

ARKANSAS GENERAL ASSEMBLY
HOUSE INTERIM COMMITTEE ON EDUCATION
and
SENATE INTERIM COMMITTEE ON EDUCATION

Senator Joyce Elliott
Senate Vice Chair

Representative James McLean
House Chair

October 31, 2014

Senator Michael Lamoureux
President Pro Tempore
Arkansas Senate
Room 320, State Capitol
Little Rock, Arkansas 72201

Representative Davy Carter
Speaker of the House
Arkansas House of Representatives
Room 350, State Capitol
Little Rock, Arkansas 72201

Re: A Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy

Dear President Lamoureux and Speaker Carter:

The House Interim Committee on Education and the Senate Interim Committee on Education (Education Committees), pursuant to the provisions of Arkansas Code Annotated §10-3-2101 et seq., are please to submit their report on the legislative hearings held for the purpose of completing the 2014 interim study on the adequacy of the state’s system of public education.

The 2014 Adequacy Report consists of two (2) volumes. Volume I contains the initial findings and recommendations of the Education Committees. Volume II contains copies of all materials presented to the Education Committees for this adequacy review.

As you will see in Volume I, the Education Committees made the following recommendations concerning educational adequacy:

Topic	Recommendation
Definition of Adequacy	No change.
ACTAAP	Conduct a study of the amount of testing currently required in Arkansas schools.
Curriculum Frameworks/Common Core	Conduct a study of the role and scope of technology in education.
Fiscal Distress	Conduct a study of the fiscal distress program in the next biennium.
Academic Distress	No change.
Facilities Distress	No change.
ACSIP	Study the results of the ACSIP pilot program.
State’s Standing Under No Child Left Behind (ESEA)	No change.

Topic	Recommendation
Special Education Funding	No change.
Partnership Program	<p>The Commission for Arkansas Public School Academic Facilities and Transportation has identified \$65 million in unfunded facilities needs for the 2015-17 biennium. The Education Committees recommend providing funding to meet those facilities obligations. The Committees also recognize that districts' facilities needs could exceed \$65 million. In that case, the General Assembly will need to determine the appropriate amount to add.</p> <p>The Education Committees also recommend replacing \$16.3 million that previously supported the Partnership Program. Act 1 of the First Extraordinary Session of 2013 redirected \$16.3 in facilities funding to the Public School Employee Health Insurance Plan. The Education Committees voted to ensure the Partnership Program's level of funding would be restored, but a funding source was not identified.</p>
Student Growth Funding	No change.
Declining Enrollment Funding	Conduct a study of declining enrollment funding in the next biennium.
Isolated Funding	Conduct a study of isolated funding in the next biennium.
Teacher Salaries	Amend Arkansas Code § 6-17-2403 to adopt a new minimum teacher salary schedule. The new salary schedule will increase in equal increments over the biennium to end with a minimum salary of \$31,000. In the first year, the minimum salary for a teacher with a bachelor's degree will be \$30,122, and the minimum salary for a master's degree will be \$34,640. In the second year, the minimum salary for a bachelor's degree will be \$31,000, and the minimum for a master's degree will be \$35,650. With each year of experience, a teacher with a bachelor's degree will receive \$450 in additional salary, and a teacher with a master's degree will receive \$500.

Categorical Funding

Categorical Funding Topic	Recommendation	Funding Level
National School Lunch Funding	Increase the funding rates by .84% for each year of the next two years and study the NSL funding program during the next biennium.	FY16: <70% NSL: \$522 70% to <90%: \$1,042 >90%: \$1,562 FY17 <70% NSL: \$526 70% to <90%: \$1,051 >90%: \$1,576

Categorical Funding Topic	Recommendation	Funding Level
Professional Development Funding	Continue funding at the current levels.	FY16: \$32.40 FY17: \$32.40
English Language Learner Funding	Increase by 2% for each year of the biennium.	FY16: \$324 FY17: \$331
Alternative Learning Environment Funding	Increase by 2% for each year of the biennium.	FY16: \$4,471 FY17: \$4,560

Foundation Funding and the Matrix

Foundation Funding & the Matrix Topic	Recommendation	Funding Level
Classroom Teachers	No change to the staffing number. Salary amount to increase to \$63,663 in FY16 and \$64,196 in FY17.	FY16: \$3,175.51 FY17: \$3,202.10
Special Education Teachers	No change to the staffing number. Salary amount to increase to \$63,663 in FY16 and \$64,196 in FY17.	FY16: \$369.25 FY17: \$372.34
Instructional Facilitators	No change to the staffing number. Salary amount to increase to \$63,663 in FY16 and \$64,196 in FY17.	FY16: \$318.32 FY17: \$320.98
Librarian/Media Specialist	Increase the staffing number to .85 per 500 students. Salary amount to increase to \$63,663 in FY16 and \$64,196 in FY17.	FY16: \$108.23 FY17: \$109.13
Guidance Counselor/Nurse	No change to the staffing number. Salary amount to increase to \$63,663 in FY16 and \$64,196 in FY17.	FY16: \$318.32 FY17: \$320.98
Principal	No change to the staffing number or the salary amount.	FY16: \$198.10 FY17: \$198.10
Secretary	No change to the staffing number or the salary amount.	FY16: \$80.10 FY17: \$80.10
Technology	Increase the per-student technology funding by \$12.20 per student each year of the biennium.	FY16: \$237.80 FY17: \$250.00
Instructional Materials	Continue funding levels as they are in FY16 and FY17.	FY16: \$183.10 FY17: \$183.10
Extra Duty Funds	Increase by \$3.85 per student each year of the biennium.	FY16: \$61.05 FY17: \$64.90
Supervisory Aides	Reduce the funding for supervisory aides to \$50 per student each year.	FY16: \$50.00 FY17: \$50.00
Substitutes	Increase the per-student funding for substitutes by 2% each year of the biennium.	FY16: \$67.70 FY17: \$69.00

Foundation Funding & the Matrix Topic	Recommendation	Funding Level
Operations and Maintenance	Increase the per-student funding for O&M by 2% for the first year of the biennium and continue that same funding level for FY17. The Education Committees recognize that additional O&M needs may be identified through further study of broadband expenses. An adjustment in this line of the matrix may be necessary in the 2016 Fiscal Session.	FY16: \$664.90 FY17: \$664.90
Central Office	Continue the current central office funding level for FY16 and increase it by 2% in FY17.	FY16: \$430.20 FY17: \$438.80
Transportation	Continue the current transportation funding level in the matrix for FY16 and FY17. Create a separate, supplemental funding program for districts with high transportation costs. The funding amount should be established at the equivalent of 2% of the funding provided for transportation in FY15. Use the BLR funding distribution model to determine the amount of funding high-cost districts receive.	Matrix FY16: \$321.20 FY17: \$321.20 Supplemental FY16: Equivalent of \$6.42 per student, or \$3 million FY17: Equivalent of \$6.42 per student, or \$3 million
TOTAL		FY16: \$6,584 FY17: \$6,646

As you review this report, please keep in mind that it is not a static document, but one that is subject to revision or modification by the Education Committees as the situation warrants and as provided for by statute.

The members of the Education Committees look forward to working with you, the members of the 89th General Assembly, and the incoming members of the 90th General Assembly to ensure the continued adequacy of our state's system of public education.

Sincerely,



Senator Joyce Elliott
 Vice Chair
 Senate Interim Committee on Education



Representative James McLean
 Chair
 House Interim Committee on Education

cc: The Honorable Mike Beebe, Governor, State of Arkansas

**A REPORT ON LEGISLATIVE HEARINGS
FOR THE 2014 INTERIM STUDY ON EDUCATIONAL
ADEQUACY**

**(ACT 57 OF THE SECOND EXTRAORDINARY SESSION OF 2003,
ACT 1204 OF 2007, AND ACT 725 OF 2011)**

VOLUME I

RECOMMENDATIONS

OF THE

**HOUSE AND SENATE
INTERIM COMMITTEES ON EDUCATION**

NOVEMBER 1, 2014

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Acronyms

AACF	Arkansas Advocates for Children and Families
AAE	Association of American Educators
AAEA	Arkansas Association of Educational Administrators
ACS	American Community Survey
ACSIP	Arkansas Comprehensive School Improvement Plan
ACTAAP	Arkansas Comprehensive Testing, Assessment, and Accountability Program
ADE	Arkansas Department of Education
ADHE	Arkansas Department of Higher Education
ADM	Average daily membership
AEA	Arkansas Education Association
AETN	Arkansas Educational Television Network
ALE	Alternative Learning Environment
AMAO	Annual Measurable Achievement Objectives
APSCN	Arkansas Public School Computer Network
APSRC	Arkansas Public School Resource Center
AREA	Arkansas Rural Ed. Association
ARE-ON	Arkansas Research and Education Optical Network
ASBA	Arkansas School Boards Association
ASP	After-school programs
ASTA	Arkansas State Teachers Association
BLR	Bureau of Legislative Research
CCSS	Common Core State Standards
CCSSO	Council of Chief State School Officers
CGR	College-going rate
CIV	Compressed Interactive Video
COLA	Cost of Living Adjustment
CPI-U	Consumer Price Index-All Urban Consumers
DIS	Arkansas Department of Information Systems
EETF	Educational Excellence Trust Fund
ELDA	English Language Development Assessment
ELL	English Language Learners
EOC	End-of-course exam
ESEA	Elementary and Secondary Education Act
ESL	English as a Second Language
FASTER	Fast Access for Students, Teachers and Economic Results
FTE	Full-Time Equivalent
GIF	General Improvement Funds
IDEA	Individuals with Disabilities Education Act
IEP	Individualized education program
LMS	Language Minority Student
MOU	Memorandum of Understanding
NAEP	National Assessment of Educational Progress
NCES	National Center for Education Statistics
NCLB	No Child Left Behind Act
NEA	National Education Association
NSL	National School Lunch state categorical funding
NSLA	The federal National School Lunch Act
OLS	Ordinary least squares
O&M	Operations and Maintenance
PAM	Physical education, art and music
PARCC	Partnership for Assessment of Readiness for College and Careers
PD	Professional Development
QDLS	Quality Digital Learning Study

RTI	Response to Intervention
SBOE	State Board of Education
SES	Supplemental educational services
SETDA	State Educational Technology Directors Association
SIS	Statewide Information System
SNI	Special Needs Isolated
SREB	Southern Regional Education Board
TAGG	Targeted Achievement Gap Group
TANF	Temporary Assistance for Needy Families
TESS	Teacher Excellence and Support System
URT	Uniform Rate of Tax
US DOE	U.S. Department of Education
WRF	Winthrop Rockefeller Foundation

Section 1: Introduction

Purpose of This Report

During the 2003 Regular Legislative Session, the General Assembly enacted Act 94 of 2003 to create the Joint Committee on Educational Adequacy, to be overseen by the House and Senate Interim Committees on Education (Education Committees). The committee's charge was to study the state's educational system and determine how it could offer an adequate education to Arkansas public school students. A year later the General Assembly made that responsibility ongoing with Act 57 of the Second Extraordinary Session of 2003 (Act 57), which requires the Education Committees to study the entire educational system and report their findings and recommendations in September before every regular session. During the 2007 legislative session, the General Assembly refined the Act 57 requirements, passing Act 1204 of 2007 (Act 1204). In the 2011 Regular Legislative Session, the General Assembly passed Act 725 (Act 725), which added one new area of study, changed the deadline for the final adequacy study report, and required a draft of the report to be published two weeks before the report's deadline. (Acts 57, 1204, and 725 are codified at § 10-3-2101 et seq. See Appendix A.) The adequacy study is a key element in the continued constitutionality of the state's system of funding public education.

The Statutory Requirements

Act 57 of the Second Extraordinary Session of 2003 established eight broad areas the Education Committees must review each biennium. These include examining "the entire spectrum of public education" in Arkansas, reviewing the components of an adequate education and evaluating the costs of an adequate education. Act 1204 of 2007 specified that these broad reviews will be accomplished by:

- Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program
- Reviewing the curriculum frameworks developed by the Department of Education
- Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program
- Reviewing fiscal, academic, and facilities distress programs
- Reviewing the state's standing under the No Child Left Behind Act of 2001
- Reviewing the Arkansas Comprehensive School Improvement Plan process
- Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including:
 - Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index
 - Reviewing the minimum teacher compensation salary schedule
- Reviewing expenditures from:
 - Isolated school funding
 - National school lunch state funding
 - Declining enrollment funding
 - Student growth funding
 - Special education funding
- Reviewing disparities in teacher salaries
- Completing an expenditure analysis and resource allocation review
- Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education
- Adjusting for the inflation or deflation of any appropriate component of the system of funding public education

-
- Reviewing legislation enacted or rules promulgated during the biennium covered by the study to determine the impact of the legislation and rules on educational adequacy-related public school costs

Act 1204 also established that the Education Committees would review any other program or topic identified for further study.

This report is presented to document the Education Committees' compliance with those statutory mandates. For readability and coherence, this report is organized by topic, rather than by the order of the law's requirements. For a guide linking specific requirements of Acts 57 and 1204 to sections of this report, see Appendix B. A list of the acronyms used in this report is provided on page v and a glossary of terms used is provided in Appendix C.

How the 2014 Study Was Conducted

For the 2014 adequacy study, Chairmen of the Education Committees Senator Johnny Key and Representative James McLean opted to include all members of both Education Committees in the review. Committee members began meeting for the study in June 2013.

The House and Senate Education Committees met 25 times, and presenters included representatives from the Arkansas Department of Education (ADE), school districts, education associations, and the Bureau of Legislative Research (BLR). (A list of all presenters and contributors can be found in Appendix D.) This report represents a summary of all testimony and reports presented to the Education Committees for this adequacy study.

As part of this study, BLR staff conducted extensive surveys of all 238 school district superintendents and a randomly selected representative sample of 74 school principals. The surveys requested information on a wide variety of issues, including teacher evaluation, the public school employee health insurance, the usefulness of academic coaches and instructional aides, tutoring opportunities, and access to bandwidth. BLR staff used the data collected to prepare a number of reports presented to the Education Committees. The BLR review also included site visits to each of the 74 schools to collect additional information on school and district needs.

The testimony and reports presented to the Education Committees drew from a wide variety of sources, including ADE documentation, surveys of other states, and data from national and regional authorities, such as the National Education Association (NEA), the National Center for Education Statistics (NCES) and the Southern Regional Education Board (SREB). Inflation factors were deter

mined by using projections from Moody's Economy and Global Insight, producers of national economic forecasting services. The Education Committees also solicited comment from Arkansas educational associations and other interested organizations.

Volume II of this report, which is available online at <http://www.arkleg.state.ar.us/education/K12/Pages/AdequacyReportDetails.aspx?catId=2014> contains copies of all materials presented to the Education Committees for this adequacy review. Citations to the research mentioned in this report can be found with the original materials presented to the committees.

The Education Committees carefully considered all of the information presented and made a variety of recommendations concerning educational funding. The recommendations are described in Section 17 of this report.

Section 2: Educational Adequacy Overview

Legal Landscape

The Arkansas Constitution provides that the state "shall ever maintain a general, suitable and efficient system of free public schools and shall adopt all suitable means to secure to the people the advantages and opportunities of education." Ark. Const. art.14, § 1. The primary Arkansas Supreme Court decisions interpreting this constitutional provision are *Dupree v. Alma Sch. Dist. No. 30 of Crawford County*, 279 Ark. 340, 651 S.W.2d 90 (1983) and *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 370 Ark. 139, 257 S.W.3d 879 (2007). The *Dupree* court held that the state's constitutional responsibility included providing "equal educational opportunity" to the state's public school children.

The court further interpreted the state's constitutional obligations through 15 years of litigation in the *Lake View* case.

HISTORICAL DEFICIENCIES LEADING TO LAKE VIEW

In *Lake View*, the Arkansas Supreme Court found that the state's public school funding system was unconstitutional and identified the following reasons:

1. The failure to conduct an adequacy study or define adequacy;
2. "Abysmal" Arkansas educational rankings;
3. Low Benchmark scores;
4. The need for Arkansas student remediation in college;
5. Teacher salaries not comparable to surrounding states;
6. Disparities in teacher salaries within the state;
7. Recruitment and retention of quality teachers;
8. Special needs of poverty level students, including English-language learners;
9. Needs of school districts in low-income areas (for improved and advanced curriculum, quality teachers, and adequate facilities, supplies, and equipment); and
10. Needs of school districts in high enrollment growth areas.

STATE ACTIONS TO REMEDY THE CONSTITUTIONAL DEFICIENCIES

In May of 2007 the court found that the actions taken by the General Assembly had satisfied the constitutional obligations of the state, including:

1. Act 57 of the Second Extraordinary Session of 2003 - the adequacy study;
2. Act 108 of the Second Extraordinary Session of 2003 - the "doomsday" provision that protects funding in the Educational Adequacy Fund and other resources available to the Department of Education Public School Fund Account of the Public School Fund;
3. Establishment of the Immediate Repair Program for facilities, the Academic Facilities Partnership Program, modification of the academic facilities wealth index, and other provisions assisting school districts with academic facility needs;
4. Adoption of Amendment 74 to provide a 25 mill Uniform Rate of Tax;
5. Categorical funding for alternative learning environments, English-language learners, and national school lunch students;
6. Foundation funding;
7. Growth or declining enrollment funding;
8. Adoption of a minimum teacher salary schedule;

The court held that (1) an adequate education must be provided to all school children on a substantially equal basis with regard to curricula, facilities, and equipment, and (2) that it is the state's responsibility to: (a) define adequacy; (b) assess, evaluate, and monitor the entire

spectrum of public education to determine whether equal educational opportunity is being substantially afforded to Arkansas's school children; and (c) know how state revenues are spent and whether true equality in education is being achieved.

The court further noted that the General Assembly must exercise "constant vigilance" for constitutionality, recognizing that continual assessment is vital under Act 57. The court stated that the General Assembly has put into place the "framework for a much improved Arkansas public education system," the funds to support it, and the "continuous financial and standards review" needed to ensure future success. The school districts must now meet the challenge of utilizing the state's support to ensure that Arkansas's public school children receive an adequate education.

MAINTAINING CONSTITUTIONAL COMPLIANCE

The court identified four essential components for continued constitutional compliance:

1. Act 57's required biennial adequacy review;
2. Funding education first under Act 108;
3. The comprehensive system for accounting and accountability for providing state oversight of school-district expenditures; and
4. The General Assembly's express showing that "constitutional compliance is an ongoing task requiring constant study, review, and adjustment."

In both *Dupree* and *Lake View*, the court held that the ultimate responsibility for maintaining constitutionality rests with the state, even if local government fails to use state funding resources to provide an adequate education. (*Lake View*, 351 Ark. at 79, 91 S.W.3d at 500, citing *Dupree*, 279 Ark. at 349, 651 S.W.2d at 95). As a result, the General Assembly's efforts in recent years to define and fund an adequate education have been driven largely by the *Lake View* decisions. In May 2007, the Arkansas Supreme Court declared the Arkansas public school funding system constitutional.

