

2018 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



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AAEA Executive Summary

Adequately Financing Public Education in Arkansas

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1. It is time to revisit the Adequacy process and answer the crucial question, **“What does an adequate education in 2018 and beyond look like?”** In the final Lakeview mandate released by the Supreme Court in 2007, the Court concluded, “constitutional compliance in the field of education is an ongoing task requiring constant study, review, and adjustment.”
2. **It is crucial that funding be added to the Matrix components that currently are funded less than actual school expenditures.** For example, the most recent BLR report on Resource Allocations shows districts spending \$826.11 per student on Maintenance & Operations. The Matrix provides only \$651.80. By fully funding this line item, districts will not have to divert money from other Matrix items, such as teacher salaries, for Maintenance & Operations.
3. **AAEA opposes any efforts to divert public funds to private schools through vouchers or “scholarships” without the same oversight and accountability mandated for public schools.** Research shows that voucher programs across the country are not successful in improving student achievement, do not improve equity, and actually increase discrimination. “Education savings accounts,” another form of vouchers, are discriminatory in that public school parents are not eligible to participate.
4. Teaching talent matters when it comes to improving student achievement. Teacher salaries need to be raised to address the current teacher shortage by attracting the best and brightest to the profession. **Any increases in the per-student foundation funding amount should be accompanied by the same percentage increase in the mandated teacher salary schedule.**
5. **The Facilities Partnership Program should be adequately funded.** Investing in school facilities meets the needs of students and schools and is an economic investment that supports Arkansas construction trades. According to information from OEP and DFA, the portion of the state budget that goes to public education is steadily declining, from 49% in 2002-2003 to 42% in 2016-2017. Maintaining a stable level of support from general state revenue would provide for facility funding as well as for other investments in education, such as teacher salaries.
6. **Continue funding high cost transportation with yearly increases to reflect actual expenditures.**
7. **Increase categorical funds for FY 20-21 to match any increase in the mandated teacher salary schedule.** Salaries are a significant portion of categorical fund expenditures.
8. **Modify the EBD Board to include more representation from public school employees.** Input from school practitioners will promote collaboration and lead to informed, more efficient policy decisions that would benefit both the insurance system and school employees.
9. **Providing adequate bandwidth in all communities is essential so students are not limited in their learning to the school building or the school day. “Learning anywhere, anytime.”**
10. **It is essential that Arkansas expand and adequately fund CTE programs in schools and area career centers to ensure all students in all areas of the state have an opportunity to explore alternative educational paths; an economic investment that will help fill current high-paying job openings in the state.**

Adequately Financing Public Education in Arkansas

Supporting Documentation

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 toward the continuous improvement of educational outcomes 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?"

On behalf of the children of Arkansas, AAEA greatly appreciates the Legislature and State Board of Education for the added flexibility through waivers that allow schools to more easily personalize learning and expand opportunities for all students. The continuing efforts by the ADE to reduce paperwork on schools is also much appreciated. 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.** AAEA welcomes the opportunity to submit recommendations on sustaining and advancing an adequate education for children.

Also, AAEA believes that it is time to revisit this biennial review process and answer the crucial question, "**what does an adequate education in 2018 and beyond look like?**" Many issues that schools face today weren't even mentioned during the original discussions of an adequate education. The following are all topics districts must currently implement.

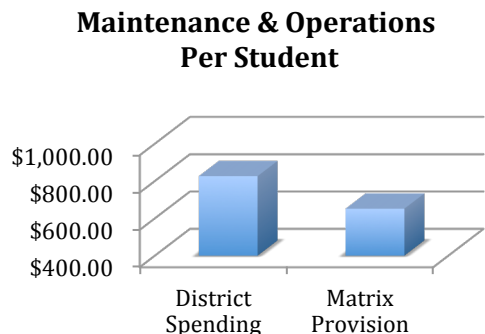
- TESS
- LEADS
- Dyslexia Interventions
- New Curriculum Standards such as Financial Literacy and Computer Coding
- Expanding Digital Learning
- Increased Focus on Expanded CTE Programs for Students
- Facility Maintenance / Preventive Maintenance Requirements

The following section provides recommendations on adequate funding for FY20 and FY21.

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 all components of the Matrix**. A COLA is in order to maintain current standards and requirements and does not cover any new requirements or loss of revenue placed upon school districts. **An alternative method would be to add funding to the Matrix components that currently are less than actual school expenditures.**

For example, the most recent BLR report on Resource Allocations shows districts spending \$826.11 per student on Maintenance & Operations. The Matrix provides only \$651.80. By fully funding these line items, districts will not have to divert money from other Matrix items such as teacher salaries for Maintenance & Operations.



DIVERTING PUBLIC FUNDS TO PRIVATE SCHOOLS

AAEA opposes any efforts to divert public funds to private schools without the same oversight and accountability mandated for public schools.

State policymakers should support public education as a means to grow their economies, and help create a well-educated citizenry. All children in all communities, large and small, should have access to quality public education. State policymakers should resist attempts to provide state funds for private school vouchers and their variants (scholarships), including tuition tax credits for private schools.

