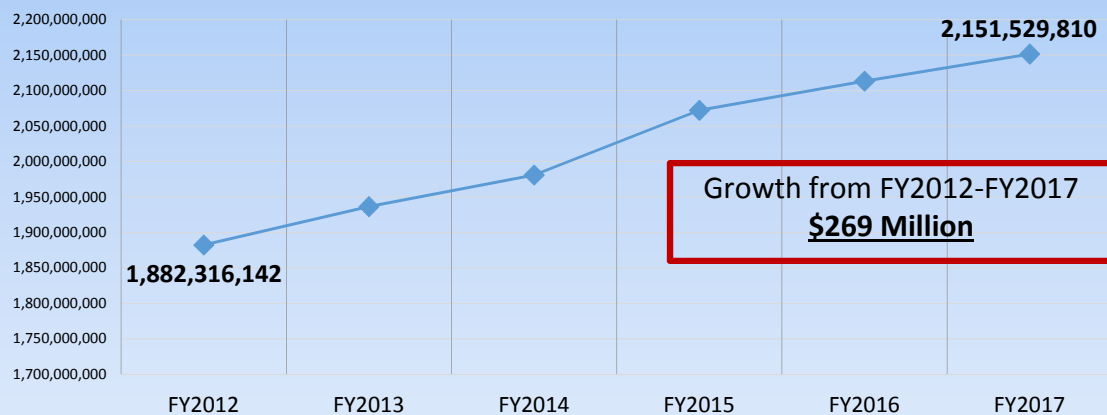
Funding Sources for Public School Fund (State)

1) Public School Fund – General Revenue

- Majority unrestricted funding sent to local and charter school districts to use for operations and special programs.
- Fund Balances are carried forward and remain unrestricted – with the exception of Arkansas Better Chance, and Transit Tax Balances.
- ADE has discretion to allocate funding for all authorized line items within the limits of appropriation.
- Special Language grants authority to transfer appropriation among line items two times per fiscal year upon approval of the Chief Fiscal Officer and Arkansas Legislative Council.

Public School Fund Income

Public School Fund - General Revenue Distribution
FY2012-FY2017



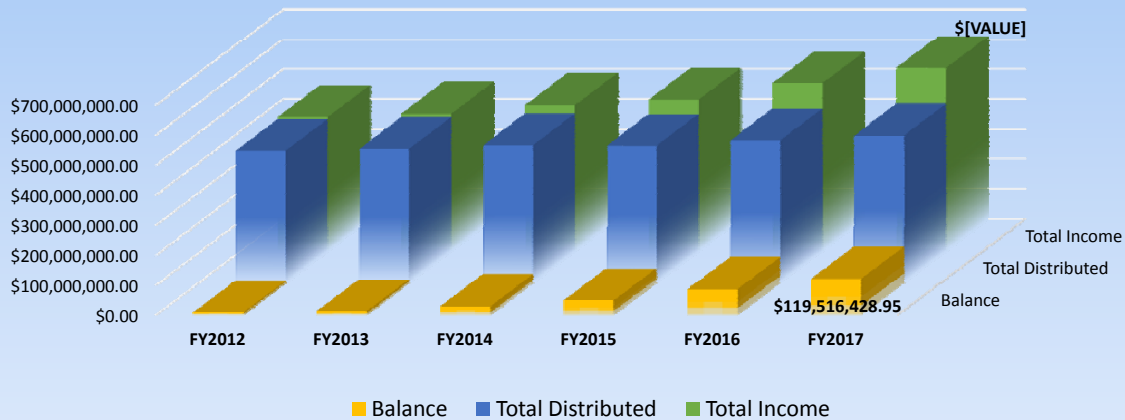
Source: Bureau of Legislative Research – Annual Revenue Reports

Funding Sources for the Public School Fund (State)

2) Educational Adequacy Fund

- First created in 2003 by an increase in the state sales and use tax rate.
- Also includes revenue from vending machine decals and corporate franchise taxes.
- Established to help support Educational Adequacy items only.
- Fund Balances are restricted and held in the Educational Adequacy Fund at year end – not freely accessible without Chief Fiscal Officer approval.
- Funding only provided based on the certified need given by the Department at the beginning of a fiscal year.