This report is an important part of the state's efforts to maintain its focus on the condition of the public education system and take appropriate actions to keep the system in constitutional compliance.

Educational Adequacy Definition

The Education Committees used the following working definition of "educational adequacy" to serve as a basis for identifying the resources required for adequate funding:

1. The standards included in the state's curriculum frameworks, which define what all Arkansas students are to be taught, including specific grade level curriculum and a mandatory thirty-eight (38) Carnegie units defined by the Arkansas Standards of Accreditation to be taught at the high school level;
2. The standards included in the state's testing system. The goal is to have all, or all but the most severely disabled, students perform at or above proficiency on these tests; and
3. Sufficient funding to provide adequate resources as identified by the General Assembly.

Arkansas Public School Funding Overview

Funding for public schools in Arkansas currently comes from five main sources:

1. State General Revenue
2. The Educational Excellence Trust Fund (EETF)
3. The Educational Adequacy Fund
4. The Uniform Rate of Tax (URT)
5. Federal Funds

FOUNDATION FUNDING

The state's system for distributing funding to public schools is made up of a base per-student amount, known as **foundation funding** (§ 6-20-2301 et seq.). Foundation funding is the building block of public education funding in the state of Arkansas. Every year the state distributes foundation funding to each school district on a per-student basis. Unlike some other types of funding, foundation funding is **unrestricted**. This means that the state does not specify what school districts may or may not purchase with the foundation funding they receive. This flexibility is intended to account for the specific needs of each school district, allowing some districts to spend more on teacher salaries, for example, while other districts may have higher transportation needs.

Foundation funding is distributed based on a school district's **average daily membership (ADM)**, the calculation for a district's total number of students. Each school district receives the foundation funding amount set for each year multiplied by its prior year ADM. Typically, this funding makes up **58%** of districts' total revenue. (Districts also receive federal funding, as well as other types of state money.)

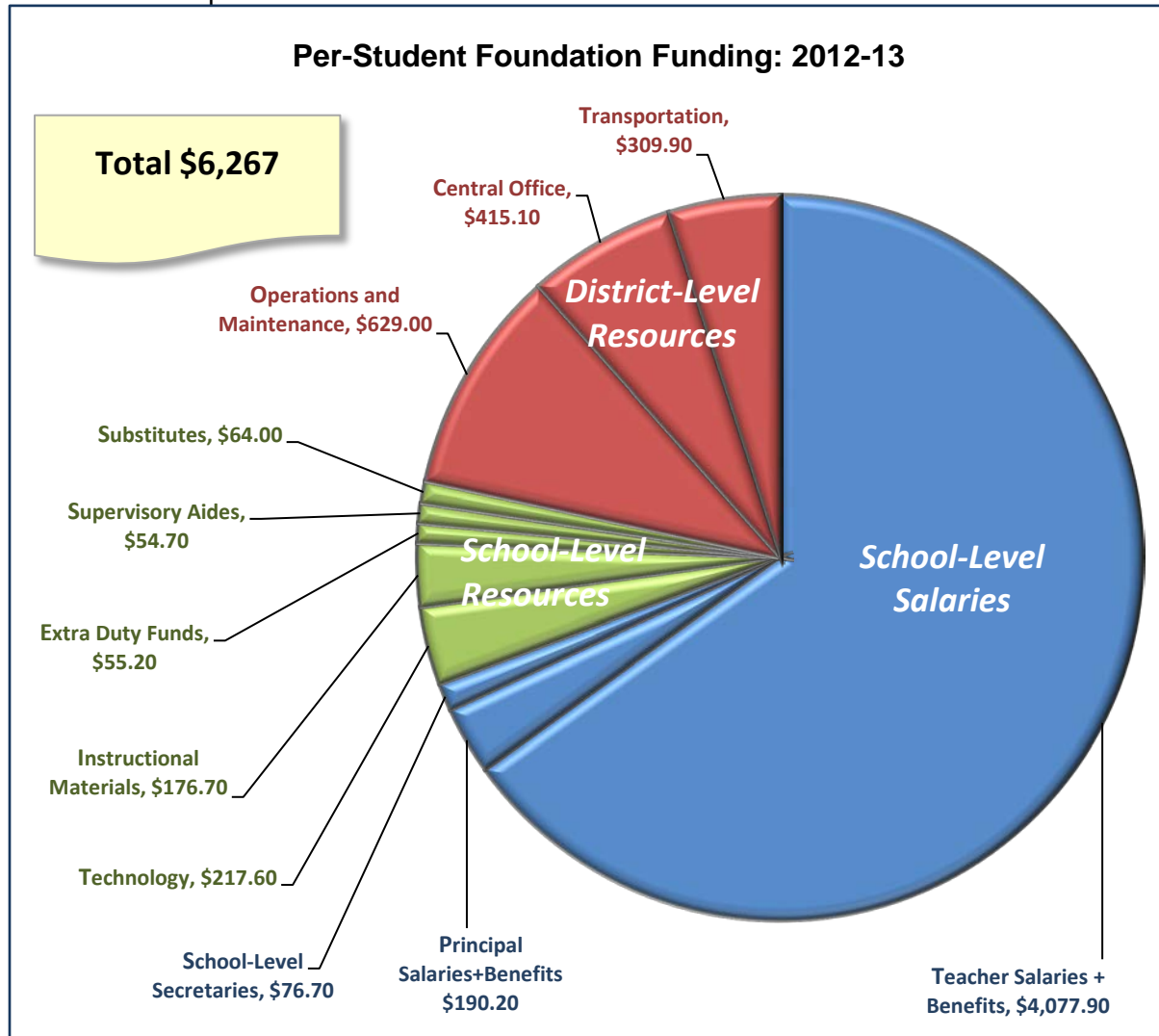
State Foundation Funding Aid		
	Per Student	Total
2010-11	\$6,023	\$1,812,845,186
2011-12	\$6,144	\$1,849,578,494
2012-13	\$6,267	\$1,891,315,753
2013-14	\$6,393	\$1,923,089,661

Foundation funding is funded by two main components: the **uniform rate of tax (URT)** and state aid. The URT is a constitutionally mandated minimum millage rate (or property tax rate) that school districts must levy at the local level. This rate is set at 25 mills and is used specifically for the operation of schools. State aid is then provided to make up the difference between the amount of money raised through the URT and the funding level set by the legislature. (Eight districts in 2012-13 collected more than \$6,267 in URT and therefore received no state aid.)

Arkansas uses a specific formula to arrive at the per-student funding amount. This formula is known as the **matrix**. The matrix calculates the per-student funding based on the cost of personnel and other resources for operating a prototypical school of 500 students. Each year the legislators involved in the adequacy study determine the dollar amount needed to fund each line item of the matrix, based on the money needed to adequately fund school districts' educational needs. Unlike the foundation funding amount (\$6,267 for 2012-13), the matrix is not established in statute. The matrix is divided into three parts:

1. **School-level salaries** of teachers and other pupil support staff, a principal and a secretary. The matrix also determines how many of which type of teachers and other personnel are needed.
2. **School-level resources** including instructional materials and technology-related expenses.
3. **District-level resources**, which include funding for operations & maintenance, districts' central offices and transportation expenses.

The chart below shows the proportion of each matrix line item in the total per-student foundation funding amount for FY2012-13. Foundation funding is discussed in greater detail in Sections 9 and 11 of this report.



CATEGORICAL FUNDING

School districts also receive four other types of funding, known as categorical funding. The categorical funds are used to promote equitable funding among school districts. Three of the four categorical funds are designed to help schools educate students with particular needs. The fourth categorical fund is designed to pay districts for providing staff professional development. Unlike foundation funding, categorical funds are considered restricted, meaning that districts can use these funds only for their intended purpose. See Sections 10 and 11 for a more detailed discussion of categorical funding.

Categorical Funding Type	Description	2012-13 Funding	2013-14 Funding
English Language Learners (ELL)	Funding designed to help school districts educate students with limited English language proficiency.	\$305 per ELL student	\$311 per ELL student
Alternative Learning Environment (ALE)	Funding designed to help school districts educate students who need different learning environments due to social or behavioral factors that make learning difficult in the traditional classroom.	\$4,228 per ALE student	\$4,305 per ALE student
National School Lunch (NSL)	Funding designed to help school districts with high percentages of poor students. This state funding should not be confused with the federal National School Lunch Act. The state money is called NSL funding only because it uses the federal act's eligibility criteria for free and reduced price lunches.	90% or more: \$1,549 per NSL student 70%-<90%: \$1,033 per NSL student <70%: \$517 per NSL student	90% or more: \$1,549 per NSL student 70%-<90%: \$1,033 per NSL student <70%: \$517 per NSL student
Professional Development (PD)	Funding designed to pay for professional development for teachers and staff. Most of the PD funding goes directly to districts, but up to \$4 million (about \$8.50 to \$9 per student) supports a statewide online PD program.	\$52 per student (Districts received \$43.39 in FY2013, while ADE's online PD program received \$8.61 per student.)	\$53 per student (Districts received \$44.45 in FY2014, while ADE's online PD program received \$8.55 per student.)

In addition to foundation and categorical funding, school districts also receive other special funding, including money to help with declining or growing enrollment and money to support isolated schools. (For information on these additional types of funding, see Section 12.)

This adequacy study was conducted, in part, to determine whether the money provided by the state's funding formula provides public school districts with the resources needed to offer all public school students a substantially equal opportunity for an adequate education.

Methodologies for Assessing Educational Adequacy

Since the early 1990s, school finance litigation and legislation in most states have shifted their focus from achieving “equity” to ensuring “adequacy”. In contrast to equity studies, which focus only on how resources are distributed across schools, adequacy studies address the question, “What level of resources is sufficient to achieve a specific set of educational outcomes?” In August 2013, the BLR presented a report, “An Overview of Methodologies of Assessing Educational Adequacy,” that described the four methodological approaches commonly used to assess adequacy: 1) evidence-based model, 2) professional judgment, 3) successful schools, and 4) cost function (or statistical) analysis.

Arkansas and Kentucky have used the **evidence-based model** to determine the amount of resources needed to provide an adequate education. In this model, consultants are hired to design a package of resources (e.g., the matrix) needed to provide an adequate education in all districts, based on the current body of literature on student achievement. They then assess adequacy by comparing district resources to the matrix that they originally recommended. Costs (or expenditures) for each resource are based on estimates found in the school finance literature, and these costs are summed to arrive at a total cost (or per-pupil cost) for funding adequacy. One strength of the evidence-based model is the use of experts who have extensive experience in conducting and evaluating research on resource allocation. At the same time, critics point out that this model focuses exclusively on inputs (resources) rather than outcomes (e.g., student achievement, remediation rates), and the results found in one state do not necessarily generalize to another state or location.

The **professional judgment model** is based on the judgment of a panel of local educators state (e.g., teachers, principals, superintendents, professors) who determine a range of resources that they believe would be necessary to provide an adequate education to all students in the state. The panel estimates the costs of each resource component, which are then used as the basis for the state’s funding formula. The advantage of the professional judgment model is involving educators who have first-hand knowledge of the needs and challenges that districts face on a daily basis. However, policymakers often view their recommendations as a costly “wish list” that may not be substantiated by research. Like the evidence-based model, it is also focused on inputs rather than educational outcomes.

The **successful school** approach involves identifying school districts with high student achievement, examining their spending patterns, and using those patterns as a measure of adequacy for all other districts. However, since high-achieving districts typically have very different characteristics and dynamics from lower-achieving districts, they do not provide practical models for reform.

Finally, the **cost function (or statistical) model** is used to predict the level of spending needed to reach a specified performance standard in each school district (not just high-achieving districts), given its student and district characteristics. The cost function approach typically relies exclusively on available administrative (or macro-level) data, including salaries, expenditures for various educational functions, and district mileage rates. However, several national meta-analyses indicate that micro-level factors, such as quality of teaching and leadership, play a more significant role in student achievement gains than these macro-level variables.

The successful schools and cost function approaches to adequacy assessment directly analyze the associations between resources and student achievement, and both make statistical adjustments for differences in student demographics and district characteristics. These analyses also make adjustments for financial efficiency. However, both approaches require high quality data, because multivariate statistical analyses compound any errors in data, and therefore, can provide biased cost estimates. Rather than selecting just one of any of the four methodologies described above, experts often recommend using more than one method and comparing results.

Section 3: State Statistics Since Lake View

In the Arkansas Supreme Court’s 2002 order declaring the state’s school funding system unconstitutional, the justices agreed with the lower court’s assessment that the “State has a remarkably serious problem with student performance.” The lower court’s assessment, written by Pulaski County Circuit Court Judge Collins Kilgore, based its conclusions, in part, on a range of educational and economic statistics, for which citations were not provided. Staff from the Bureau of Legislative Research (BLR) have attempted to identify the likeliest sources of data that were cited in the 2001 Kilgore decision, then determine the state’s progress on those indicators based on the most recent comparable data. Although statistics from 2001 and earlier are difficult to compare with current statistics due to different calculation methods and changes in tests, this section provides information about the progress made by Arkansas’s public schools over the last two decades, as measured by student test scores, graduation rates, and other education statistics.

Overall, the state has made significant improvement in ten of these 14 measures cited by Judge Kilgore. The results are unchanged or mixed on three measures, while one measure—median household income—has declined. While there is much to be celebrated about Arkansas’s progress since the Kilgore decision, the data show that our students continue to lag behind the national average on many educational measures.

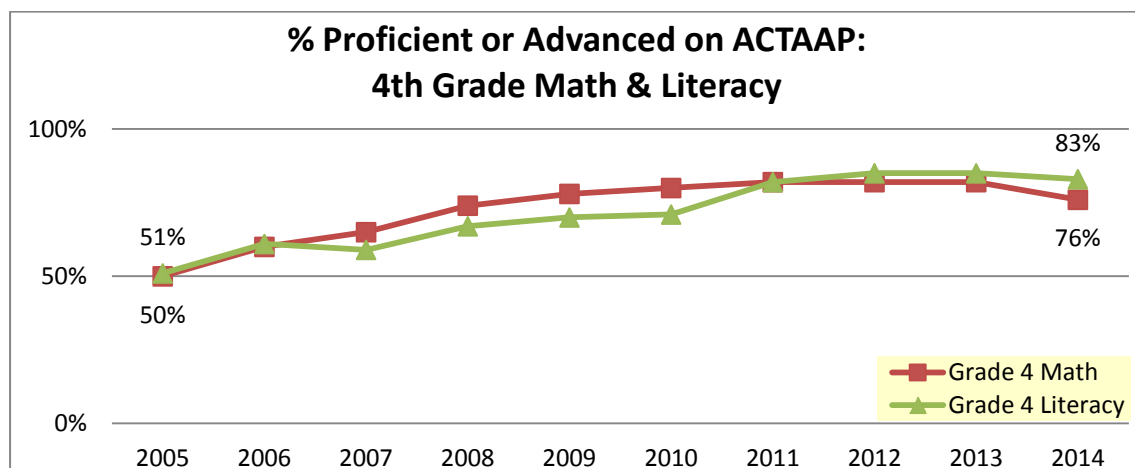
State Assessment Scores



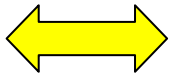
2001 KILGORE DECISION: “The first set of scores on the ACTAAP test [Arkansas Comprehensive Testing, Assessment, and Accountability Program] showed that only 44% of the fourth graders were proficient in reading and only 34% of the students were proficient in math.”

NOW: The most recent set of scores on the ACTAAP shows that 83% of fourth graders were proficient or advanced in reading and 76% were proficient or advanced in math in 2014.

ACTAAP scores from 2004 and earlier are difficult to compare with current statistics due to different calculation methods and changes in tests. Nevertheless, the ACTAAP data that is comparable from 2005 to 2014 show significant improvement in the percentages of fourth grade students scoring proficient or advanced in both literacy and math. The percentage of these students grew from 51% in literacy in 2005 to 83% in 2014, and from 50% in math in 2005 to 76% in 2014.



NAEP Scores for 4th & 8th Grades

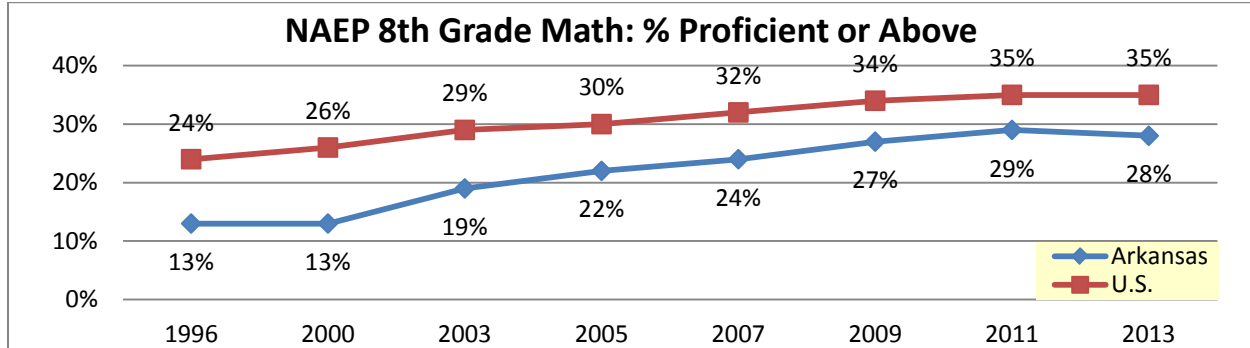
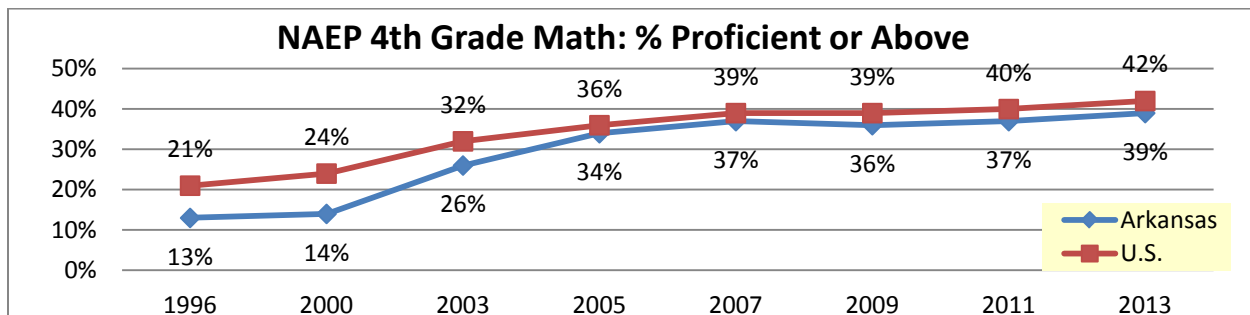


2001 KILGORE DECISION: “Arkansas’ fourth and eighth grade students do not rank at or above the national average for proficiency in math, reading, science or writing as measured by the Southern Regional Education Board’s State Analysis of the National Assessment of Education Progress (NAEP) test scores.”