Voucher programs across the country are not shown to be successful in improving student achievement: Voucher programs have not consistently shown improved results. Reports on the Cleveland, Milwaukee, and Washington DC voucher programs have found “little or no difference in voucher and public school students’ performance.”

A 2017 major study of Louisiana’s voucher program found negative results in both reading and math achievement. Public elementary school students who started at the 50th percentile in math and then used a voucher to transfer to a private school dropped to the 26th percentile in a single year. Results were somewhat better in the second year, but were still well below the starting point.

A recent study of the Indiana school voucher program also reported dismal results. Indiana lawmakers originally promoted the state’s school voucher program as a way for children from poor and lower middle class families to leave public schools that failed to meet their needs. But five years after the program was established, more than half of the state’s voucher recipients have never attended Indiana public

schools, meaning that taxpayers are now covering private and religious school tuition for children whose parents had previously paid the cost. Many vouchers also are going to wealthier families, those earning up to \$90,000 for a household of four.

Voucher programs do not improve equity and actually increase discrimination: The decrease in funding for public schools would hurt the students left in public schools, who are some of the most disadvantaged students. Vouchers are mostly only available to students in urban areas, not in rural areas where there are fewer private schools available. Vouchers leave behind many disadvantaged students because private schools may not accept them or do not offer the special services they need.

Voucher programs are not held accountable: Private schools are not held to the same standards and requirements as public schools, including testing, budget transparency, and open meetings.

CARRY-FORWARD (TRANSPORTATION)

AAEA applauds the legislative efforts to fund a high cost transportation category for those districts with an extremely high number of route miles within their boundaries. It is essential that **high cost transportation continue to be funded with yearly increases that reflect actual expenditures.**

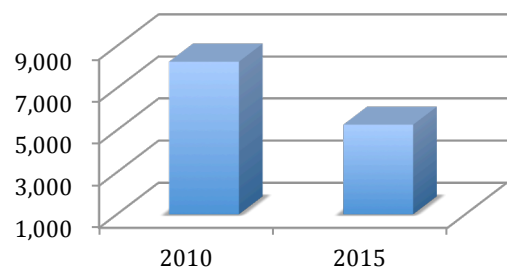
CATEGORICAL PROGRAMS

Increase funding for FY20 and FY21 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

Teaching talent matters when it comes to improving student achievement and increased efforts are needed to raise teacher salaries in the state. In 2010 Arkansas had 8,255 enrolled in educator preparation and alternative certification programs. That number has dropped to 5,258 in 2015. As reported by BLR in June 2016, the average Arkansas teacher salary in 2015-16 was \$48,220, which ranks 11th out of the 16 SREB states. BLR has previously reported that Arkansas' average teacher salary ranked 8th among SREB states in 2005-2006. Teacher salaries need to be raised to address the current teacher shortage by attracting the best and brightest to the profession. **AAEA recommends that any increases in the per-student foundation funding amount should be accompanied by the same percentage increase in the mandated teacher salary schedule.**

Educator Preparation Enrollment



PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE

AAEA supports the modification of the current State and Public School Health Insurance Board to include more representation from public school employees. Currently, of the 14 Board members, only 3 are public school employees, which represents approximately 21% of the total board. Yet, the school employees represent 60% of the members of the State and Public School Health Insurance Program. Input from school practitioners will promote collaboration and lead to informed, more efficient policy decisions that would benefit both the insurance system and school employees.

TECHNOLOGY (BANDWIDTH)

AAEA would like to thank the legislative body for working on the bandwidth issue in Arkansas. School districts are being provided additional broadband that will greatly benefit students and teachers. However, as more and more virtual learning opportunities are provided, **the need for adequate bandwidth outside of school is essential so students are not limited in their learning** -- "learning anytime, anywhere."

NSL FUNDING

AAEA believes it is imperative that this funding source remains intact and enhanced for public schools to continue improving the quality of education for the children of Arkansas. Since its inception, this categorical funding source has been used for various strategies that improve learning for struggling students and to improve educational outcomes for all students. There is strong evidence indicating that Arkansas public schools have been successful over the past decade in both closing the achievement gap and raising the achievement levels of all students.

ENGLISH LANGUAGE LEARNERS (ELL) FUNDS

According to a December 2017 BLR report to the Joint Education Committee, school district and open-enrollment charter school expenditures of ELL funds for FY17, including expenditures of funds transferred to ELL, totaled \$17.7 million or \$421 per student. Thus, on average, districts spent roughly 125% of the ELL categorical funding they originally received for that purpose. Statewide, districts are spending almost \$4.4 million more providing ELL services than is sent to them through the Matrix. **It is crucial that additional funding be provided to districts for needed services to English Language Learners.**

ALTERNATIVE LEARNING ENVIRONMENT (ALE) FUNDS

According to a November 2017 BLR report to the Joint Education Committee, it was reported that schools are spending almost \$15 million more on ALE students than what is provided through ALE and foundation funds. **It is crucial that additional funding be provided to schools for needed services to Alternative Learning Environment students.**