EDUCATIONAL ADEQUACY FUND INCOME, DISTRIBUTION AND BALANCE FY2012-FY2017

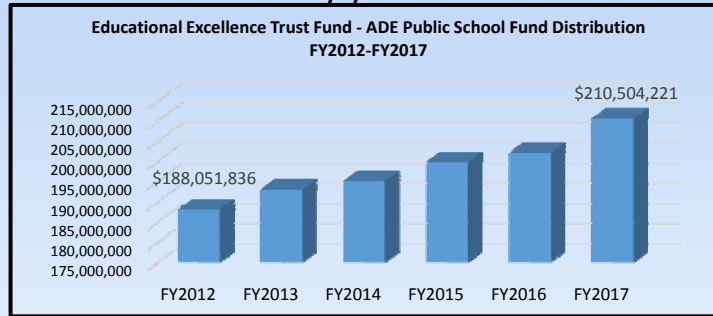


Source: Arkansas Administrative Statewide Information System

Funding Sources for the Public School Fund (State)

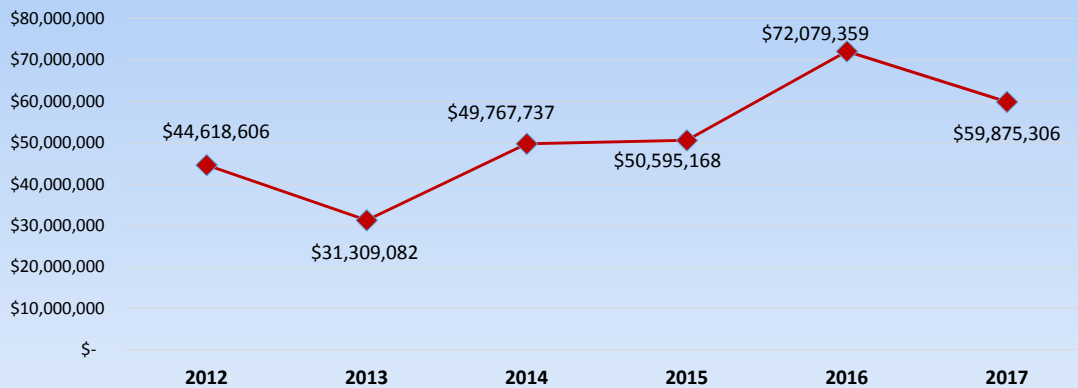
3) Educational Excellence Fund

- Established in 1991 – used to fund State Foundation Funding
- Provided to supplement funding for public education with defined increases for Teacher Salaries.
- All monies distributed every year to districts – no carry forward.



