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EXHIBIT H



# Growth Funding and Declining Enrollment

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and the House Committee on Education  
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# Today's Presentation

- Review of BLR study
- Review of how Arkansas approaches funding growth and declining enrollment
- Examine how other states approach these adjustments
- Model alternatives for Arkansas

# Review of BLR Study

- Examines the overall ADM trends
- Looks at the number of districts and charters receiving Growth and Declining Enrollment funding
- Examines changes in the funding totals over time
- Examines how those funds are used by examining expenditures

# Funding for Declining Enrollment and Student Growth in Arkansas

- Arkansas provides schools districts with funding for:
  - Declining Enrollment
    - Declining enrollment funding is equal to the three-quarter ADM of the prior fiscal year, subtracted from the average of the three-quarter ADM of the prior fiscal year and the ADM of the fiscal year prior to the prior fiscal year, multiplied by the current foundation funding per-student amount
  - Growth
    - Growth funding is due to growth in quarterly ADM beginning with prior fiscal year quarter four (4) and ending with current fiscal year quarter three (3) compared to each corresponding prior fiscal year three-quarter ADM of the school district

# Use of Growth Funding Provisions Nationally

- Growth Funding is intended to provide funding to districts experiencing student enrollment growth
  - Particularly for districts experiencing rapid growth, significant increases in student enrollment throughout the school year can stress district budgets as they provide services to students for whom they may not have received per pupil funding
- Nationally, 17 states have some provision to provide funding to growing enrollment districts
  - States that do have growth funding often fund on prior year student counts
- Many states don't have growth provisions, particularly those using current year counts for funding

## Growth Provisions in SREB States and Massachusetts

Alabama	X
<b>Arkansas</b>	<b>X</b>
Delaware	
Florida	
Georgia	X
Kentucky	X
Louisiana	
Maryland	
Massachusetts	
Mississippi	X
North Carolina	
Oklahoma	
South Carolina	
Tennessee	X
Texas	
Virginia	
West Virginia	X

# Growth Funding Provision Examples

- **Tennessee** – High growth districts are given additional funding based on percentage of growth in the current year. Growth funding is mandated for Local Education Agencies (LEAs) with ADM growth greater than 2%
- **Mississippi** – If a district has a consistent pattern of growth over the 3-year period prior to the appropriation, the average percent of growth will be added to the ADA for the district
- **Louisiana** – There are two mid-year adjustments based on student membership count dates of October and February:
  - Prior year February 1 student count compared to current year October 1 student count; LEAs receive an adjustment for the Total State Cost Allocation Per Pupil Amount times the number of students gained or lost
  - Current year October 1 student count compared to current year February 1 student count; LEAs receive an adjustment for one-half of the Total State Cost Allocation Per Pupil Amount times the number of students gained or lost

# Alternative Approach in Arkansas: Minimum 2% Growth

	16-17	17-18	18-19
Current Funded Districts	109	124	116
Districts Funded at 2% Minimum	47	50	42
Current Funding	\$33,661,859	\$29,004,554	\$24,053,412
Funding at 2% Minimum	\$11,680,970	\$9,503,116	\$9,387,373

# Declining Enrollment Provisions

- Declining enrollment can cause significant challenges for schools and districts
  - The Rural School and Community Trust notes that “when the enrollment decline is chronic, it generates serious financial distress because of the loss of per-pupil state revenue. This financial hemorrhage usually results in deep cuts in programs, staff, and resources. Small rural schools are especially vulnerable to these problems, since they have proportionally less leeway in finding cost-saving areas.”
- Declining enrollment provisions provide a level of funding to cushion the impact of decreased student enrollment

# Use of Declining Enrollment Provisions Nationally

- According to a 2014 report by the Temple University Center on Regional Politics:
  - 22 states have Declining Enrollment provisions that cushion the level of funding a state receives based upon a drop in the number of students
  - 12 states have Hold Harmless provisions to guarantee a certain level of funding from year to year without consideration for enrollment
  - 16 states have no provisions

## Declining Enrollment Provisions in SREB States and Massachusetts

Alabama	
<b>Arkansas</b>	<b>X</b>
Delaware	
Florida	<b>X</b>
Georgia	
Kentucky	
Louisiana	<b>X</b>
Maryland	<b>X</b>
Massachusetts	
Mississippi	
North Carolina	
Oklahoma	<b>X</b>
South Carolina	
Tennessee	
Texas	<b>X</b>
Virginia	
West Virginia	

# Declining Enrollment Provision Examples

- Limiting reductions to the current year's enrollment
  - One example is Florida, whose declining enrollment supplement is based upon the difference of the current year's unweighted enrollment compared to the prior year. For a district with declining, unweighted enrollment, 25 percent of the difference in student count is multiplied by the prior-year base funding to act as a supplement to the current year's funding
- Using Average Enrollment Levels to Determine Funding
  - These can be specified calculations (e.g. ADM over the last two years) or "best of" averages (e.g. the highest ADM over the last three years, meaning the ADM that will justify the most funding); popular particularly among Western states

# Two Alternative Approaches in Arkansas for Declining Enrollment

- Arkansas currently uses the average 3 Quarter ADM for the two prior years less the prior year's 3 Quarter ADM to calculate declining enrollment
  - As mentioned in BLR reports, districts are also funded on a prior year count, so effectively already have some adjustment for declining enrollment
- The study team looked at two alternatives:
  - Three-year average
  - Percentage per year

# Alternative: Three-Year Average

- Provides districts with the best ADM of current year, average of current/prior year, or average of last three years
- Applied the concept only to the districts receiving declining enrollment funding in 16-17, 17-18, and 18-19 to understand impacts

# Alternative: Three-Year Average Outcome

<b>Three Year Average</b>			
	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>
Increase/Decrease in Funded Count	1,045	3,792	3,036
Increase/Decrease Funding	\$6,944,829	\$25,456,319	\$20,589,452
Percentage Increase/Decrease	61%	195%	163%

# Alternative: Percentage Per Year

- Makes most recent year ADM the most heavily weighted in the formula, but still provides smoothing
- For this model used 50% of prior year, 30% two years back, and 20% of three years back
  - Two schools did not have all three years data and were excluded

# Alternative: Percentage Per Year Outcome

Percentage Per Year			
	16-17	17-18	18-19
Increase/Decrease in Funded Count	(72)	2,064	1,402
Increase/Decrease Funding	-\$476,302	\$13,858,431	\$9,505,018
Percentage Increase/Decrease	-4%	106%	75%