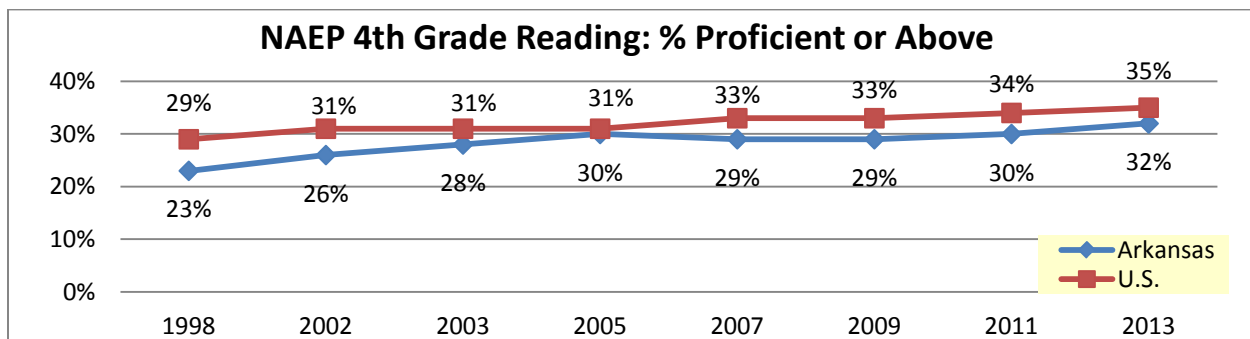
NOW: Arkansas’s fourth and eighth grade students have improved significantly on all sections of the NAEP since 1996 and are making steady progress toward closing the gap between the state and the national average, particularly in fourth grade math and reading.

Arkansas’s fourth- and eighth-grade students have made significant progress on all four sections of the NAEP since the 2001 Kilgore Decision. However, Arkansas students still trail behind the national average on each measure, as indicated in the charts below.¹

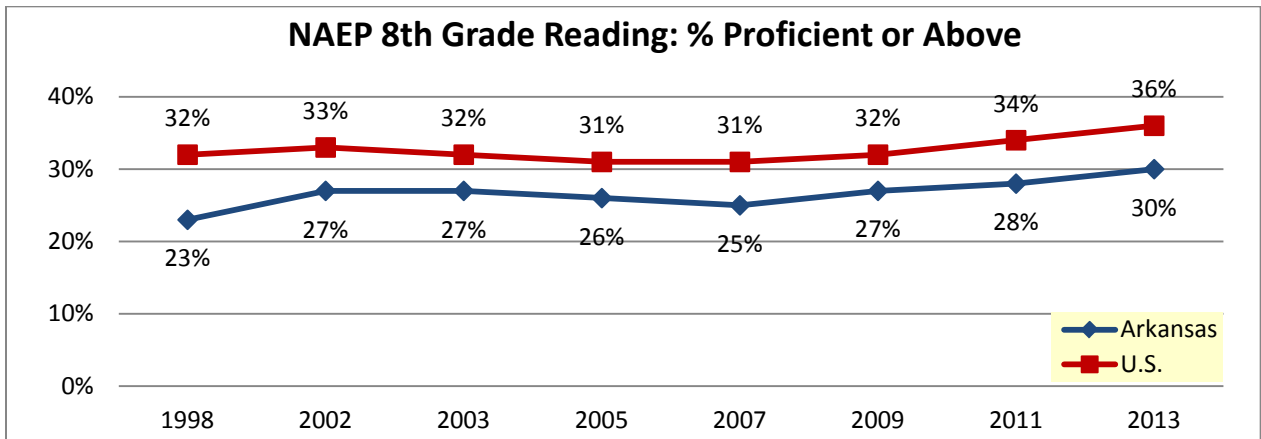
MATH



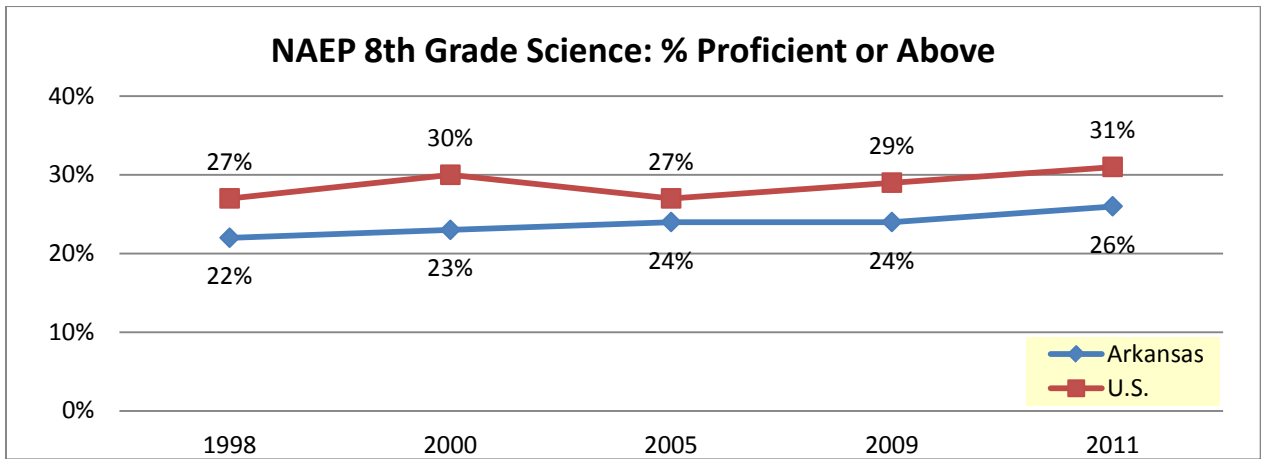
READING



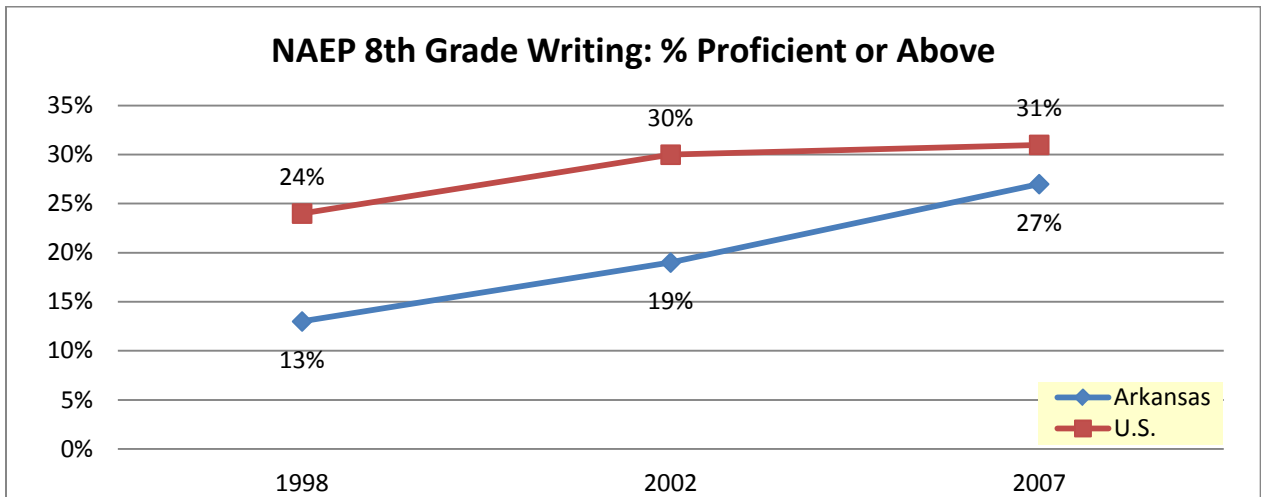
¹ Sources: U.S. Department of Education, National Center for Educational Statistics, various years.



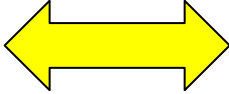
SCIENCE



WRITING



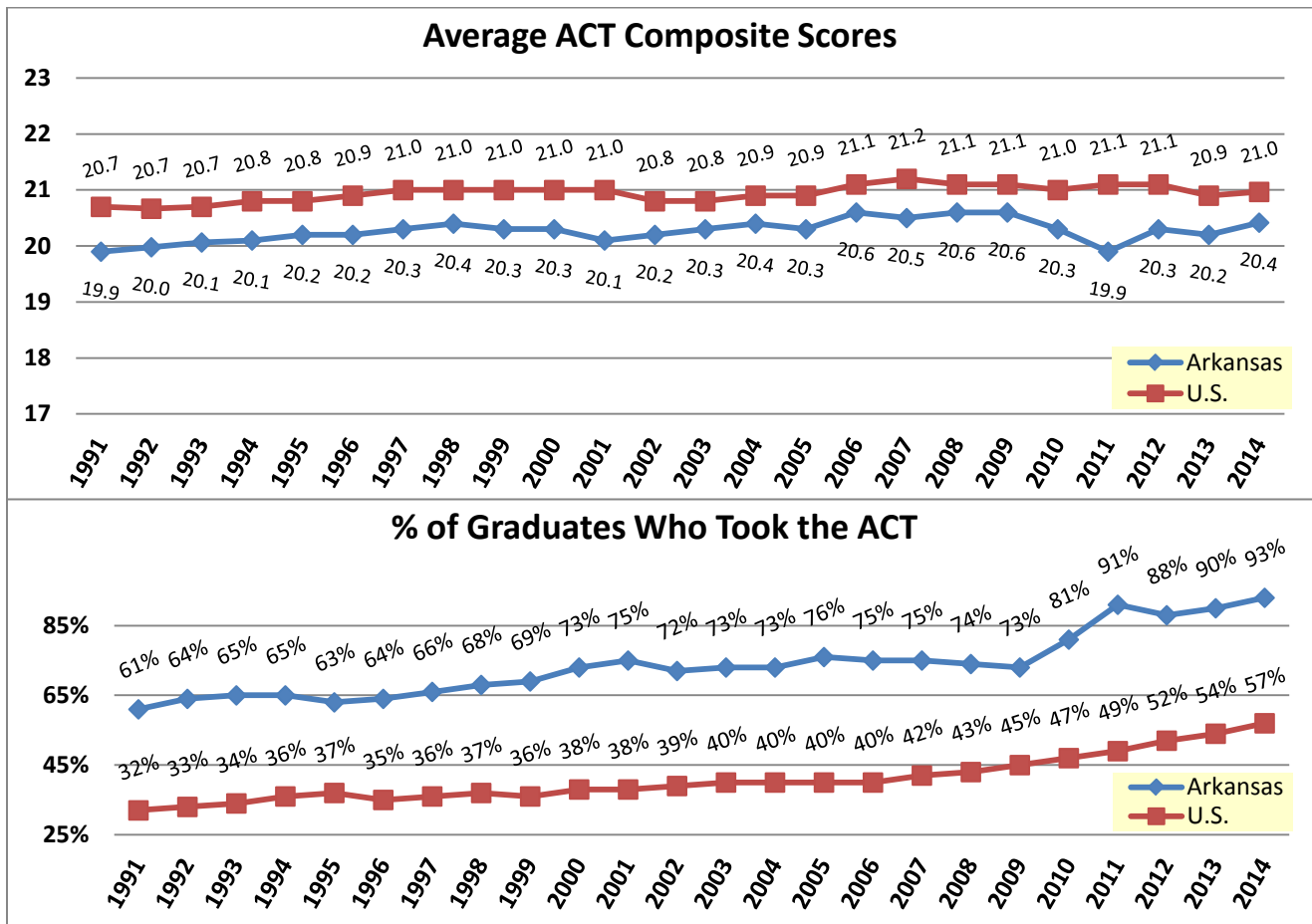
ACT Composite Scores



2001 KILGORE DECISION: “Arkansas students scored several tenths below the national average on the ACT from 1990 to 1999.”

NOW: Arkansas students still scored several tenths below the national average on the ACT from 1999 to 2014; however, the percentage of students taking the ACT has increased dramatically and far surpasses the national average.

Since 1991, the average composite ACT score for Arkansas (and the U.S.) has remained relatively flat.² In 2014, Arkansas’s average composite score was 20.4—statistically insignificant from the average score of 19.9 in 1991.³ At the same time, the national average has remained virtually the same over this period as well, at 20.7 in 1991 and 21.0 in 2014. Arkansas’s students have scored only slightly below the national composite from 1991-2014.⁴ The good news is that the percentage of students in Arkansas who took the ACT has steadily increased during this same period, from 61% in 1991 to 93% in 2014—far surpassing the national average (from 32% in 1991 to 57% in 2014).



² According to officials from ACT, Inc., 1991 is as far back as ACT scores can be consistently compared, due to changes in methodology.

³ Arkansas’s average ACT scores dropped significantly in 2010, when the state paid the test fee for all students, leading more students to begin taking the test. As the number of test takers increase, average scores typically decrease.

⁴ ACT National and State Scores [1994-2013 data]. Retrieved July 22, 2014, from <http://www.act.org/newsroom/data>; Historical data from 1991-1993 was provided by Judy Trice, Senior Account Manager of State Programs and Partnerships at ACT, Inc.

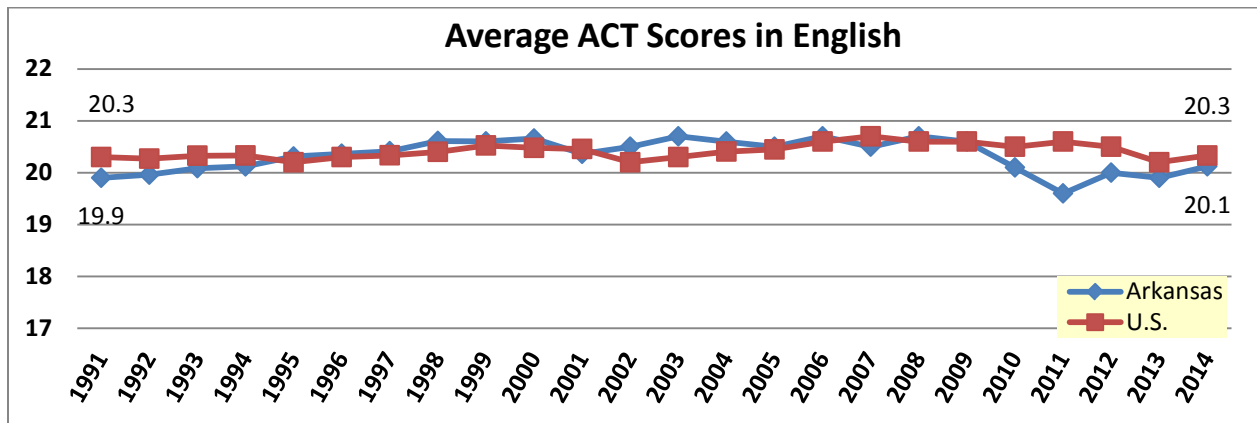
Scores on ACT Section in English



2001 KILGORE DECISION: “On the ACT test in English, Arkansas students exceed the national average.”

NOW: Arkansas students’ scores on the ACT test in English have held steady and are now essentially tied with the national average.

From 1995-2000, and again from 2002-2006, Arkansas students slightly outperformed the national average on the ACT test in English. Since that time, Arkansas’s average English score has tracked the national average very closely.⁵ In 2014, Arkansas’s average score in English was 20.1, compared to the U.S. average score of 20.3. The dip in Arkansas’s scores in 2010 and 2011 was likely related to the significant increase in the proportion of students in Arkansas who took the test.



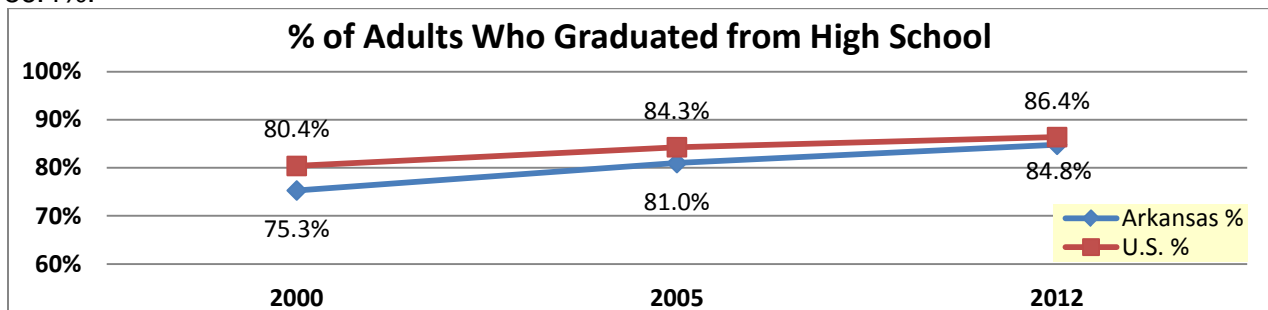
Percentage of Adults Who Graduated From High School



2001 KILGORE DECISION: “Arkansas ranks lower than the national average for percentage of adults ages 25 years and older who have graduated from high school.”

NOW: Arkansas has increased significantly the percentage of adults who have graduated from high school and now ranks very close to the national average.

In 2000, Arkansas ranked **47th** among states and the District of Columbia in the percentage of adults ages 25 years and older who graduated from high school, at 75.3%, compared to the national average of 80.4%.⁶ According to the latest data from the U.S. Census Bureau, Arkansas ranked **35th** in 2012, at 84.8%—almost closing the gap with the national average of 86.4%.⁷



Source: U.S. Census Bureau, 2000 Census; 2005 ACS; 2012 ACS

⁵ ACT National and State Scores [1994-2013]. Retrieved July 22, 2014, from <http://www.act.org/newsroom/data>

⁶ U.S. Census Bureau, Census 2000, Summary File 3, Matrices P37 and PCT25.

⁷ U.S. Census Bureau, American Community Survey (ACS), 2012.