Source: Arkansas Administrative Statewide Information System

Total Public School Fund Funded Budget Balances FY2012-FY2017



Source: Arkansas Department of Education – PSF Budget – Expenditures Report

Items with Budget Balances Over \$1 Million In a Single Year FY2012-FY2017

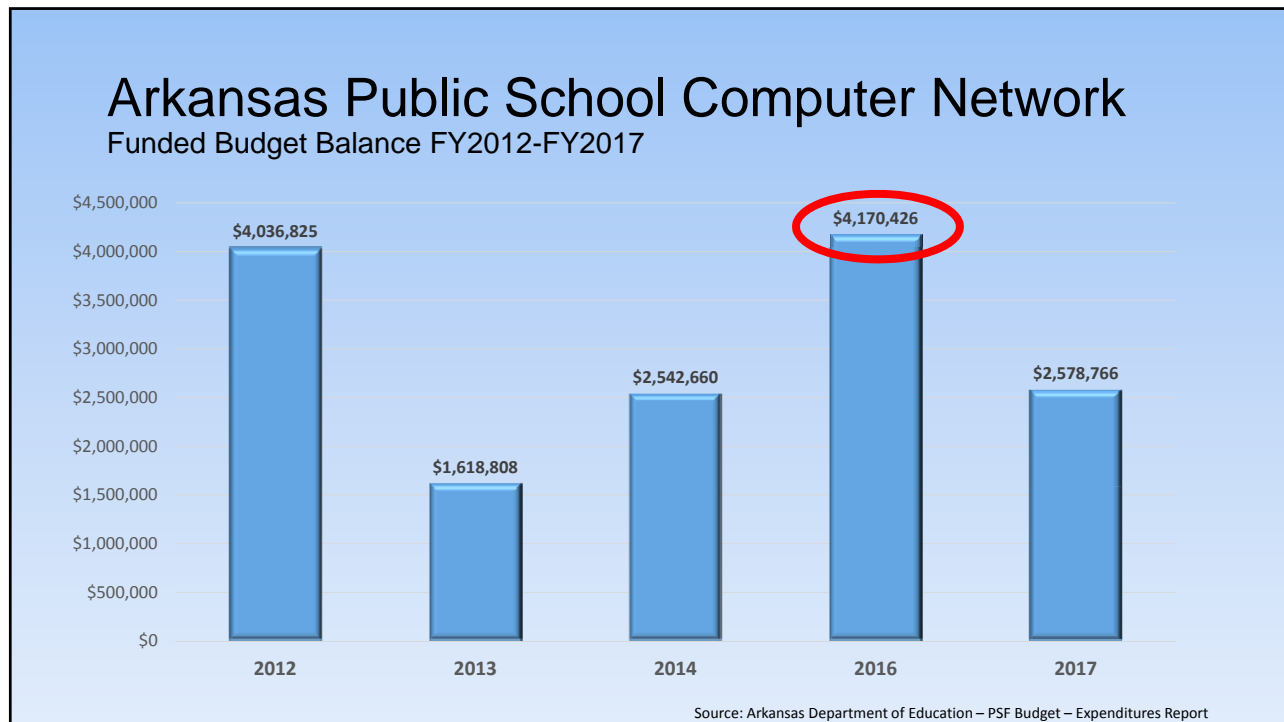
- Arkansas Public School Computer Network (APSCN)
- Alternative Learning
- Assessment/End of Course Testing
- Better Chance Grants
- Consolidation Incentive
- Court Ordered Desegregation
- Declining Enrollment Districts
- Distance Learning Operating Grants
- English Language Learners
- Isolated Funding
- National School Lunch Funding
- National Board of Professional Teaching Standards
- Residential Centers/Juvenile Detention
- State Foundation Funding Aid
- Student Growth
- Teacher Retirement Matching
- 98% Uniform Rate of Tax Actual Collection Adjustment

Source: Arkansas Department of Education – PSF Budget – Expenditures Report

Items with Balance over \$1 Million for at least four years of FY2012-FY2017

- Arkansas Public School Computer Network
- Assessment/End of Course Testing
- National School Lunch Funding
- State Foundation Funding Aid
- 98% URT Actual Collection Adjustment