USING THE MATRIX/FOUNDATION FUNDING AS AN EXPENDITURE MODEL

The Adequacy Matrix initially established to fund Arkansas schools made assumptions concerning necessary staffing levels and other expenses. Even in its earliest years, the real application of this funding model failed to conform to the actual needs found in real schools of all sizes throughout Arkansas. Local school leaders used the total funds to address needs for staffing and other expenditures consistent with the actual conditions in communities. In every case, local school leaders found that a **“one size fits all” model for spending school funds does not work.**

CAREER AND TECHNICAL EDUCATION

The job market for high skill, high wage technical jobs is expanding rapidly. **It is essential that Arkansas expand and adequately fund career and technical programs, including career centers, in Arkansas to ensure all students statewide have an opportunity to explore alternative educational paths.** Also, as in past years, AAEA recommends improving efficiency by merging the ADE and ARCareerED into one education department. Then schools would have one voice to listen to and hopefully CTE would be in the conversations of school educators as we move forward an agenda to give kids the employable skills to be successful in life.

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 revenue or general improvement funds. In collaboration, local school districts and the state have invested approximately \$2.54 billion to upgrade academic facilities since the inception (2006-2007) of the Partnership Program (\$1.62 billion locally and \$920 million from the state). **Investing in school facilities not only meets the needs of students but also is a tremendous economic investment that creates jobs and supports Arkansas construction trades.** According to information from OEP and DFA, the portion of the state budget that goes to public education is steadily declining, from 49% in 2002-2003 to 42% in 2016-2017. Maintaining a stable level of support would provide for facility funding as well as for other investments in education, such as teacher salaries.

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 over 10 years ago.

Open-enrollment charters are public schools. As public schools, the issue of adequate facilities applies to them also. AAEA continues to recommend that charter schools should be able to access facility partnership funding. Certain requirements, such as a facility needs assessment, should be in place to protect the state's investment. ALL public schools, traditional and charter, that make requests for partnership funding, should follow the same procedures and guidelines to ensure that projects are funded according to the greatest needs. Charters should also have bonding authority with the ability to ask patrons for a millage increase to support facilities.

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. 2015 research by the Washington Center for Equitable Growth indicates, by 2050 a universal prekindergarten program would yield \$8.90 in benefits for every dollar invested and \$304.7 billion in total benefits.

PROPERTY TAXES

It is essential that Arkansas maintain the integrity of local property assessments. Traditionally, property taxes have been a stable source of school funding for local communities to help support children. In FY17, approximately 37% (\$1.1 billion) of the total Foundation Funding came from local property taxes (25 Mill URT). For the last several years, the growth in property taxes made up the majority of the increase in Foundation Funding. For example, the growth in Foundation Funding in FY17 was \$25,930,933 and the growth in the URT property taxes was \$26,098,316.

Concern: Property owners appealing their assessed value and not having to pay anything until the appeal is resolved. If a company appeals their REAL property assessment they do not have to pay anything until the appeal is complete.

Solution: Treat REAL property the same as PERSONAL property. The taxpayer pays the undisputed amount of the tax bill and the disputed amount is placed in escrow until the case is settled.

More Concerns: Districts sell bonds and establish debt service payments based on their projected assessments. Worse case scenario – districts may default on their bond payment, which, by law, is then paid by the state. Also, If more taxpayers, especially large companies, appeal their tax bills under current law, the state financial burden during the appeal process will increase as districts are made whole up to 98% of the URT.

Solutions: Expedite appeal process at the court level and require school districts to be notified as soon as possible regarding filed appeals.

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). Several prime examples of unfunded mandates for school districts are as follows:

- The Minimum Teacher Salary has been increased every year since 2015-16. With the mandated increase for FY19, the minimum starting salary will have increased 9%. However, the Foundation Funding amount has only increased approximately 4% during this same time period.
- Health Insurance Premium Assistance/FICA Savings Transfer to EBD – Act 3 of the Second Extraordinary Session of 2014 requires school districts to send funds that are not required to be paid for federal taxes under the Federal Insurance Contributions Act (FICA) to EBD to use for premium assistance. The funds are generated from health insurance pre-taxed premiums. Districts had been utilizing those funds prior to Act 3 for operating needs within their budgets.
- Additional Staff Due to New Requirements – Examples include TESS, LEADS, Arkansas Curriculum Standards, Dyslexia, etc.

FINANCIAL LITERACY

Act 480 of 2017 requires personal finance standards to be taught somewhere in grades 10-12. This grade level span needs to be 9-12 in order to provide districts more flexibility in meeting this requirement.

ADDITIONAL TEACHER COMPENSATION

Act 1113 of 2017 now requires all teachers in grades 5-12 that have more than 150 students per day to receive additional compensation. The “unintended consequence” of this bill, which will be a costly unfunded mandate, is to disallow large group instruction in classes such as band, choir, and P.E. that had been allowed in the past. The section of this Act that deals with the 150 rule needs to be removed.

CONCLUSION

In conclusion, 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.