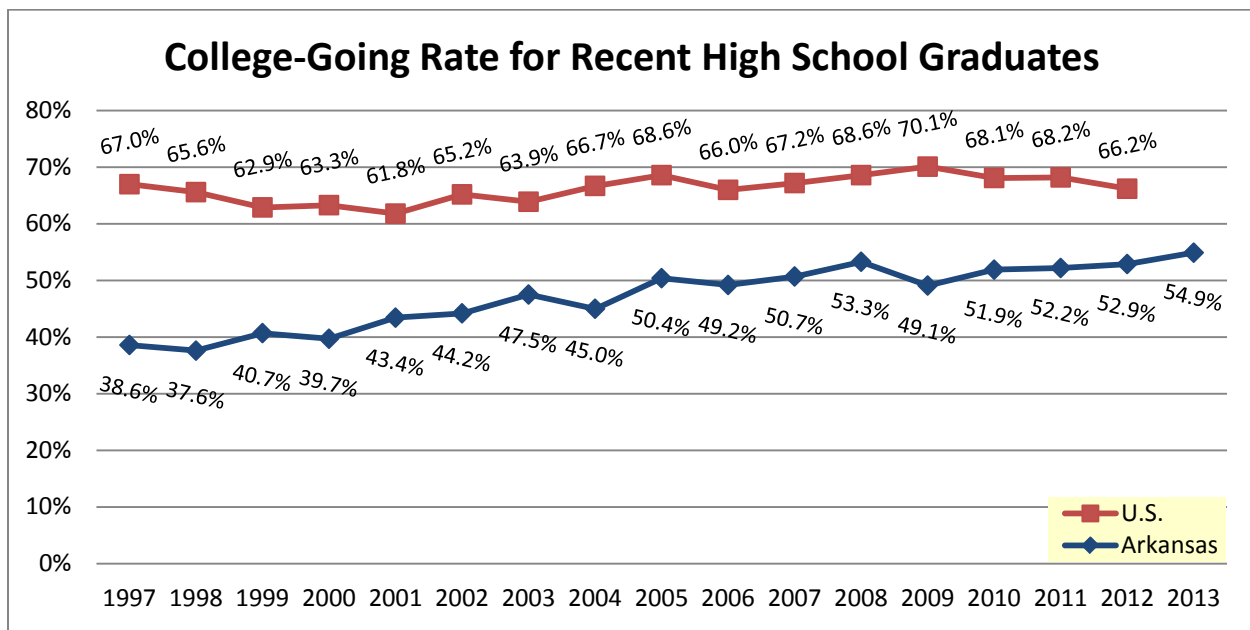
College-Going Rate



2001 KILGORE DECISION: “For the period 1996 through 1998, the percentage of Arkansas high school graduates attending college is approximately 53%.”

NOW: From 1997-2014, the percentage of high school graduates attending college has averaged 47.1%—but the trend continues to go steadily upward.

The 53% college-attendance rate cited in the Kilgore decision may be a little misleading, due to changes in the Arkansas Department of Higher Education’s (ADHE) methodology over the years; it was actually closer to 38.6%. According to ADHE’s old methodology for reporting college-going rate (CGR), Arkansas’s rate was 57.6% in 1997 and 56.0% in 1998.⁸ However, ADHE changed this methodology beginning with the 2011 Annual Comprehensive Report. The new methodology more closely follows that used by the National Center for Education Statistics (NCES). The new methodology is a College-Going Rate (CGR) calculation for Arkansas public high school graduates only and does not include graduates from private schools. Since then, ADHE has reported data to reflect this new methodology. According to its 2013 report, Arkansas’s CGR has risen from **38.6%** in 1997 to **54.9%** in 2013—essentially the same rate that the 2001 Kilgore report had been based upon.⁹ In comparison, the national CGR has slightly declined from 67.0% to 66.2% during the same period.¹⁰



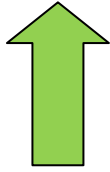
Note: National data for 2014 is not yet available. Comparable data for Arkansas prior to 1997 is not available.

⁸ Arkansas Department of Higher Education. *2010 Annual Comprehensive Report*. Retrieved August 1, 2014, from <http://www.adhe.edu/institutions/Pages/2010AnnualComprehensiveReport.aspx>

⁹ Arkansas Department of Higher Education. *Comprehensive Arkansas Higher Education Annual Report, December 1, 2013: Remediation Rates*. Retrieved August 26, 2014, from <http://www.adhe.edu/SiteCollectionDocuments/Section%204%20-%20Research%20and%20Planning%2013.pdf>

¹⁰ *Digest of Education Statistics: 2013*. Table 302.10. Recent high school completers and their enrollment in 2-year and 4-year colleges, by sex: 1960 through 2012. Retrieved September 29, 2014, from http://nces.ed.gov/programs/digest/d13/tables/dt13_302.10.asp

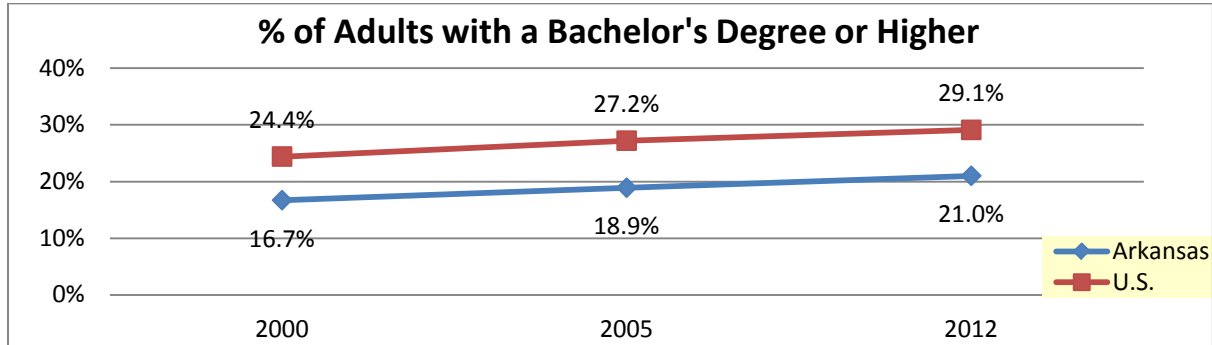
Percentage of Adults with a Bachelor's Degree or Higher



2001 KILGORE DECISION: “Arkansas ranks 49th in the nation in percentage of the population age 25 years or older with a bachelor’s degree or higher.”

NOW: Arkansas has increased its percentage of adults with at least a bachelor’s degree and now ranks 47th in the nation.

According to data from the 2000 Census, Arkansas actually ranked 50th among states and the District of Columbia in the percentage of the population age 25 years or over with a bachelor’s degree or higher in 2000, at 16.7%, compared to the national average of 24.4%.¹¹ Arkansas ranked 47th on this measure in 2012, at 21.0%, compared to the national average of 29.1%.¹²



Source: U.S. Census Bureau, 2000 Census; 2005 ACS; 2012 ACS

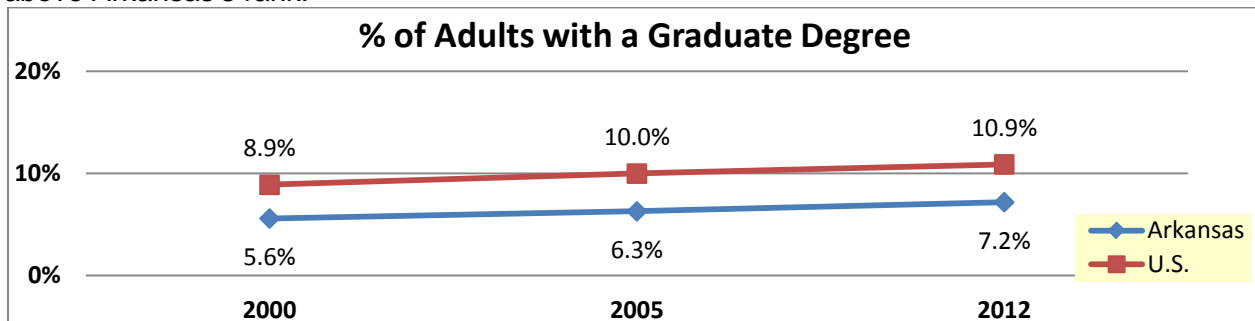
Percentage of Adults with Graduate Degrees



2001 KILGORE DECISION: “Arkansas ties for last place in the nation in percentage of adults with graduate degrees.”

NOW: Arkansas is now in 39th place in the nation in the percentage of adults with graduate degrees; however, it still significantly trails the national average.

According to data from the 2000 Census, Arkansas ranked 50th among states and the District of Columbia in the percentage of the population age 25 years or over with a graduate degree, at 5.6%, compared to the national average of 8.9%.¹³ Arkansas ranked 39th on this measure in 2012, at 7.2%, compared to the national average of 10.9%.¹⁴ However, while this sounds like a significant improvement in Arkansas’s ranking, it should be noted that Arkansas still came in last place among all states and the District of Columbia; many other states were tied in places above Arkansas’s rank.



Source: U.S. Census Bureau, 2000 Census; 2005 ACS; 2012 ACS

¹¹ U.S. Census Bureau, Census 2000, Summary File 3, Matrices P37 and PCT25.

¹² U.S. Census Bureau, American Community Survey (ACS), 2012.

¹³ U.S. Census Bureau, Census 2000, Summary File 3, Matrices P37 and PCT25.

¹⁴ U.S. Census Bureau, American Community Survey (ACS), 2012.

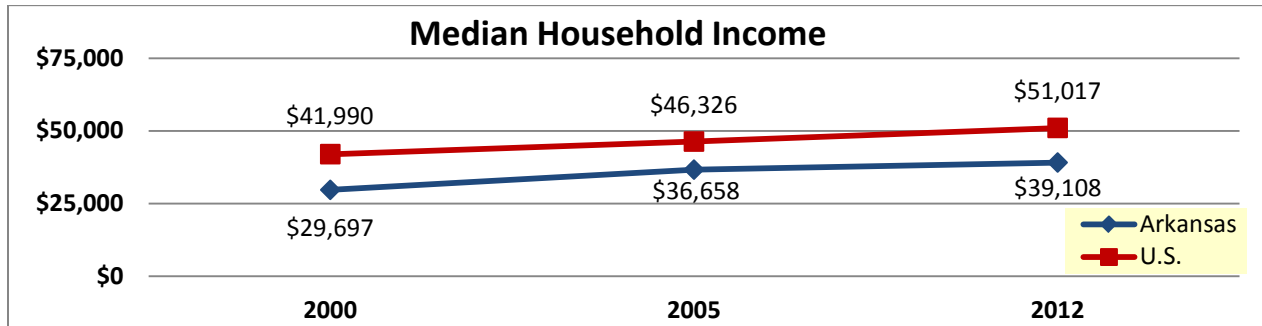
Median Household Income



2001 KILGORE DECISION: “Arkansas ranks 49th among the states for median household income.”

NOW: Although median household income has risen since 2000, Arkansas still ranks 50th among states on this measure.

According to data from the U.S. Census Bureau, Arkansas actually ranked 50th among the 50 states and the District of Columbia for median household income in 2000, at \$29,697, compared to the national average of \$41,990.¹⁵ In 2012, Arkansas still ranked 50th, at \$39,108, compared to the national average of \$51,017.



Source: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplements* (1984-2012).

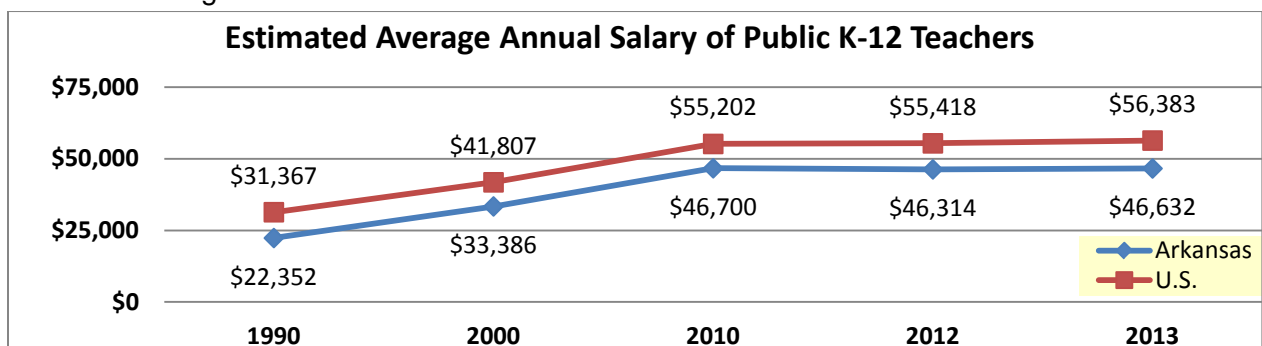
Teacher Salaries



2001 KILGORE DECISION: “Arkansas generally ranks between 48th and 50th in teacher pay.”

NOW: While Arkansas has considerably raised average annual teacher salaries since 2000, the state still only ranked 45th in teacher pay in 2013.

According to the 2000 *Digest of Education Statistics*, Arkansas ranked 50th in teacher pay in 1990, with an average salary of \$22,352 in current dollars (not adjusted for inflation).¹⁶ Arkansas moved up to 43rd place in 2000, at \$33,386, but then went down to 45th place in 2013, at \$46,632, compared to the national average of \$56,383. The gap between Arkansas’s average teacher salary and the national average teacher salary can be explained largely by Arkansas’s relatively low cost of living.



Source: National Education Association’s “Estimates of School Statistics”, 1969-70 through 2012-13

¹⁵ U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplements*. Table H-8. Median Household Income by State: 1984 to 2012. Retrieved July 22, 2014, from https://www.census.gov/hhes/www/income/data/historical/household/2012/H08_2012.xls

¹⁶ National Education Association, *Estimates of School Statistics*, 1969-70 through 2012-13. Cited in *Digest of Education Statistics: 2013*. Table 211.60. Estimated average annual salary of teachers in public elementary and secondary schools, by state: Selected years, 1969-70 through 2012-13. Retrieved September 30, 2014, from http://nces.ed.gov/programs/digest/d13/tables/dt13_211.60.asp

Per-Pupil Expenditures

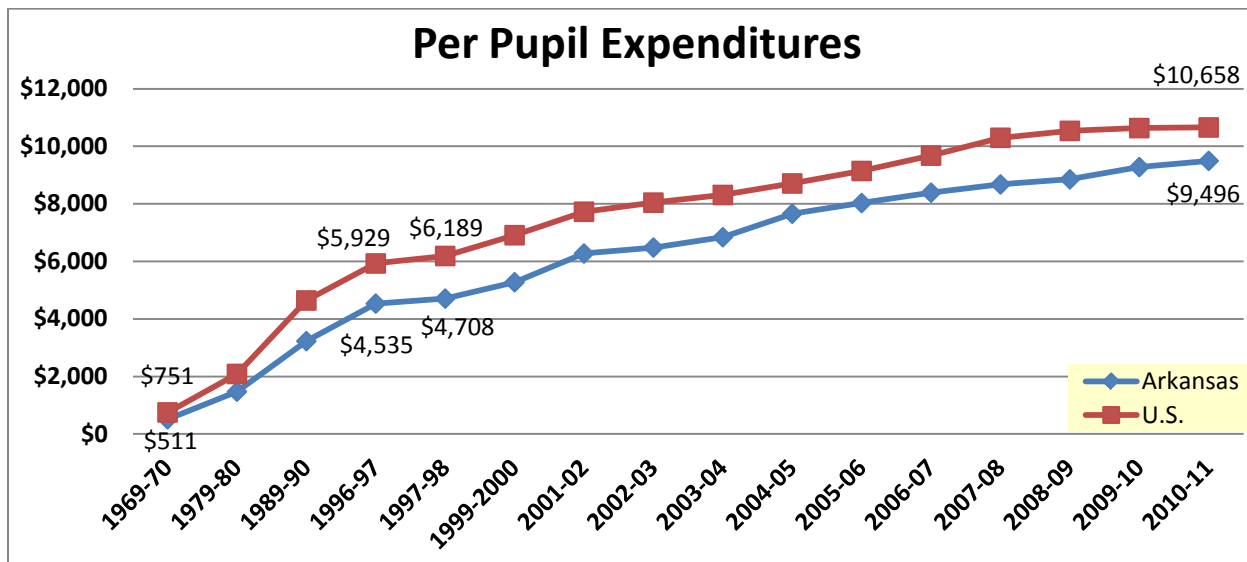
2001 KILGORE DECISION: “In the 1996-97 school year, the last year comparable figures are available for the entire nation, Arkansas spent \$4,535 in operating funds per pupil. The national per pupil spending average was \$5,923. Although there does not exist a thoroughly accurate way of adjusting for differences in cost of education because some school districts are located in communities with higher costs of living, it is clear that Arkansas’ costs are not fully 25% lower than the nation as a whole.”

NOW: In the 2010-11 school year, the last year comparable figures are available for the entire nation, Arkansas spent \$9,496 in per pupil—only 11% lower than the nation as a whole.

2001 KILGORE DECISION: “Arkansas ranked 48th in the nation in 1998 on spending per student.”

NOW: Arkansas ranks 31st in the nation on spending per student.

According to the 2000 *Digest of Education Statistics*, Arkansas spent **\$4,535** per pupil in 1996-97, compared to the national average of **\$5,923**, or about 23.4% less.¹⁷ In 2010-11, Arkansas spent **\$9,496** per pupil, compared to the national average of **\$10,658**, or about 11% less.¹⁸ Arkansas actually ranked 47th among the 50 states and the District of Columbia in FY 1998 on per pupil expenditures, at \$4,708, compared to the national average of \$6,189.¹⁹ Today Arkansas ranks 31st in per-pupil expenditures.



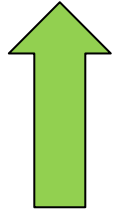
Source: *Digest of Education Statistics*, 2000; U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems, 1969-70; Revenues and Expenditures for Public Elementary and Secondary Schools, 1979-80*.

¹⁷ *Digest of Education Statistics: 2000*. Table 169: Current expenditures per pupil in fall enrollment in public elementary and secondary schools, by state: 1969-70 to 1997-98. Retrieved July 22, 2014, from <http://nces.ed.gov/programs/digest/d00/dt169.asp>

¹⁸ *Digest of Education Statistics: 2013*. Table 236.65: Current expenditure per pupil in fall enrollment in public elementary and secondary schools, by state or jurisdiction: Selected years, 1969-70 through 2010-11. Retrieved September 28, 2014, from http://nces.ed.gov/programs/digest/d13/tables/dt13_236.65.asp

¹⁹ *Digest of Education Statistics: 2000*, Table 169. Current expenditures per pupil in fall enrollment in public elementary and secondary schools, by state: 1969-70 to 1997-98. Retrieved July 22, 2014, from <http://nces.ed.gov/programs/digest/d00/dt169.asp>

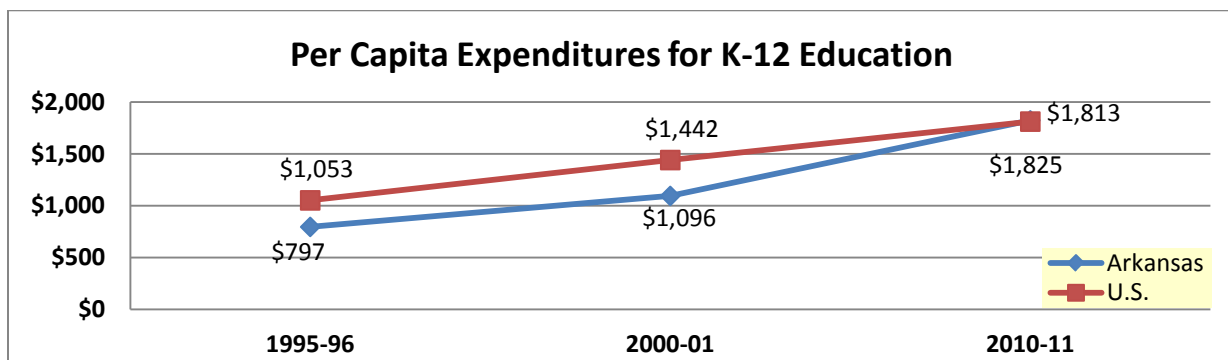
Per Capita Spending on Education



2001 KILGORE DECISION: “Arkansas ranks at number 50 among the states in per capita state and local government expenditures for elementary and secondary education.”