Source: Arkansas Department of Education – PSF Budget – Expenditures Report



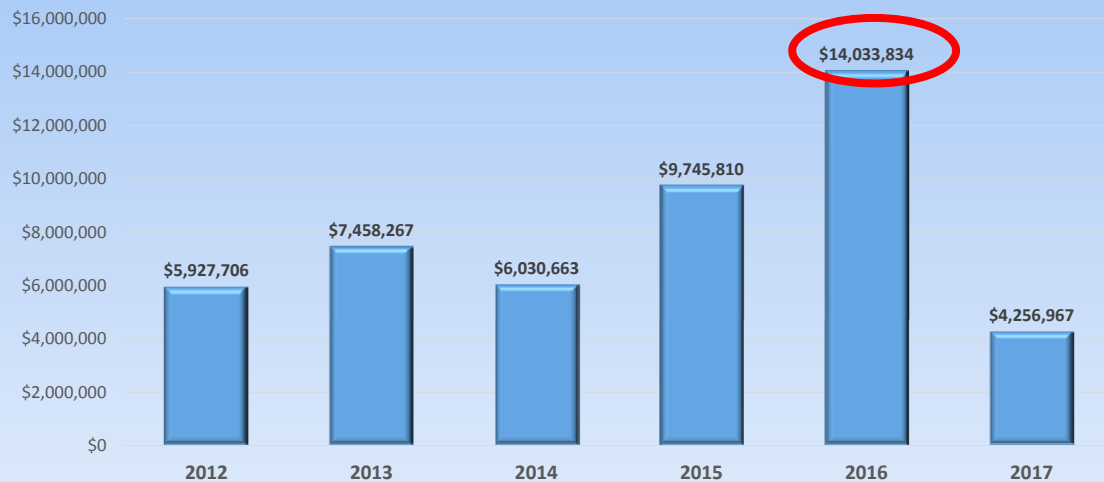
Budget v. Actual Expenditures

Arkansas Public School Computer Network

- Moderate appropriation increases for capital outlay and position movements but received base level funding for all years.
- Funding is offset by E-Rate Credits in previous years.
- E-Rate is now handled by the Department of Information Systems – no longer a significant funding source.
- Significant decreases in expenses in FY2016 and FY2017 due to the implementation of the statewide broadband network.

Assessment/End of Course Testing

Funded Budget Balance FY2012-FY2017

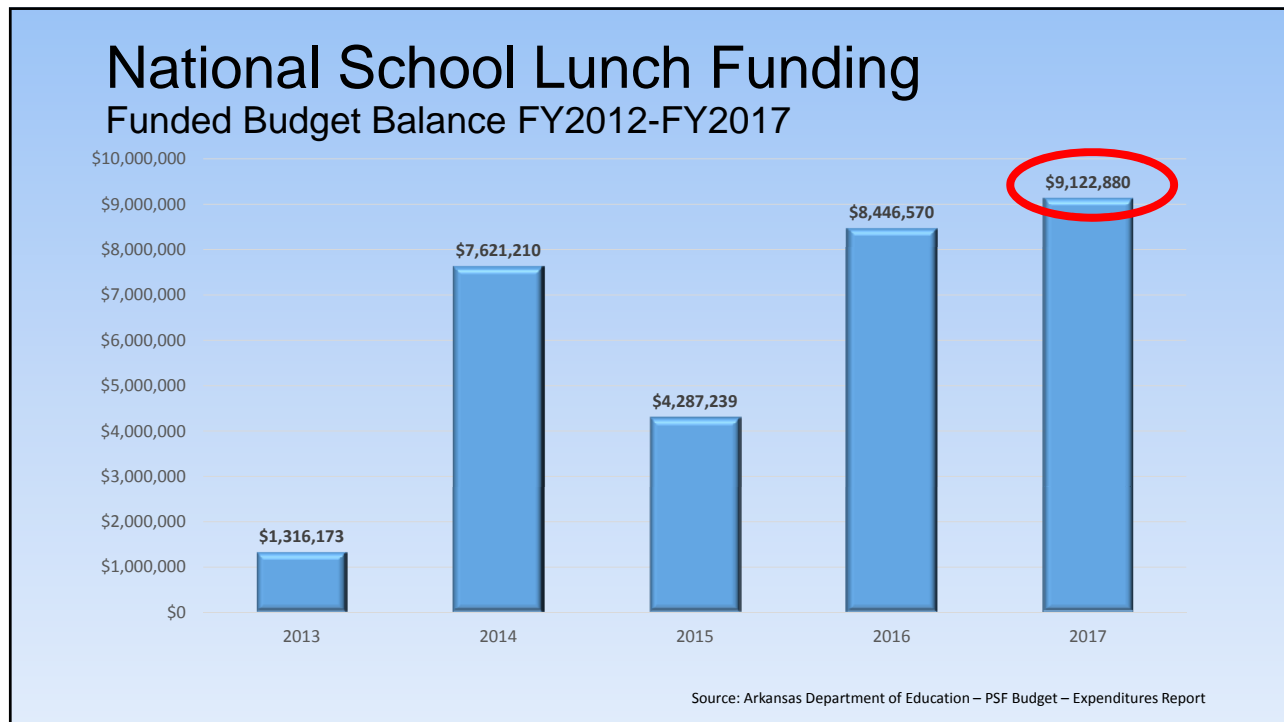


Source: Arkansas Department of Education – PSF Budget – Expenditures Report

Budget v. Actual Expenditures

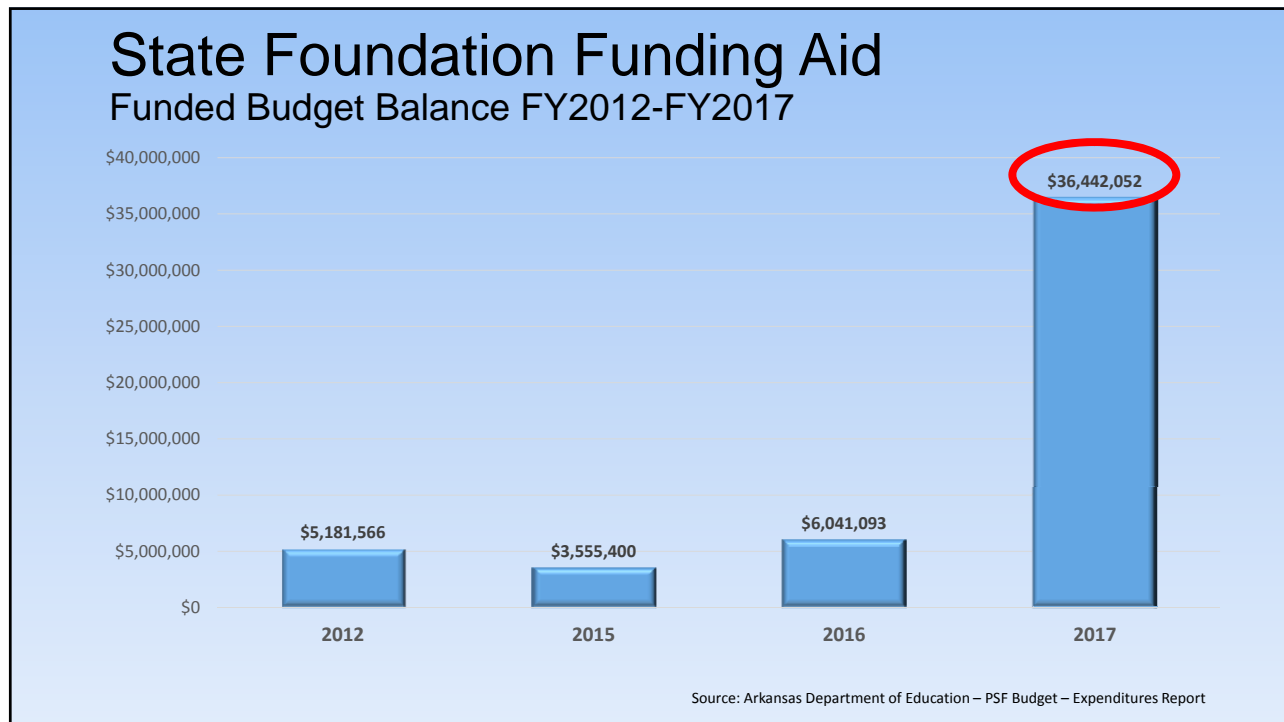
Assessment/End of Course Testing

- ADE has received base level funding for all years and received moderate appropriation increases for expenses related to contracts with testing providers.
- Expenditures have varied as testing methods have changed in the state.
- Line item has consistently held a funded budget balance of at least \$4 Million.
- ADE Staff states previous year fund balances due to a combination of transition time between Benchmark, PARCC, and ACT Aspire Implementation, no Fall assessment due to lack of ALC Review.