NOW: From 1996-2010, Arkansas improved its ranking from 50th to 24th nationally in per capita state and local government expenditures for K-12 education.

According to the 2000 *Digest of Education Statistics*, Arkansas ranked 50th among states and the District of Columbia in per capita state and local government expenditures for elementary and secondary education in 1995-96, at \$797 per capita.²⁰ According to the 2005 *Digest*, Arkansas ranked 47th on this measure in 2000-01, at \$1,096 per capita.²¹ According to the 2013 *Digest*, Arkansas ranked 24th in 2010-11, with \$1,825 per capita, compared to the national average of \$1,813.²²



Education Week’s “Education Counts” Rankings in Adequacy & Equity



2001 KILGORE DECISION: “In a survey published in “*Education Week*”, Arkansas received an F on the adequacy indicator and a C on the equitable division indicator. (Transcript p. 1386)”

NOW: Arkansas improved from an F to a C- on the adequacy indicator from 1998-2004 (the last year that *Education Week* gave adequacy grades). Arkansas also improved from a C- to the equivalent of a B+ on the equity indicator from 1998-2014.

Since *Education Week*’s “Quality Counts” reports were first published, its methodology for determining grades for “adequacy” and “equity” has changed. Its reports originally gave letter grades on various indicators between 1998 and 2004, then it began giving both letter grades and their percentage-equivalent from 2004-2014. *Education Week* stopped giving grades for “adequacy” in its 2005 report, due to debate on how an adequate education should be measured. However, it continued to give percentage-equivalent grades for the “equity” measure from 2004-2014.

²⁰ *Digest of Education Statistics: 2000*, Table 35. Direct general expenditures per capita of state and local governments for all functions and for education, by level and state: 1995–96. Retrieved July 22, 2014, from <http://nces.ed.gov/programs/digest/d00/dt035.asp>

²¹ *Digest of Education Statistics: 2005*, Table 29. Direct general expenditures per capita of state and local governments for all functions and for education, by level and state: 2001-02. Retrieved July 22, 2014, from http://nces.ed.gov/programs/digest/d05/tables/dt05_029.asp

²² *Digest of Education Statistics: 2013*, Table 106.50. Direct general expenditures per capita of state and local governments for all functions and for education, by level of education and state: 2009-10 and 2010-11. Retrieved September 30, 2014, from http://nces.ed.gov/programs/digest/d13/tables/dt13_106.50.asp

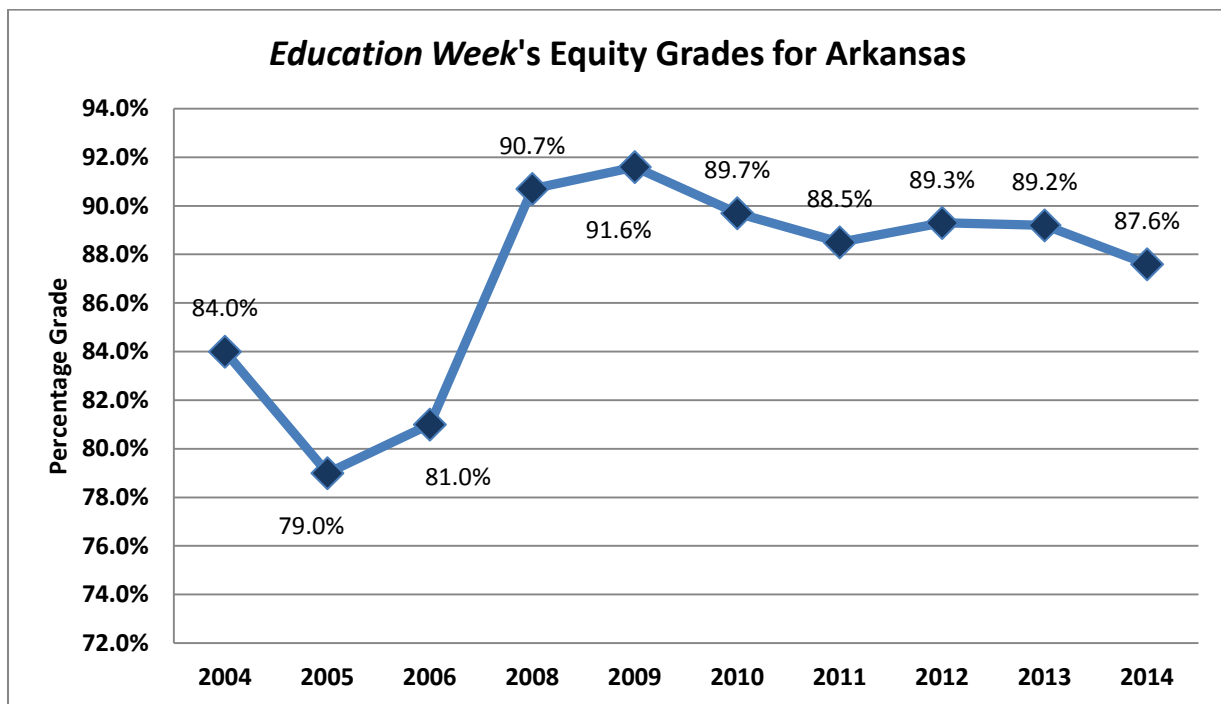
Below are *Education Week's* letter grades for Arkansas in adequacy and equity between 1998 and 2004. Arkansas's adequacy grade improved from an F in 1998 to a C- in 2004, and its equity grade rose from a C- to a B- during that same period.

Arkansas's Adequacy Grades in *Education Week's* "Quality Counts" Reports, 1998-2004

Year	Adequacy Grade	Equity Grade
1998	F	C-
1999	B-	C
2000	C+	C
2001	C	B
2002	C	C+
2003	C	B-
2004	C-	B

Note: *Education Week* stopped giving grades for "adequacy" in its 2005 report.

For the equity measure, percentage-equivalent grades were given between 2004 and 2014. Those grades are plotted in the graph below.



Source: *Education Week's* "Quality Counts" reports, 2004-2014. No score was provided in 2007.

In 2005, Arkansas put new funding mechanisms in place to address equity issues (e.g., National School Lunch [NSL] funds for students in poverty, funding for alternative learning environments [ALE] and English language learners [ELL]). Between 2006 and 2008, Arkansas also invested a significant amount of funding in academic facilities.

Section 4: Statewide School Accountability Programs

Arkansas Comprehensive Testing, Assessment, and Accountability Program

The Arkansas Comprehensive Testing, Assessment, and Accountability Program (**ACTAAP**) § 6-15-401 et seq., is the statutory framework for the state’s program of student academic assessment and district and school accountability. The courts have called ACTAAP the “blueprint for education in Arkansas.” The three stated purposes of ACTAAP are:

1. To improve student learning and classroom instruction.
2. To provide public accountability.
3. To provide evaluation data to assist policymakers.

Act 54 of 1983 created an initial system of student testing and assessment, but was later amended by a number of measures to reach beyond student testing and include a school accountability element. As a result, ACTAAP now establishes the manner in which the state holds schools and districts accountable for the performance of their students on state tests. The accountability program under the ACTAAP state statute works in conjunction with the federal **No Child Left Behind Act** (NCLB), also known as the **Elementary and Secondary Education Act** (ESEA). ACTAAP requires the State Board of Education (SBOE) to identify and address schools in need of improvement for compliance with NCLB.

STUDENT ASSESSMENT

The centerpiece of ACTAAP is a testing system in which every student and public school is required to participate. The tests are used to gauge students’ understanding of the state curriculum. The Arkansas Department of Education (ADE) then uses the collective test scores to measure the quality of the education that schools provide. These tests are given to assess school readiness in kindergarten and to assess math and literacy at the 1st through 8th grade levels. ACTAAP also calls for End-of-Course (EOC) testing and college readiness testing (pre-ACT assessments for 8th and 10th graders) for high school students. The state may also give tests in science, civics, and government as mandated by ADE. For students who are not proficient in reading, writing, and math, ACTAAP calls for an individual evaluation and the development of an academic improvement plan. Currently, the state’s assessment program is transitioning to a new set of tests aligned with the Common Core State Standards. ADE has been involved in a 13-state (and Washington D.C.) consortium — **Partnership for Assessment of Readiness for College and Careers (PARCC)** — that is developing these student assessments. The PARCC assessments will replace Arkansas’s current Benchmark exams and will be implemented in 2014-15 in math and English language arts, grades 3 through 11. Because students will take the PARCC tests online, there is some concern about the amount of broadband required for implementation (see page 43 for more information about the broadband issue).

SCHOOL ACCOUNTABILITY

Each school and school district is required to demonstrate students’ ability to perform at proficient levels in reading and writing literacy and mathematics. Schools are then held accountable for student achievement through a school performance rating based on their students’ annual performance on state assessments, academic growth, graduation rate (for secondary schools), and other criteria required by law or rule of the ADE. Each school’s designation must be published annually and be generally accessible to parents and to the public.

The current configuration of the school rating system was established by Act 1429 of 2013. Under previous law, the rating system was based on a 1 to 5 rating in two categories: annual improvement (also known as the gains rating) and annual performance (also known as the status rating). These rating categories were different from the school improvement labels

schools received under the federal NCLB and are different from the school designations under the ESEA Flexibility Plan (see below). Act 1429 eliminated the annual improvement rating and dropped the 1 to 5 rating scale from the **school performance rating**. Act 1429 also amended the Arkansas School Recognition Program to provide financial rewards to public schools with high student performance, academic growth, and graduation rates.

Act 696 of 2013 (Ark. Code Ann. § 6-15-2105) required the state to develop a new system of rating schools using A-F letter grades. ADE will soon finalize the rules for the new system, which is likely to be based on four major criteria, where applicable: weighted performance on standardized tests, improvement in performance toward for ESEA targets, a four-year adjusted cohort graduation rate, and achievement gap adjustments.

Elementary and Secondary Education Act

The state's testing system is also used to comply with the ESEA, the federal education reform legislation that established a system of school accountability for student learning. NCLB was the name given to the 2001 federal reauthorization of the ESEA. The terms NCLB and ESEA are often used interchangeably.

NCLB required states to develop rigorous and challenging academic standards in language arts, math, and sciences (Pub. L. 107-110, 115 Stat. 1425). The law also required states to test students in reading, writing, and math in grades 3-8 and in high school, starting with the 2005-06 school year, and in science, beginning in 2007-08. Students' test scores place them in one of four categories indicating increasing subject and skills mastery: below basic, basic, proficient or advanced. The law required schools to increase the percentage of students testing in the proficient or advanced categories each year. It established a series of increasing targets that schools must meet or be placed in **school improvement** where they faced increasing sanctions.

NCLB was scheduled for **reauthorization** in 2007, but Congress could not agree on a new version of the law. Meanwhile, most states were in the process of adopting new education standards—the Common Core State Standards—which would be taught in classrooms before new tests that were aligned to the standards would be ready. With Congress in a deadlock over ESEA reauthorization, U.S. Secretary of Education Arne Duncan announced in September 2011 that states would be allowed to apply for waivers from some of the law's provisions. States with successful applications would be allowed to set their own targets for schools' student performance, and they would no longer be required to apply the corrective actions called for by NCLB. In exchange for such "**flexibility**," as it is called, states are required to:

- Adopt college and career-ready standards and "high-quality assessments."
- Develop an accountability system that measures schools' progress with graduation rates and test scores in English language arts and math. The system must include incentives and interventions to close achievement gaps.
- Develop teacher and principal evaluation systems.

Arkansas, 44 other states, and the District of Columbia submitted flexibility applications, and in June 2012, the U.S. Department of Education (DOE) approved Arkansas's plan. Arkansas's ESEA Flexibility Plan replaced the federal school improvement accountability structure. Individual schools are no longer required to hit the same student performance targets. Instead, each school has its own target that calls for it to cut in half the percentage of students who are not proficient and, for high schools, to reduce by half the percentage of students who do not graduate. Schools must achieve these goals within six years.

Under the plan all schools are designated as **achieving** or **needs improvement**, depending on whether they meet their established performance targets and graduation rates. The Flexibility Plan also calls for more oversight and intensive support for the schools with the lowest level of student achievement and those with the largest achievement gaps. ADE identified the lowest

performing 5 percent of schools in the state, and designated those 48 schools as “needs improvement **priority schools**.” Under the Flexibility Plan, priority schools receive more oversight from ADE and are required to develop an intensive three-year improvement plan and hire an outside school improvement consultant. ADE identified another 109 schools as “needs improvement **focus schools**.” Focus schools are those with the largest achievement gaps between students in the Targeted Achievement Gap Group (TAGG) and other students. The TAGG students are those who fall into at least one of three categories: economically disadvantaged, English language learners, or students with a disability. Focus schools receive more oversight from ADE. The Flexibility Plan also calls for Arkansas to identify **exemplary schools**, those schools that demonstrate high achievement or significant gains without large achievement gaps. Schools may also be identified as exemplary if they have particularly high student performance or significant gains among TAGG students.

The tables below show the number of schools that fell into each status category in 2012 and 2013.

Number of Schools by Overall Status	2012	2013
Exemplary Schools	15	9
Achieving Schools	336	137
Needs Improvement Schools	581	793
Needs Improvement Focus Schools	109	90
Needs Improvement Priority Schools	48	42

Number of Schools Achieving Targets 2012	Yes	No	NA
Met Percent Tested	1035	35	4
Achieving in Literacy	852	217	5
Achieving in Math	518	554	2
Achieving on Graduation Rate	122	139	813

Number of Schools Achieving Targets 2013	Yes	No	NA
Met Percent Tested	1004	82	-
Achieving in Literacy	562	523	1
Achieving in Math	247	839	-
Achieving in Graduation Rate	154	123	809

During the September 2013 adequacy study meeting, Mr. John Hoy, then ADE’s Assistant Commissioner for the Division of Academic Accountability, answered questions on this topic. He said that some districts consider the new school designation labels to be fair, while others do not. Generally the schools labeled exemplary are pleased with their labels, and the priority schools understand the reasoning for theirs. ADE had begun identifying the lowest 5% of schools well before the Flexibility Plan, so the priority label did not come as a surprise to those schools. However, ADE did receive some push back from schools designated as focus schools, because while these schools had the largest achievement gaps, they were not necessarily low-achieving schools.

The state’s Flexibility Plan is intended to be a temporary accountability structure, to be replaced with a reauthorized version of ESEA. However, the U.S. House and Senate have yet to agree on new legislation. In July 2014, the U.S. DOE approved a one-year extension on the state’s Flexibility Plan.

SUPPLEMENTAL EDUCATIONAL SERVICES

Under the original requirements of No Child Left Behind, schools in Year 2 of school improvement or beyond were required to offer students supplemental educational services (SES). They also were required to spend 20% of their federal Title I funds on SES and school choice related transportation and 10% of their Title I funds (over two years) on professional development. The state's ESEA Flexibility Plan eliminated those spending requirements, giving districts greater flexibility in selecting improvement strategies.

With approval of the state's ESEA Flexibility Plan, school districts are no longer required to offer or pay for supplemental educational services (SES), which are tutoring services through an outside company. (Districts are also no longer required to offer federal school choice. Schools in school improvement were previously required to allow students to transfer to other schools in the district that were not in school improvement.)

During the September meeting, several members expressed concern regarding the elimination of the requirement that districts spend Title I funding on supplemental educational services. SES is instruction provided outside the regular school day and may include tutoring, remediation, and other academic enrichment services. Schools in school improvement also were prohibited from serving as SES providers, meaning that schools that offered SES were required to hire outside organizations to provide the service.

Members asked how districts are continuing to meet students' needs without being required to provide SES services. Mr. Hoy said that ADE has conducted needs assessments in the lowest performing schools to find out what the needs were. If the needs assessment found that tutoring was needed that's what the Department would have recommended to the district.

District expenditure data obtained from the Arkansas Public School Computer Network (APSCN) following the September meeting shows that in the 2011-12 school year, 71 districts spent a total of about \$7.6 million on supplemental educational services. In 2012-13, the first year the ESEA Flexibility Plan allowed them to stop spending on supplemental services, eight districts spent just \$177,000. The adequacy study's survey of all school districts asked how their tutoring offerings changed once they were no longer required to use SES services. Of the 91 districts that said they stopped providing SES or reduced the amount of SES they offered, the majority indicated their districts are now providing the tutoring that was previously offered by SES providers.

State statute (§ 6-15-2011) requires providers of supplemental services to submit an annual report to ADE detailing the race/gender of students receiving their services and the improvement in student achievement for each student served. Of the 51 approved SES providers in 2011-12, just two submitted annual reports. Now such reports may be unnecessary since schools are no longer required to offer SES under the ESEA Flexibility Plan.

Arkansas Comprehensive School Improvement Plan

The **Arkansas Comprehensive School Improvement Plan (ACSIP)** is an annual planning and budgeting document that all Arkansas public schools and school districts are required to create (§ 6-15-419). The ACSIP serves both a state and federal function. Under state law, the ACSIP helps guide the creation of school-level and district-level strategies for improving student achievement, and it serves as a budget tool for certain state restricted-use funds. The ACSIP also serves as districts' application and budget for all federal programs administered ADE under ESEA. ADE's on-site monitoring of ACSIPs fulfills the state's obligation to ensure districts' compliance with federal regulations.

State law requires all ACSIPs to contain certain information (§ 6-15-426). The plan must include activities aimed at addressing the greatest needs as indicated by student test score data. State statute also requires the ACSIP to describe how the school or district intends to use each of the four state categorical funds (professional development, National School Lunch, English language learners, and alternative learning environment). At the end of each school year, districts and schools are required to assess the effectiveness of the interventions described in the ACSIP and include the assessment in the following year's plan. State law also requires low performing schools identified under ESEA to revise their ACSIPs to include any new requirements added due to their status. Districts are required to post their school ACSIPs on their website (§ 6-15-2202(b)(1)(A)).

ACSIP DEVELOPMENT

Every Arkansas public school district and school is required to draft an ACSIP using the uniform format specified by ADE. The format requires schools and districts to identify top priorities and goals and set benchmarks, such as, "a 5% reduction in office referrals." The interventions and actions are then set for each priority. The ACSIP identifies the individuals responsible for carrying out each action, the timeline for implementation and the funding type and amount necessary for implementation (§ 6-15-426).

Each school district creates its own ACSIP, but ADE must approve the plan prior to its adoption. ADE has a staff of 13 people who work with districts on ACSIP development. ADE staff also work on-site with schools designated as "priority" schools (the state's lowest performing schools) and "focus" schools (those with the largest achievement gap) to provide intensive support in the development and implementation of their plan. While ADE is responsible for approving district ACSIPs, districts are responsible for working with their individual schools to create and approve school-level ACSIPs.