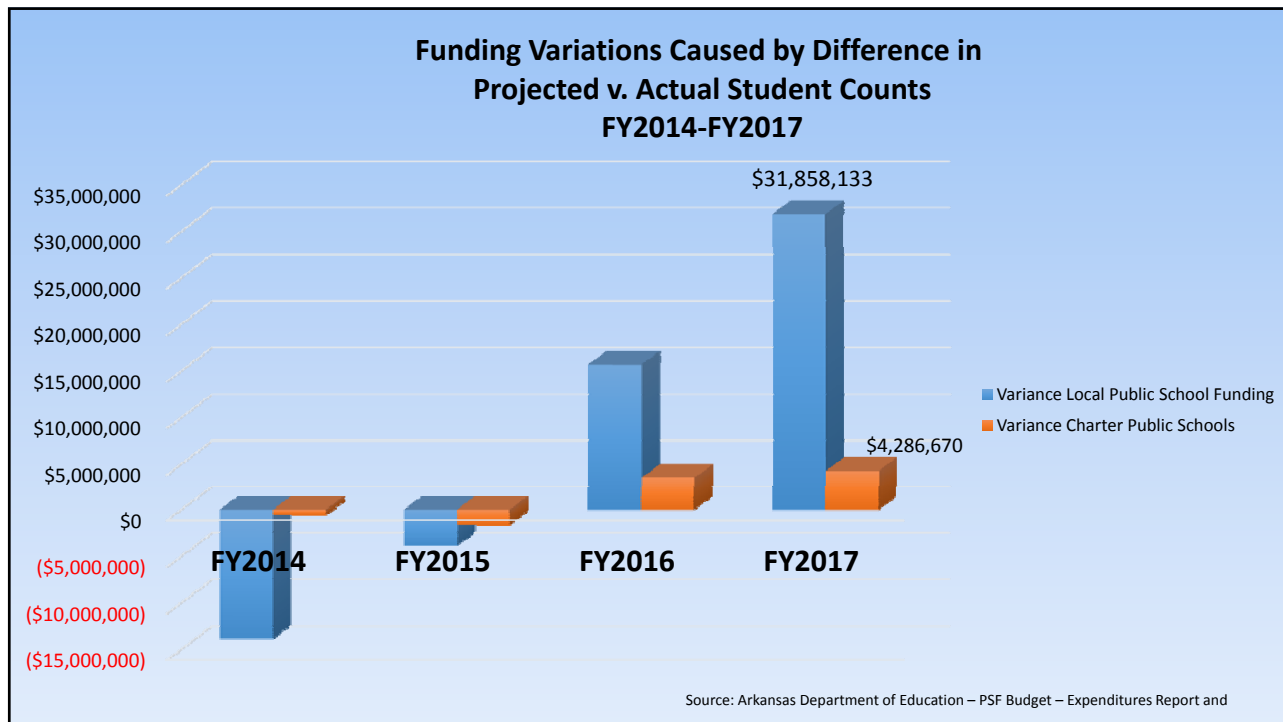
Budget v. Actual Expenditures National School Lunch Funding

- Budgeted amounts include increases each year for growth based on the average of counts for 3 prior years. The appropriations also include inflationary increases included in the Adequacy Study Recommendations.
- Projections are based on population growth projections and increases for inflation provided in Adequacy Study Findings. Often given 2% funding growth rate as a projection amount.
- Formula for actual projected numbers is difficult to calculate as this funding is based on a tiered calculation.
- ADE Response: Used NSL funding to offset costs in Student growth.



Budget v. Actual Expenditures State Foundation Funding Aid

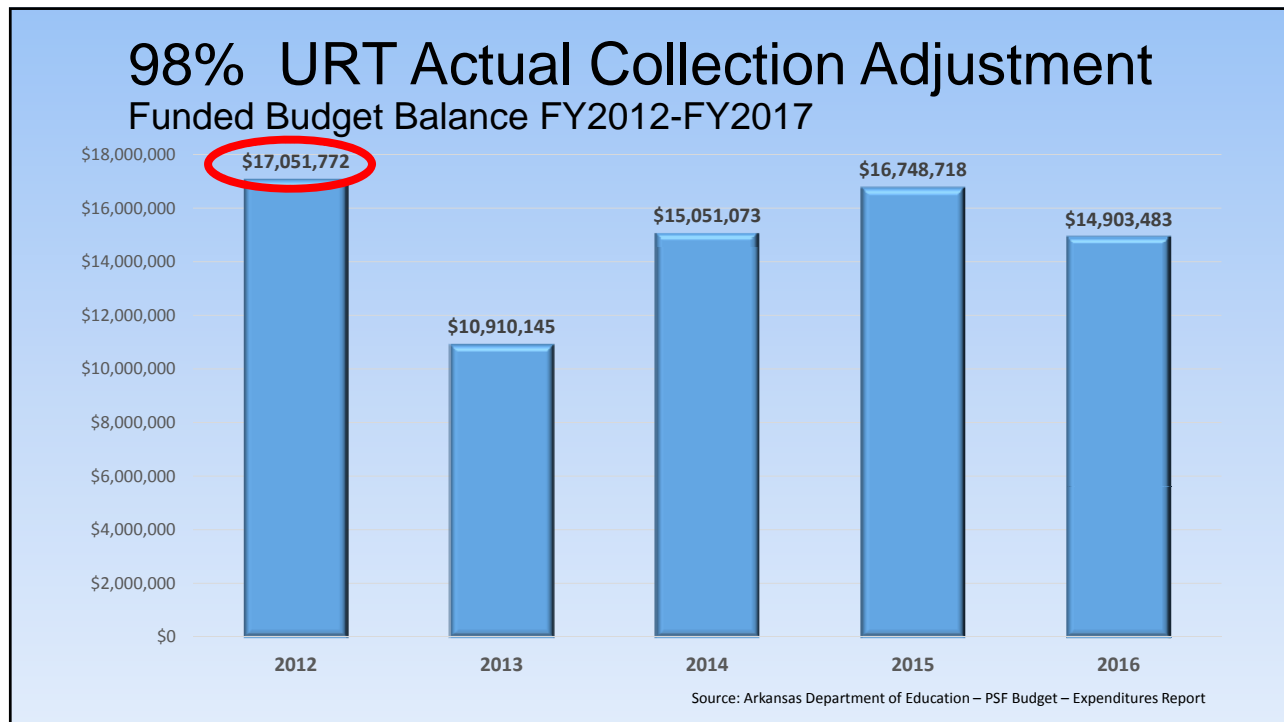
- ADE budgeted for most years and the Executive provided increases each year based on Adequacy Study Recommendations.
- Also based on the projected amount of local revenues and student counts provided based on projections drafted 3 years prior to budget year.



Local Tax Revenue Projections v. Actual

	Projected	Actual	Variance
FY2012	\$41,165,889,405	\$40,475,679,431	690,209,974.00
FY2013	\$40,358,715,103	\$41,894,727,175	(1,536,012,072.00)
FY2014	\$43,343,496,039	\$43,027,017,976	316,478,063.00
FY2015	\$43,029,469,245	\$44,290,279,027	(1,260,809,782.00)
FY2016	\$45,331,386,690	\$45,142,576,070	188,810,620.00
FY2017	\$46,464,671,357	\$46,229,987,418	234,683,939.00

Source: Arkansas Department of Education – State Aid Notice and Foundation Aid Projection Report



Budget v. Actual Expenditures

98% URT Actual Collection Adjustment

- ADE budgeted consistent funding and appropriation of \$34,500,000 for all years of the studied period.
- Spent less than \$20 Million each year leaving a balance of at least \$14.5 Million to be carried forward in the Public School Fund.
- FY2017 Budget has been adjusted down (\$22 Million) to reflect spending more accurately.

Budget Adjustments in FY2018

- Educational Adequacy Funding used to Fund Increases for Adequacy Items. (\$50 Million more than FY2017)
- Transfer of \$30 Million in Public School Fund balance to Facilities to provide for the 2017-2019 Approved Projects.

Fiscal Year 2018 Projected Expenditures and Balance	
Revenue	\$ 2,993,475,853
Unbudgeted Fund Balance	\$ 51,789,573
Total FY2018 Revenue	\$ 3,045,265,426
Total FY2018 Revenue	\$ 3,045,265,426
- Budget Expenditures	\$ 2,993,475,853
<u>Remaining Balance</u>	<u>\$ 51,789,573</u>



Questions?

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