COMPLIANCE MONITORING

The General Assembly passed Act 807 of 2007 to require ADE to monitor school and district compliance with ACSIP implementation (§ 6-15-426(i)). Under the law, ADE is required to monitor the use of public school funding for state categorical programs and instructional facilitators ADE must also review districts' implementation of programs for students whose academic achievement is below proficient, and department staff must evaluate the research the district cites as support for its selected strategies.

ADE has a monitoring staff of five employees who visit districts to determine their compliance with all applicable state and federal rules. ADE employees visit each district and charter school on a six-year rotating schedule, or about 45 districts each year. During the monitoring process ADE staff interview district program personnel and review documentation for evidence of district compliance.

Within 20 days of the monitoring visit, ADE staff complete a written report that specifies the extent to which the district is implementing each requirement and any corrective action needed.

The district then has 30 days to correct any issues and submit relevant documentation. After allowing adequate time and discussion to resolve outstanding issues, ADE has the authority to withhold funding from districts that continue to be out of compliance.

In August 2013, ADE’s Dr. Tom Kimbrell, Commissioner; Mr. John Hoy, Assistant Commissioner; Mr. Willie Morris, Director of Federal and State Monitoring; and Mr. Elbert Harvey, School Improvement Coordinator, discussed the issue of the ACSIP with the Education Committees. Asked whether the ACSIP had morphed from a school improvement tool to more of a compliance document, Mr. Hoy and Dr. Kimbrell acknowledged that it had. Mr. Hoy noted that the ACSIP’s usefulness as a tool for school improvement planning is ultimately dependent on how the individual school and district administrators use it. Dr. Kimbrell noted that ADE has changed the process to allow districts that were meeting student achievement goals to amend their ACSIPs every other year, while those that were not meeting their goals would be required to reevaluate their plans. But he acknowledged that the ACSIP process has become unwieldy, requiring “tubs” of documentation and extensive amounts of educators’ time.

Some members questioned whether the ACSIP model has been evaluated for effectiveness. Mr. Hoy noted that student test scores have increased over the last decade or so, since the ACSIP has been implemented, but he also noted that accurately measuring the effectiveness of ACSIP would be difficult considering the changes in policies over the years and the various ways districts use their ACSIPs.

To address some of the issues raised during the meeting, the Education Committees formed a subcommittee to examine the ACSIP process. Senator Joyce Elliott and Representative Les Carnine were appointed co-chairs of the subcommittee. Senators Bruce Holland and Jim Hendren and Representatives James Ratliff and Bruce Cozart were named as subcommittee members.

The subcommittee received testimony from ADE, school districts, and other interested parties. The subcommittee recommended a pilot program of a new ACSIP process and software known as Indistar. The plan calls for selected districts to pilot the new system for the 2014-15 school year, with all districts using the Indistar system for the 2015-16 school year. According to the subcommittee’s final report, “the proposed pilot program offered the best solution for testing possible revisions to the ACSIP process and would return its focus to enhancing student achievement rather than serving as a compliance document.”

School/District Accreditation Standards

Arkansas statute requires the SBOE to determine what subjects should be taught in public schools and develop a plan to review and revise those curriculum standards (§ 6-16-103, § 6-15-1502 et seq.). The state public school **accreditation standards** require districts to provide instruction to elementary and middle school students annually in each of the following areas:

Grades K-4	Grades 5-8
Language Arts Math Social Studies Science Tools for Learning (e.g., research skills) Fine Arts Health & Safety Education Physical Education	
Practical Living Skills/Career Exploration	Career & Technical Education

For high school students, districts are required to teach the following courses annually. The provision of these **38 units** is one element the General Assembly's definition of an adequate education.

In the 2012-13 school year, seven schools were cited for not providing all of the required courses. All seven schools were high schools in different school districts.

The 38 units districts must offer are different from the 22 required units high school students need to graduate. The units required for graduation are listed in the table below.

Seniors in 2013-14 will be the first students required to take Economics to graduate. The Economics course can be counted toward the three required social studies credits.

Grade	% in Smart Core
9 th	92.7%
10 th	90.5%
11 th	89.0%
12 th	85.5%

Students have the option of completing their high school education with the Core curriculum or the **Smart Core** curriculum. Both Core and Smart Core require 22 units, but Smart Core requires more rigorous coursework. In 2012-13, 89.6% of high school students were enrolled in Smart Core.

Grades 9-12	
Language Arts	6 units
Science	5 units
Math	6 units
Foreign Language	2 units
Fine Arts	3.5 units
Computer Applications	1 unit
Social Studies	4 units
Economics*	.5 units
Health & Safety	.5 units
Physical Education	1 unit
Career & Tech	9 units

*The Economics unit can be counted toward the required social studies or career & technical units with the appropriate teacher licensure.

Graduation Requirements	
English	4 units
Math	4 units
Natural Science	3 units
Social Studies	3 units
Oral Communications	.5 units
Physical Education	.5 units
Health & Safety	.5 units
*Economics	.5 units
Fine Arts	.5 units
Career Focus	6 units

Curriculum Frameworks and Common Core

The SBOE also specifies what information will be taught within each subject. The Arkansas **curriculum frameworks** are the learning standards that describe what students must know and be able to do in each academic subject area at each grade level. The curriculum frameworks, also known as “academic content standards” in statute, do not specify how the subject matter is to be taught or what textbooks teachers should use. Local school districts, principals and teachers are responsible for conveying the information in the way that best meets the needs of their students.

The curriculum frameworks form the basis for the state's school accountability system. Student assessments are designed to test on the knowledge and skills identified in the frameworks, and schools are responsible for ensuring their students demonstrate mastery by testing “proficient” on the exams.

REVISING THE FRAMEWORKS

Arkansas statute requires the SBOE to set a schedule to periodically review and revise the academic standards (§ 6-15-404). The SBOE must seek input from content standards experts, higher education and workforce education officials, and committees of Arkansas teachers, among others. Each year ADE receives funding to facilitate these revision efforts. Act 1309 of

2013 appropriated \$50,000 for the development of a comprehensive plan for revising the curriculum frameworks and \$161,000 for the cost of the revisions. These annual appropriation levels have not changed since they were first approved in the 2003-05 biennium.

COMMON CORE

Arkansas's English language and math curriculum frameworks have been replaced with the **Common Core State Standards (CCSS)**. Common Core is a state-led effort to provide clear educational standards across all states that adopt them. The goal of CCSS is to establish a set of rigorous standards that ensure first graders in one state, for example, are learning the same math and literacy content as first graders in other states. Forty-three states (including Arkansas) and the District of Columbia have formally adopted the CCSS. Forty-five states and D.C. originally adopted the standards, but since 2010, Indiana and Oklahoma have backed out.

The CCSS initiative began in 2009, through a collaboration between the National Governors Association and the Council of Chief State School Officers. Though it was not an effort of the federal government, the Obama administration has endorsed the effort and tied some federal funding to states' adoption of a common set of education standards.

In 2009, under the direction of Gov. Mike Beebe and then-ADE Commissioner Ken James, Arkansas entered into a memorandum of understanding (MOU) to support the CCSS initiative. According to the MOU, Common Core must represent at least 85% of the state's English language arts and math standards, and the state was required to adopt the CCSS within three years. A year later, the SBOE actually adopted the standards. Additionally, the General Assembly's Act 989 of 2011 endorsed the effort by authorizing the SBOE to align Arkansas's curriculum frameworks with the CCSS.

In July 2010, the Arkansas Department of Education (ADE) organized a committee of educators to analyze the Common Core to see how closely the standards align with Arkansas's existing curriculum frameworks. The group found that most of the CCSS were an "excellent" or "good" match with Arkansas's standards, although the grade levels for the standards may not match exactly. Some Common Core standards did not appear in any of the existing Arkansas frameworks. Twelve Common Core standards in math were new in Arkansas, while all English language arts standards matched to some degree with existing Arkansas standards.

The CCSS were introduced in Arkansas schools over a three-year period. School districts began teaching the new standards in 2011-12, and grades 9-12 were the last to implement the standards in 2013-14.

Grades	Implementation Year
K-2	2011-12
3-8	2012-13
9-12	2013-14

Current Issues

In July 2013, the House and Senate Education Committees met for two days to discuss the progress of CCSS implementation. Over the course of these meetings, several questions were presented to the committees by concerned legislators, educators, parents, and citizens alike. Those who spoke in favor of the standards viewed CCSS as raising the bar for providing a high-quality education to all students and a way to help make Arkansas and its students competitive in global economy. In order to successfully implement the standards, they also cited the need for investing in technology and professional development for teachers.

The main arguments against the standards were that CCSS would take away local control over education and enable the federal government to coerce states into compliance. Dissenters also decried the influence of special interest groups in developing the standards, while the voices of teachers and parents were not included. They worried that CCSS would limit teachers' autonomy in the classroom and place even more emphasis on high-stakes testing. Multiple parties worried that teachers may be forced to teach parts of a curriculum that may not be in line

with Arkansas's values. Dr. Tom Kimbrell, who at the time served as the Arkansas Commissioner of Education, received a letter from the Council of Chief State School Officers (CCSSO) which clarified that the standards are copyrighted to protect them from unauthorized use by vendors, but the copyrights should not prevent educators from adapting them as needed.

Further questions were raised regarding the collection of data on students and parents under the CCSS. Specifically, there were concerns about the reporting of parent income levels. Mr. Jim Boardman, the department's Assistant Commissioner for Research and Technology at the time of the meeting, reported that the protocol used for Arkansas data collection is one of the strongest in the nation in terms of privacy and confidentiality. Additionally, a list of the student information collected is available to the public in the Statewide Information System (SIS) manual on the APSCN website.

NEXT GENERATION SCIENCE STANDARDS

The state's science standards are also being revised through the development of the **Next Generation Science Standards (NGSS)**. The standards are a collaborative effort of 26 states, including Arkansas; the National Research Council; the National Science Teachers Association; and other organizations.

The final NGSS were released in April 2013. In June, Rhode Island became the first state to adopt them. As of July 2014, 12 of the 26 collaborative states and the District of Columbia have fully adopted the standards. The Arkansas SBOE *endorsed* the standards in April 2014. If the standards are fully adopted in this state, they would be implemented in K-4th grade beginning in the 2016-17 school year, grades 5-8 in 2017-18, and in grades 9-12 in 2018-19.

Distress Programs

School districts are locally operated, but the state shares the responsibility for ensuring students receive an adequate education. To uphold that obligation the state has three programs to identify struggling districts, provide corrective guidance and sanction those that continue to perform poorly. The state's three distress programs are 1.) academic distress for districts with low student achievement, 2.) fiscal distress for districts with serious financial problems and 3.) facilities distress for districts that are unable to build or maintain safe school buildings.

ACADEMIC DISTRESS

Academic Distress is the state designation for a school district or individual school that has failed to meet established levels of academic achievement for a sustained period of time. The academic distress designation is established in Arkansas Code (§ 6-15-425), but the SBOE is responsible for defining the criteria used to classify a district as academically distressed (§ 6-15-431). ADE rules specify that a district may be placed in academic distress under two circumstances:

- When 49.5% or less of its students test "proficient" or "advanced" on state Benchmark exams over the previous three years (using a weighted average). (The four categories of student test scores are advanced, proficient, basic and below basic.)

OR

- When the district has a school designated "priority" under the state's ESEA Flexibility Plan that has not made the required level of progress. (Priority schools are the state's lowest-performing 5% of schools.)

This academic distress criteria was recently changed to reflect new standards established in the state's federally approved ESEA Flexibility Plan. Prior to the January 2013 rule change, districts were placed in academic distress only when 75% or more of students tested below basic, the lowest category of scores. Because this bar was set so high, no districts had been placed in academic distress since 2006.

Following the January 2013 rule change, two districts were placed in academic distress: Strong-Huttig and Lee County. Both designations were the result of low percentages of student proficiency. In Strong-Huttig, 45.44% of students tested proficient on grade-level tests, and in Lee County, 47.64% of students tested proficient.

Requirements

Once a district is placed in academic distress, it is required to modify its ACSIP to specify strategies for addressing its academic problem areas. ADE is required to assemble a team of educators to evaluate the district and develop recommendations. ADE is also required to assist the district based on the needs identified in the ACSIP.

While a district is in academic distress, the SBOE has the authority to:

- Remove the superintendent and/or school board members and appoint replacements.
- Waive the application of Arkansas law (except the Teacher Fair Dismissal Act and the Public School Employee Fair Hearing Act).
- Require the district to be annexed or consolidated with another district.

Additionally, while a school district is in academic distress, its students are allowed to transfer to another school district that is not in distress.

An academic distress designation is removed only after the district corrects all conditions that resulted in academic distress and the SBOE has approved the district's release. If a district does not get out of academic distress within a specified time period, the SBOE is *required* to annex, consolidate or reconstitute the district [6-15-429(c)]. In 2013, the General Assembly passed Act 600, which extended the time that districts could remain in academic distress from two years to five. The law allows the SBOE to grant additional time if the district is unable to be removed from academic distress due to conditions beyond its control.

Since its creation in 1995, the academic distress program has been a designation for school *districts*. However, Act 600 of 2013 created an academic distress designation for individual schools. This designation is in addition to the school-level designations required under the ESEA Flexibility Plan (i.e., "priority" schools, "focus" schools, etc.). In July 2014, the SBOE identified 26 schools as being in academic distress. Six alternative schools (one in Beebe, Cabot, Fort Smith, and Hot Springs, and two in Little Rock) were also identified for possible academic distress designation but the Board tabled action on those schools until the rules' application to alternative schools could be further reviewed.

State statute specifies that when a school is academically distressed, the SBOE may require:

- The reorganization of the school.
- The reassignment of administrative, instructional or support staff.
- The removal of the principal and/or the superintendent of the district.
- The removal of the public school from the school district.
- The closure or dissolution of the school.

As with school districts, schools can remain in academic distress for up to five years, and they can be removed from academic distress only if they correct all of the problems that caused the designation.

FISCAL DISTRESS

Fiscal Distress is the designation used to identify and correct school districts that are struggling to maintain fiscal stability. Of the state's three distress classifications, fiscal distress is the most frequently used. (The other distress programs are academic and facilities distress.) Under state statute, ADE is responsible for identifying districts in fiscal distress. The SBOE has the authority to approve or deny the designation as well as authorize ADE to take corrective actions or sanctions against the school district.

Designation

Although ADE has administered a fiscal distress program since the mid-1990s, it was established in statute by Act 1467 of 2003. The law allows ADE to identify districts in fiscal distress if they demonstrate a declining balance, if they commit an act or violation that jeopardizes the district's fiscal integrity, or for any other fiscal condition of a school district that can have a detrimental impact on the district's ability to provide educational services. Such fiscal conditions may include:

- Failure to maintain school facilities, provide timely and accurate financial reports to specific state agencies, meet minimum teacher salaries, comply with state purchasing or bid agreements, audit requirements, or any provision of Arkansas Code
- Violation of local, state, or federal health, safety, or construction codes
- Default on any unpaid debt
- Material discrepancy between budgeted and actual expenditures
- Insufficient funds to cover payroll, salary, employment benefits, or legal tax obligations

In 2009, the General Assembly passed Act 798, which required ADE to observe districts for earlier signs of fiscal problems and notify districts with two or more nonmaterial violations in one year. According to ADE rules, a nonmaterial violation is something that does not directly jeopardize the fiscal integrity of a school district, but has the potential to put the school district in fiscal distress. According to ADE, the most common nonmaterial violations are audit exceptions and declining balances.

As of November 2013, a total of 16 districts had been identified for early intervention since the program's creation. Of those 16, four moved to full fiscal distress. Nine districts worked with ADE staff and were released from the early intervention program, avoiding fiscal distress. Three districts were actively participating in the early intervention program in November 2013.

When the Education Committees discussed the issue of fiscal distress in November 2013, nine school districts were in fiscal distress. Of the nine districts, seven have been in fiscal distress status more than once (Hartford, Helena-West Helena, Hermitage, Mineral Springs, Pulaski County Special, Western Yell County, and Hughes), and two have been taken over by the state (Pulaski County Special and Helena West Helena).

Corrective Actions and Sanctions

A district that has been designated as being in fiscal distress must:

- File an improvement plan with ADE that includes specific ways to correct fiscal deficiencies;
- Allow on-site technical evaluations and other assistance;
- Adhere to recommendations from ADE to improve staffing and fiscal policy practices; and
- Report the reason for the fiscal distress to the newspaper.

Districts in fiscal distress are also prohibited from incurring any additional debt without written permission from ADE.

State statute requires ADE to monitor and provide a written report every six months on the status of each school district in fiscal distress. State law also gives ADE authority to take additional measures against the school district, including:

- Removing and replacing the superintendent;
- Suspending or removing the local school board;
- Requiring fiscal training for the district staff or local board;
- Petitioning to the SBOE to annex, consolidate, or reconstitute the district; and
- Imposing additional reporting requirements on the district.

Removal

To be removed from fiscal distress, a school district must demonstrate that all causes of fiscal distress have been corrected. In 2013, the General Assembly passed Act 600, which extended the time districts can remain in fiscal distress from two consecutive years to five. If a school district is not removed from fiscal distress within five years, the SBOE is required to annex, consolidate, or reconstitute the district. If the district is unable to be removed from fiscal distress due to conditions beyond its control, the law allows the SBOE to grant additional time.

FACILITIES DISTRESS

The state of Arkansas is responsible for ensuring adequate educational facilities for student learning. In his 2001 order in the long-running Lakeview lawsuit, Chancery Court Judge Collins Killgore wrote, “Buildings properly equipped and suitable for instruction are critical for education and must be provided ... When a local district fails or has failed because of the inequitable effects of the funding formula, or for some other reason, to build or maintain adequate facilities, or mismanages its resources for its daily operations, the State cannot abdicate its Constitutional responsibility and blame ‘local control.’” One way the state asserts that responsibility is through its facilities distress program.

Facilities distress is the state’s program for identifying, correcting, or sanctioning a public school or school district that is unable to maintain the health and safety of its academic facilities. The Arkansas Division of Public School Academic Facilities and Transportation (the Division) identifies districts it believes should be classified as being in facilities distress, and the Commission for Arkansas Public School Academic Facilities and Transportation (the Commission) makes the final determination. The Commission is made up of three members: the Education Commissioner, the Director of the Department of Finance and Administration and the President of the Arkansas Development Authority.

Designation Criteria

Act 1426 of 2005 created the facilities distress program to provide state oversight and assistance to school districts failing to maintain their academic facilities [§ 6-21-811(a)(b)]. The statute requires the Commission to identify schools or districts in facilities distress for material failures to:

- Properly maintain academic facilities.
- Provide timely and accurate facilities master plans to the Division. (State statute requires each district to develop a six-year districtwide facilities master plan based on the Division’s facilities needs priority list and the district’s needs. § 6-21-806)
- Comply with state laws regarding purchasing, bid requirements or school construction.
- Plan and progress satisfactorily toward accomplishing priorities set by the Division and the district's master plan.

Schools or districts may also be designated in facilities distress for defaulting on district debt obligations or for material violations of building codes or fire, health, or safety codes.

In July 2008, Hermitage School District became the first and only district to be placed in facilities distress. The Commission placed Hermitage in facilities distress due to building code and procurement law violations for a renovation project. The district was removed from the distress list in September 2009.

Requirements

After a school district has been designated as being in facilities distress, the district must submit a supplemental facilities improvement plan (FIP) to be approved by the Division. This plan must identify specific interventions and acts the district will take to correct deficient areas. It also describes a timeframe for all of the deficiencies to be corrected. The Division may provide the district technical assistance and recommendations.

If a district needs immediate repairs, renovations or construction, the Division may provide a loan to the district. The loan must be repaid from any available funds that are not required to provide an adequate education. The Division, with the approval of the Commission, may also:

- Require the district to conduct a special election for a millage increase to support facilities construction or repair.
- Require the superintendent to step down and appoint a replacement.
- Suspend or remove school board members.
- Assume authority over a district in facilities distress.
- Prohibit the district from spending money on any activity that is not part of providing an adequate education.
- Petition the SBOE to consolidate, annex, reconstitute or dissolve the district.

During this time, students may transfer to another district that is not in facilities distress (§ 6-18-206).

Removal of Designation

A district can be removed from facilities distress only after the Division certifies that the district has corrected all facilities distress criteria and the Commission has approved. If a district is not removed from facilities distress within five years, the SBOE is required to annex, consolidate, or reconstitute the district.

In 2013, the General Assembly passed Act 600, which extended the time districts could remain in facilities distress from two years to five. The law allows the SBOE to grant additional time if the district is unable to be removed from facilities distress due to conditions beyond its control.

Section 5: Special Education

All students with disabilities are assured access to special education services under the federal **Individuals with Disabilities Education Act (IDEA)**. Arkansas statute extends the assurance of a free and appropriate public education to students with disabilities (§ 6-41-202). In November 2013, the BLR and Ms. Martha Kay Asti, then ADE's Associate Director of Special Education, presented information regarding special education services in Arkansas schools.

In order to be considered eligible for special education programs, a child between the ages of three and 21 must be identified as having one or more of 12 distinct disabilities. These include but are not limited to autism, deafness, intellectual disability, orthopedic impairment, specific learning disability, and traumatic brain injury. For the 2012-13 school year, ADE reports that **54,222** students were enrolled in special education in school districts or charter schools, or about **11.5%** of all students.

Identifying and Assessing Special Education Students

In a continued effort to accurately identify all students who may benefit from special education, a process known as **Response to Intervention (RTI)** was implemented in 2004. Schools form teams that are used to identify those students with learning disorders and enhance and improve student performance. These teams collect extensive data on students' performance and progress over time in both math and literacy. If a student is not progressing as expected, the RTI team determines which intervention could be put in place. For example, a student may receive one-on-one help to give more individualized instruction, while another student may need more intensive help or more specific strategies.

Each student identified for special education has an **individualized education program (IEP)**, which serves as the plan for his or her specialized instruction and related services. IEP team members, including regular education teachers, special education teachers and parents, develop the IEP and determine the goals associated with the student's grade level. ADE is responsible for ensuring that, to the maximum extent appropriate, children with disabilities are educated with children who are not disabled. Special classes, separate schooling, or other removal of children with disabilities occurs only if the nature or severity of the disability threatens the success of the student in regular classes. In the 2011-12 school year, 53.3% of children with IEPs spent 80% or more of the day in a regular classroom, while 12.5% of children with IEPs spent less than 40% of the day in a regular class environment.

All special education students are required to participate in state assessments. IEP teams determine whether each special education student will take the regular Benchmark exam, take the Benchmark with accommodations, or for a very small percentage with significant cognitive disabilities, take an alternate portfolio assessment. As with the general school-age population, the assessments for special education students are currently being amended to align with the CCSS. In 2012-13, 38% of the state's 4th grade students with disabilities tested proficient in reading/language arts and 44% were proficient in math. About 21% of 8th graders were proficient in reading/language arts and 15% tested proficient in math.²³

²³ U.S. Department of Education, Part B State Performance Plans (SPP) Letters and Annual Performance Report (APR) Letters, <http://www2.ed.gov/fund/data/report/idea/partbspap/2014/ar-acc-statedatadisplay-12-13.pdf>

Funding

FOUNDATION FUNDING

Currently, the foundation funding matrix funds 2.9 special education teachers per year, equaling about \$351.28 per 500 ADM in the 2012-13 school year. This totals about \$160.6 million in funding, not including charter schools. For information on districts' special education expenditures from foundation funding, see page 49.

CATASTROPHIC OCCURRENCES FUNDING

In addition to the foundation funding districts receive for special education teachers, districts receive a second type of state special education funding, known as Catastrophic Occurrences funding. The state provides Catastrophic funding to districts when the cost of educating a special education student exceeds \$15,000. Districts qualify for the funding for any student who needs more than \$15,000 worth of services, after Medicaid, federal IDEA Part B funding, and available third-party funding is applied. Districts are reimbursed \$15,000 for each catastrophic occurrence, plus 80% of the amount between \$15,000 and \$50,000, and 50% of the costs between \$50,000 and \$100,000. Catastrophic Occurrences funding is capped at \$100,000 per child.

In 2012-13, 135 districts received Catastrophic Occurrences funding for 599 students. The state spent its full appropriation, a total of \$11 million, or about \$18,364 per student.

	Number of Students	Funding Per Student
2010-11	487	\$22,587
2011-12	546	\$20,147
2012-13	599	\$18,364

The General Assembly has appropriated \$11 million in Catastrophic Occurrences funding since 2008, but in recent years that has not been enough to cover the entire need. According to ADE, total requests from districts for the funding exceeded the \$11 million available by about \$1.78 million in 2011-12 and about \$2.96 million in 2012-13. ADE received a \$1.9 million appropriation increase for FY2014 to keep pace with an annual growth rate of 84 students, according to the Summary Budget Information provided for the 2013-15 biennium. However, funding remained at \$11 million.

	Appropriation	State Expenditures
FY2008	\$11,000,000	\$11,342,606
FY2009	\$11,000,000	\$11,000,000
FY2010	\$11,000,000	\$10,999,825
FY2011	\$11,000,000	\$11,000,000
FY2012	\$11,000,000	\$11,000,000
FY2013	\$11,000,000	\$11,000,000
FY2014	\$12,900,000	\$10,999,532

FEDERAL FUNDING

Another major source of K-12 special education funding in Arkansas is the federal IDEA Part B funding (also known as Title VI-B). In 2012-13, the state received nearly \$112 million Part B funding for school age children. can also become Medicaid providers and bill services in areas such as audiology, occupational therapy, speech therapy, personal care, and mental health services. The table to the right shows amount of Medicaid funding districts collectively received for each type of service in 2012-13.

Service	Medicaid Funding
Physical Therapy	\$4 million
Occupational Therapy	\$7.1 million
Speech-Language	\$8.1 million
Personal Care	\$640,000
Audiology	\$8,000

Federal Assessment of State Special Education Programs

The U.S. DOE requires states to develop a State Performance Plan that includes 18 measurable indicators for preschool and school-age special education students, such as the graduation rate and student achievement among students with disabilities. States are required to report their performance on each indicator annually, and the U.S. DOE assesses states' progress. The following is a sample of the 18 indicators, the state's target for each indicator and Arkansas's actual performance. The targets that **Arkansas met are in green**, while those the **state failed to meet are in red**. (The 2013 assessment reviewed the state's performance on 2011 data.)

Indicator	FY 2011 Actual	FY 2011 Target
Proficiency rate-reading	36.06%	>45.22%
Proficiency rate-math	45.42%	>51.44%
Graduation rate among students with disabilities	75.31%	>85%
Drop-out rate among students with disabilities	2.92%	<4.2%
Within one year of leaving high school, % of student with disabilities who are:	FY 2011	FY 2011 Target
• Enrolled in higher education	15.88%	>13%
• Enrolled in higher education or competitively employed	42.95%	>49%
• Enrolled in higher education or other postsecondary training or employed	55.92%	>60%

In 2013, Arkansas was one of 38 states considered to have met the requirements of IDEA Part B on the basis of specified compliance measures (e.g., students were evaluated in a timely manner, etc.). However, in June 2014, the U.S. DOE announced a significant change in the methodology it uses for evaluating states' special education programs. The new methodology focuses less on "procedural requirements" and more on student achievement results. Just 15 states received a "meets requirements" assessment, compared with 38 a year earlier.

Under the new methodology, Arkansas's overall score moved from a "meets requirements" assessment to "needs assistance." This lower score was the result of low "results" scores based on student achievement, rather than "compliance" scores. The state received 21 of 22 possible points on compliance indicators and just 7 of 20 available points on results indicators.

Section 6: Educator Salaries and Licensure

Teacher Salaries

In the March 2014 adequacy study meeting, the BLR presented a report examining teacher salaries in Arkansas. In 2012-13, the average teacher salary in Arkansas totaled \$46,631 ranking fifth among surrounding states. The state's minimum teacher salary, \$29,244 was the fourth highest minimum teacher salary. (The BLR used salary data collected by the National Education Association [NEA] when comparing Arkansas's salaries with those in other states.) Among the 16 SREB states, Arkansas ranked 12th on both average teacher salary as well as on minimum teacher salary. When the cost of living was considered, Arkansas ranked 11th among the SREB states in average teacher salary.

2012-13 Teacher Salaries: Arkansas and Surrounding States			
Surrounding States	Average	Surrounding States	Minimum
1. Louisiana	\$51,381	1. Oklahoma	\$31,600
2. Tennessee	\$48,289	2. Mississippi	\$30,900
3. Texas	\$48,110	3. Tennessee	\$30,420
4. Missouri	\$47,517	4. Arkansas	\$29,244
5. Arkansas	\$46,631	5. Texas	\$27,320
6. Oklahoma	\$44,128	6. Louisiana	\$27,102
7. Mississippi	\$41,994	7. Missouri	\$25,000

2012-13 Teacher Salaries: Arkansas and SREB States			
SREB States	Average	SREB States	Minimum
1. Maryland	\$65,265	1. Maryland	\$40,400
2. Delaware	\$59,679	2. Alabama	\$36,144
3. Georgia	\$52,880	3. Kentucky	\$35,487
4. Louisiana	\$51,381	4. Florida	\$34,956
5. Kentucky	\$50,326	5. West Virginia	\$31,675
6. Virginia	\$49,869	6. Oklahoma	\$31,600
7. Tennessee	\$48,289	7. Georgia	\$31,586
8. Texas	\$48,110	8. Mississippi	\$30,900
9. Alabama	\$47,949	9. Virginia	\$30,864
10. South Carolina	\$47,924	10. North Carolina	\$30,800
11. Florida	\$46,944	11. Tennessee	\$30,420
12. Arkansas	\$46,631	12. Arkansas	\$29,244
13. West Virginia	\$46,405	13. South Carolina	\$27,911
14. North Carolina	\$45,947	14. Delaware	\$27,781
15. Oklahoma	\$44,128	15. Texas	\$27,320
16. Mississippi	\$41,994	16. Louisiana	\$27,102

**Average teacher salaries come from the National Education Association's (NEA) Rankings and Estimates: Rankings of the States 2013 and Estimates of School Statistics 2014, December 2013, Summary Table G, Column 9.*

Between 2012 and 2013, the average teacher salary in Arkansas grew by 0.68%. Of the surrounding states, Tennessee, Louisiana, Missouri, and Mississippi have exceeded Arkansas's growth. Of the SREB states, ten exceeded the growth of Arkansas.

The minimum teacher salary is established in § 6-17-2403(c) at \$29,244. That salary was first set for the 2008-09 school year, but it has not been increased since. Eight districts used the statutory minimum as their beginning salary in 2012-13. Many districts set their salary schedules with a minimum salary above the one defined by law. The highest minimum salary offered by an Arkansas district increased from \$41,132 in 2007-08 to \$44,570 in 2012-13.

Minimum District Salary	2007-08	2007-08 District Disparity	2012-13	2012-13 District Disparity
Low	\$28,897		\$29,244	
High	\$41,132	\$12,235	\$44,570	\$15,326

Source: ADE's Salary Reports, Teacher Salary Schedule Analysis, 2007-08 and 2012-13

To compare average teacher salaries by school district, the BLR used ADE's Annual Statistical Report, which calculated the average salary differently from NEA. The disparity among districts' beginning salary is increasing, while the disparity among the districts' average teacher salary is decreasing.

Average District Salary	2007-08	2007-08 District Disparity	2012-13	2012-13 District Disparity
Lowest Average District Salary	\$31,296		\$35,262	
Highest Average District Salary	\$58,958	\$27,662	\$56,863	\$21,601
Average State Salary	\$45,393		\$47,316	

Source: ADE's Annual Statistical Reports

The following table provides the districts with the highest and lowest average teacher salaries in 2012-13. The statewide average using ADE's methodology was \$47,316.

Highest Average Teacher Salaries		Lowest Average Teacher Salaries	
Springdale	\$56,836	Earle	\$30,993
Fayetteville	\$56,557	Hazen	\$35,262
Rogers	\$45,563	Deer-Mt. Judea	\$35,516
Little Rock	\$54,441	Harmony Grove	\$35,643
Bentonville	\$53,959	Bay	\$35,921

During the March adequacy study meeting, members of the House and Senate Education Committee asked the BLR to estimate the additional cost districts would incur if the statutory minimum teacher salary schedule were increased. Members asked the BLR to explore three proposed increases.

- **Proposal #1: Increase the minimum salary to \$31,000.** Under this option, the minimum salary for teachers with a master's degree would be set at 115% of the salary for teachers with only a bachelor's degree. This mirrors the salary differential used historically. Each step for teachers with a bachelor's degree would provide an additional \$450 for each year of experience, while each step for teachers with a master's degree would provide \$500.
- **Proposal #2: Increase the salary schedule by 1%.** This option would add 1% to each step in the current salary schedule.
- **Proposal #3: Increase the salary schedule by 2%.** This option would add 2% to each step in the current salary schedule.

The BLR's approach was to apply the increases under each proposal to districts' actual 2013 expenditure data to see what districts' additional cost would have been had the increases been in place in 2013.

Proposal #1: The additional cost of increasing the minimum salary to \$31,000 would be **\$2,354,681**. If this salary schedule had been in place in the 2012-13 school year, it would have required 113 of the 239 districts operating in 2012-13 to increase salaries for teachers.

Proposal #2: The additional cost of increasing the minimum salary by 1% would be **\$120,999**. If this salary schedule had been in place in the 2012-13 school year, it would have required 22 of the 239 districts to increase salaries for teachers.

Proposal #3: The additional cost of increasing the minimum salary by 2% would be **\$333,285**. If this salary schedule had been in place in the 2012-13 school year, it would have required 38 of the 239 districts to increase salaries for teachers.

Because the three proposals would require districts to spend more funding on teacher salaries, the Education Committees considered providing new funding to cover these costs. The Education Committees asked the BLR to develop possible methods of distributing new funding. The issue was how to provide additional funding for districts that would be required to raise their salaries, while, at the same time, not simply enriching those districts whose salary schedules were already well above the statutory minimum.

In September, the BLR presented three funding distribution methods. The funding methods would call for the state to provide new funding to districts in the amount of \$2.7 million to nearly \$7 million, depending on the option selected.

Teacher Licensure Waivers

State law (§ 6-17-309) prohibits teachers from teaching a grade level or subject matter for which they are not certified for more than 30 days. However, school districts that have a difficult time filling needed teachers may apply to the SBOE for a waiver. Their application includes a letter outlining the steps they have taken to fill these positions. The following table shows the 10 licensure areas with the highest number of requested waivers for the 2012-13 school year.

Licensure Area	# of Waivers	% of All Waivers
Special Education	477	39.55%
Gifted & Talented	155	12.85%
School Counselor	116	9.62%
Library Media	95	7.88%
Middle Childhood Education	83	6.88%
5 th /6 th Endorsement	78	6.47%
Secondary Sciences	59	4.9%
Mathematics	37	3.10%
PE/Wellness/Leisure	37	3.10%
Social Studies	35	2.90%
Building-Level Administrator	34	2.82%
TOTAL	1,206	100%

Administrator Salaries

During the March 2014 adequacy study meeting, members of the House and Senate Education Committee requested information on district and school administrator salaries. The BLR presented a report in June 2014 that examined the salaries of Arkansas superintendents, assistant superintendents, principals and assistant principals.

Districts collectively spent about \$25.8 million on superintendent salaries in 2012-13. Superintendents, on average, earned **\$107,295**, which includes regular salary and additional compensation, such as bonuses and incentives, but excludes other types of benefits.

District ADM	300 to 2,499	2,500 to 9,999	10,000 to 24,999
Number of Districts	194	38	7
Average Superintendent Salary	\$96,997	\$142,922	\$204,848

District expenditure data indicate that 56 of the 239 districts in 2012-13 employed staff serving as assistant superintendent. Districts collectively spent \$7.9 million on assistant superintendents. On average, these 56 districts employed 1.35 full-time equivalent (FTE) assistant superintendents, but larger districts had more assistant superintendents than smaller districts. The average salary for assistant superintendents was **\$104,834**.

District ADM	300 to 2,499	2,500 to 9,999	10,000 to 24,999
Number of Districts	19	32	5
Average # of FTE Assistant Superintendents	0.75	1.47	2.8
Average Assistant Superintendent Salary	\$86,486	\$103,007	\$121,529

The BLR examined principal salaries reported through the APSCN. There were nearly 1,000 FTE principals in Arkansas schools in 2012-13. On average, principals earned **\$78,507**. Statewide, middle school principals earned the highest salaries, on average, while elementary and high school principals' salaries were generally comparable. However, principals in larger districts earned higher salaries than those in smaller districts. Smaller districts tended to employ larger numbers of principals for their given student population, creating much lower principal-to-student ratios compared with bigger districts.

	Number of FTE Principals	Average Salary
Elementary School	518.82	\$77,058
Middle School/Junior High	206.74	\$82,434
High School	266.04	\$78,282
Statewide	991.60	\$78,507

The National Center for Education Statistics provides information on average principal salaries based on years of experience as a principal. The most recent data is from 2011-12. Arkansas ranks 2nd among surrounding states in the group of the least experienced principals and 8th among the 16 SREB states. The state's rank drops in both groups as principals' experience increases.

Section 7: Academic Facilities

Academic Facilities and the Partnership Program

The state has established several programs to help districts pay for major construction and renovation of facilities needed to provide an adequate education. In October 2013, the Education Committees heard presentations on academic facilities. The BLR, Arkansas Advocates for Children and Families and ADE's Division of Public School Academic Facilities and Transportation presented reports.

Since 2005, Arkansas has managed four facilities funding programs: Immediate Repair, Transitional, Catastrophic and Partnership. The Immediate Repair and Transitional programs were created as short-term programs, and both have expired. The Catastrophic program continues to provide state funding to school districts to supplement insurance for emergency projects that result from an act of God or violence.

The Partnership Program is the state's main facilities funding program (§ 6-20-2507). Under the program, the Division of Public School Academic Facilities and Transportation (the Division) helps schools identify immediate and long-term building needs and distributes funding for a portion of the cost of necessary construction. Every two years, districts apply for funding, and the Commission for Arkansas Public School Academic Facilities and Transportation (the Commission) approves projects that qualify for funding, as it is available.

The cost of approved projects is shared by the state and the district. The percentage of the cost covered by the state depends on the district's facility wealth index, a calculation based on the value of one mill in the district, the total assessed valuation of taxable property and the district's ADM. A district's wealth index indicates the percentage of a project's cost for which the district is responsible. For example, a district with a wealth index of 85%, would pay 85% of the project's cost and the state would pick up the remaining 15%.

The Partnership Program funds new construction projects and major renovations, not general repair or maintenance. Only projects that cost \$150,000 or more or those that cost more than \$300 per student qualify for funding.

Through the 2013-15 funding cycle, there were two general types of projects that qualified for Partnership Program funding.

Warm, Safe and Dry: Projects that supported facilities' major systems, such as plumbing or electrical systems, fire and safety needs, or a new roof.

Space: Projects designed to increase or convert school space.

The following table shows the total number of approved projects and the state's financial commitment for those projects.

Cycle	Projects	State Commitment	State Commitment Paid to Date	Remaining State Commitment
2006-07	1,158	\$205.2 million	\$205.2 million	\$0
2007-09	378	\$261.2 million	\$261.2 million	\$0
2009-11	244	\$98.8 million	\$98.7 million	\$90,000
2011-13	220	\$145.3 million	\$126.5 million	\$18.8 million
2013-15	262	\$201.4 million	\$19.3 million	\$182.2 million
Total	2,262	\$912.0 million	\$710.9 million	\$201.1 million

The Division developed a prioritization system to determine which projects are actually funded when the total cost of all projects exceeds the amount of funding available. Over the past five funding cycles, all warm, safe and dry projects have been ranked first, followed by space projects.

In 2012, the Division expressed concern about districts failing to adequately maintain buildings and systems in the hopes that projects to replace them would be deemed warm, safe and dry and therefore would qualify for Partnership funding. To address this concern, the Commission approved significant rule changes in 2013 that will affect project prioritization beginning with the 2015-17 cycle.

First, the rules redefine warm, safe and dry projects as those “deemed necessary by the Division to provide students a warm, safe and dry educational environment.” The rules also split warm, safe and dry projects into two groups: **systems projects** and **space replacement projects**. Like the previous definition of warm, safe and dry, a “systems” project addresses a facility’s major system needs. A “space replacement” project is one that replaces a building that is not deemed to be warm, safe and dry. The rules then reprioritized the three types of projects as follows:

1. Warm, Safe & Dry (Systems)
2. Space
3. Warm, Safe & Dry (Space Replacement)

Projects are then prioritized within each category. “Systems” projects are prioritized based on the district’s wealth index and average daily membership. The rules also establish a \$10 million per year cap on the funding allocated for warm, safe and dry “systems” projects, as a disincentive for neglecting facilities maintenance. “Space” projects are prioritized based on districts’ 10-year student growth, while “space replacement” projects are prioritized based on campus value (a calculation of depreciated building value) and wealth index.

POTENTIAL FUNDING SHORTFALL

In October 2013 and September 2014, Dr. Charles Stein, Director of the Division made presentations about the Partnership Program to the Education Committees and the Academic Facilities Oversight Committee. He explained that districts’ requests for Partnership Program funding typically exceed the new General Revenue the program receives each year. Until now, the Program has been sustained by carryover funding from the \$456 million the General Assembly provided in 2007 for original program funding. In FY14 the executive branch provided an additional \$20 million in one-time General Improvement Funds (GIF) for the 2013-2015 projects. The original \$456 million has been depleted, and the Arkansas Division of Public School Academic Facilities and Transportation estimates there could be a \$65 million funding shortfall for the 2015-17 funding cycle. The problem has been exacerbated by the fact that about \$16.3 million that previously supported the Partnership Program has been redirected to the Public School Employees Health Insurance Plan.

Dr. Stein noted that almost 50% of the project applications for the 2015-17 cycle were not approved, and 19 districts have appealed 30 projects. If the appeals are successful and the Partnership Program is required to support those projects, there would be additional shortfall, he said. On the other hand, the shortfall amount could be reduced if any districts rescind approved projects (due to failed millages, for example) or if previously funded projects cost less than anticipated.

On Oct. 9, 2014, the Academic Facilities Oversight Committee discussed the following three issues that surfaced during the adequacy study:

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1. Districts' requests for Partnership Program funding typically exceed the new General Revenue the program receives each year. Until now, the Program has been sustained by carryover funding from the original \$456 million the General Assembly provided in 2007. That funding has been depleted, and the Arkansas Division of Public School Academic Facilities and Transportation estimates there could be a \$65 million funding shortfall for the 2015-17 funding cycle. The problem has been exacerbated by the fact that about \$16.3 million that previously supported the Partnership Program has been redirected to the Public School Employees Health Insurance Plan.
 2. There has been some concern expressed about the disparities in the condition of school facilities from one district to another. One group testified that disparities occur because wealthy school districts can afford to build beyond the level deemed adequate by the Partnership Program rules. These districts use local property wealth to provide better facilities when poorer districts have trouble just raising the local share for the basic facilities funded by the Partnership Program.
 3. Open-enrollment charter schools are not eligible for Partnership Program funds. Charter school advocates have argued that the state should establish a facilities funding assistance program to ensure these public schools are able to provide an adequate and equitable education.

The Academic Facilities Oversight Committee voted to recommend that Education Committees review these issues as they related to adequacy.

On Oct. 14, 2014, the Education Committees reviewed and accepted the Oversight Committees report.

Section 8: Special Topics: Broadband and Transportation

During the adequacy study, the Education Committees requested additional information on two education topics: broadband and student transportation. The following information describes the reports for each topic.

Broadband

In recent years, access to high-speed internet connectivity has become an important educational tool. While the state has long provided some K-12 connectivity through the APSCN, that connectivity is no longer sufficient to meet most schools' needs. According to ADE, 71 percent of school bandwidth statewide is purchased directly by districts from local internet providers, which leads to significant differences in bandwidth capacity, contract terms, and pricing across school districts. The passage of Act 1280 in 2013, which requires that every school district provide at least one interactive online course beginning in 2014-15, has brought increased urgency to the issue. In addition, all schools will be required to administer online PARCC testing to students beginning in the spring of 2015.

While most policymakers, educators, and business groups agree that something must be done, there has been little agreement about what to do and how. The main debate has been whether the Legislature should amend § 23-17-409(3), which prevents public K-12 schools from connecting to the state's existing high-speed network, the Arkansas Research Education Optical Network (ARE-ON). ARE-ON is a public-private partnership that provides a system of high-capacity, fiber-optic cables that connect the state's public universities, two-year colleges, research hospitals and some libraries. Most of its fiber optic cable is owned by private telecom providers and leased and managed by the public entity. The Arkansas Broadband Coalition for Kids, which represents private providers, argued that the state should "prohibit government entities from competing with private industry." Both industry groups and government agencies have attempted to study the capacity and costs for broadband at the local level—with conflicting and often unclear results. Further studies are now underway.

QUALITY DIGITAL LEARNING STUDY COMMITTEE

Act 1280 of 2013 called for the House and Senate Education Committees, in collaboration with ADE, the Arkansas Department of Information Systems (DIS) and telecom service providers, to study "methods to establish and maintain the necessary infrastructure and bandwidth to sufficiently facilitate and deliver a quality digital learning environment in each school district and public charter school." In June 2013, ADE convened the Quality Digital Learning Study (QDLS) Committee with individuals representing higher education and K-12, telecommunications service providers, legislators and other stakeholders. Governor Beebe also asked business leaders to form the Fast Access for Students, Teachers and Economic Results (FASTER) Arkansas Committee to examine, from a business perspective, schools' internet needs and how best to meet those needs.

In May 2014, the QDLS released its report to the Arkansas General Assembly. The report claimed that the telecom industry would not give the state the kind of information that it needed to truly understand the current costs and potential solutions for providing infrastructure and connectivity to all schools. ADE conducted its own survey of school districts, which found that districts' broadband costs ranged from \$1.20 per Mb to \$280 per Mb. ADE also found that "65 percent of Arkansas's K-12 education network connections (APSCN/Compressed Interactive Video[CIV]) provide less than 10 megabits per second (Mbps) of connectivity and 86 percent of connections provide less than 20 Mbps." The report recommended adopting the State Educational Technology Directors Association's (SETDA) standards for K12 bandwidth as minimum targets, which would be 100 Kbps/student and staff in 2014-15 and 1Mb per student

and staff by 2017-18. It also recommended centralizing management for statewide network support services such as billing and E-Rate applications; optimizing the use of E-Rate and other federal funding programs to build and sustain the network; and providing comprehensive value-added services such as teacher professional development and network technical support to help districts create, maintain and effectively utilize local area networks. The report also recommended reducing the number of networks serving education from three (DIS/CIV/APSCN, ARE-ON, and numerous telecommunications service providers) to one by connecting school districts with ARE-ON. However, private providers expressed skepticism about the accuracy of ADE's results and maintained that more study was needed at the school level.

EDUCATION SUPER HIGHWAY

In August 2014, Governor Beebe announced that Education Super Highway, a national nonprofit that works to expand internet access in schools, has volunteered to partner with ADE in further studying the issue. The organization stated that Arkansas could become the first state to meet the national ConnectED goal, announced by President Obama last summer, of connecting 99% of American students to at least 100 Mb per second with a target of one gigabit per second within five years, by reallocating the \$15 million that it is currently spending on old copper lines each year to new fiber optic networks.

PICUS ODDEN & ASSOCIATES

In September 2014, education consultants Picus Odden & Associates provided a review of the broadband issues facing the state's K-12 education system in the hopes of bringing more clarity to the issue. The consultants' final report summarized the findings from previous reports and concluded that Arkansas still needs to gather more information before the General Assembly can determine the true cost and feasibility of providing adequate broadband to schools throughout the state.

CT&T INC.

In addition to the Picus Odden & Associates study, legislators also approved an on-the-ground, district-by-district study of what services are available, what equipment exists, how much schools are paying for service and how much more broadband access they need in order to meet the state's goals by 2018. The legislature awarded the contract to CT&T Inc., of North Little Rock, with a deadline of December 1, 2014.

Transportation

STUDENT TRANSPORTATION SURVEY

Act 1288 of 2013 required ADE and the BLR to jointly conduct a survey of all districts about school bus routes, bus capacities, and route miles, as well as the amount of time that students actually ride the bus. The survey found that the longest period of time traveled one-way for a student on each route ranged from three minutes to 167 minutes, with a mean time of 49.4 minutes and a median of 47 minutes. A summary of findings is provided in the following table:

Total number of buses statewide	5,360
Average type or size of buses (maximum student capacity per bus)	67.93
Average linear route miles for each bus route	45.31
Average number of students transported for each bus route	48.46
Average time of first student pick-up	6:51 a.m.
Average bus driver salary	\$9,794
Average monthly payment for a bus (financed over 10-year period)	\$1,591

Total cost to limit maximum one-way transport to 90 minutes in 2014-15	\$2.69 million
Total cost to limit maximum one-way transport to 80 minutes in 2015-16	\$5.01 million
Total cost to limit maximum one-way transport to 70 minutes in 2016-17	\$10.06 million
Total cost to limit maximum one-way transport to 60 minutes in 2017-18	\$18.58 million
Total cost to limit maximum one-way transport to 50 minutes in 2018-19	\$25.18 million

TRANSPORTATION FUNDING DISTRIBUTION OPTIONS

In the past three adequacy studies, the Education Committees have determined that state-funded transportation for public education may be a necessary component to providing students with an equitable opportunity for an adequate education to the extent that a student would not otherwise be able to realize this opportunity but for such transportation being provided by the state. The four major funding sources for transportation are foundation funding, Isolated funding, Desegregation funding, and federal funding. In FY13, districts spent \$184 million statewide on transportation. That amount does not include transportation for activities such as sports events. It represents only the expenditures for driving students to school and back home.

While all districts receive foundation funding for transportation at the same rate—\$309.90 per student in 2013—the amount of money districts spend on student transportation varies widely from one district to the next. One district spent about \$124 per student on transportation (from all funding sources in 2012-13), while another spent about \$1,059 per student.

In August 2014, the Bureau of Legislative Research presented potential methods of distributing transportation funding to school districts that more closely resemble districts' actual transportation costs. To examine what drives districts' transportation costs, the BLR examined a number of variables including districts' ADM, geographic area in square miles, number of bus riders, daily linear route miles, the number of buses and ratios of those variables (e.g., ADM per route mile). The data indicate that 98% of the variation in district expenditures is explained by the variation in route miles, ADM and the number of bus riders. By itself, ADM, on which the current funding model is based, explains a significant amount of the variation in district expenditures — about 79% — but not as much as the three variables together. The best funding distribution model uses a combination of miles, riders and ADM to determine transportation costs.

The model can be used to accurately distribute supplemental transportation funding to eligible school districts. If the General Assembly decided to provide supplemental transportation funding, the amount of money distributed could be any size chosen by the Legislature.

For more information about transportation funding and district expenditures, see page 54.

Section 9: District Use of Foundation Funding

A major objective of the biennial adequacy study is to determine the amount of foundation funding school districts need and how they have spent the foundation funding they have received. This section summarizes a report the BLR presented to the Education Committees in July 2014. The report, "The Resource Allocation of Foundation Funding for Arkansas School Districts and Open-Enrollment Charter Schools," compared district expenditures of foundation funding with the funding amount provided through the matrix.

It is important to remember that while foundation funding is a major source of money for school districts, it makes up only about 58% of districts' total revenue. Because school districts, on average, receive 42% of their funding from other sources, they have some flexibility in how much foundation funding they use for each line of the matrix.

Foundation Funding

The state's system for funding public schools is made up of a base per-student amount, known as foundation funding (§ 6-20-2301 et seq.). Each district receives the foundation funding amount multiplied by its ADM. To examine a full year of funding and expenditures, the BLR examined districts' use of their 2012-13 foundation funding, which was set at \$6,267 per student that year.

Foundation Funding					
	2010-11	2011-12	2012-13	2013-14	2014-15
Per student	\$6,023	\$6,144	\$6,267	\$6,393	\$6,521

The formula for arriving at the per-student funding amount is known as the matrix. The matrix calculates the per-student funding based on the cost of personnel and other resources for operating a prototypical school of 500 students. In general the matrix is divided into three parts:

- **School-level salaries** of 33.665 teachers and other pupil support staff, a principal and a secretary. The matrix also determines how many of which type of teachers and other personnel are needed.
- **School-level resources** including instructional materials and technology-related expenses.
- **District-level resources**, which include funding for operations & maintenance, districts' central offices and transportation expenses.

The table on the following page shows the number of staff and the level of resources the matrix provides for a school of 500 students. The matrix calculates the per-student funding amount necessary for each needed resource.

2012-13 Matrix			
School-Level Salaries			
	Positions	Average Salary and Benefits	Per-Pupil Amount For a School With 500 Students
Non-Administrative Staff	33.665	\$60,566	
• Classroom Teachers	24.94		\$3,021.03
• Special Education Teachers	2.9		\$351.28
• Instructional Facilitators ○ 2 FTEs for instructional facilitators, including .5 FTEs for an instructional facilitator with technology expertise ○ .5 FTEs for an assistant principal	2.5		\$302.83
• Librarian/Media Specialist	.825		\$99.93
• Guidance Counselor & Nurse ○ 1.11 FTE for a counselor ○ 0.67 FTE for a nurse ○ 0.72 FTE for additional student services personnel	2.5		\$302.83
Administrative Staff	2		
• Principal	1	\$95,102	\$190.20
• Secretary	1	\$38,334	\$76.70
School-Level Resources			
Technology			\$217.60
Instructional Materials			\$176.70
Extra Duty Funds			\$55.20
Supervisory Aides			\$54.70
Substitutes			\$64.00
District-Level Resources			
Operations and Maintenance			\$629.00
Central Office			\$415.10
Transportation			\$309.90
TOTAL			\$6,267.00

School-Level Salaries

School-level salaries include those for traditional classroom teachers, special education teachers, instructional facilitators, librarians, counselors, nurses, principals, and other health and clerical support. The matrix funds 33.665 non-administrative staff and two administrative staff. Funding for the total school-level personnel group constitutes 69.3% of the per-pupil funding contained in the matrix.

SCHOOL-LEVEL NON-ADMINISTRATIVE STAFF

Classroom Teachers

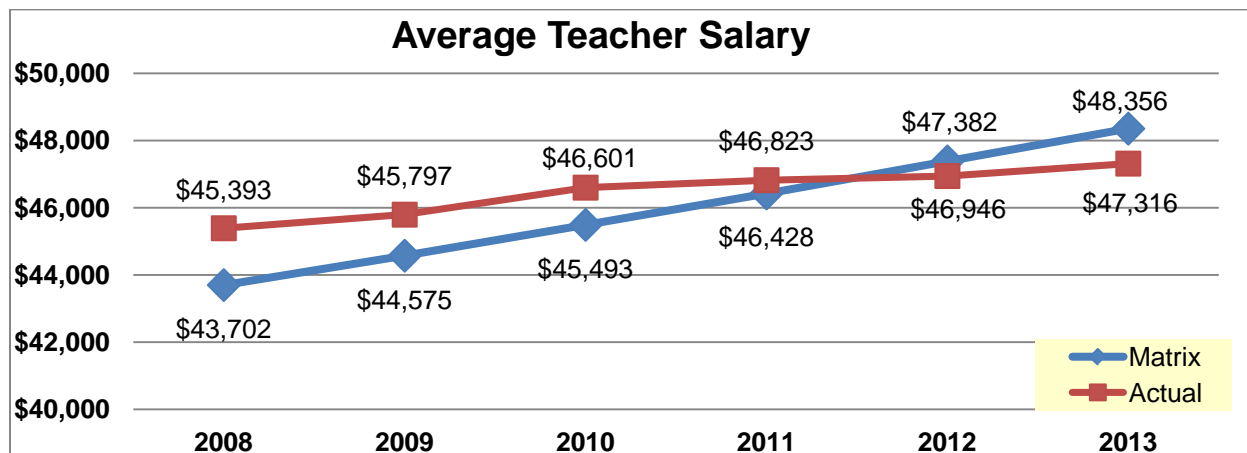
Most of the non-administrative staff funded by the matrix are classroom teachers. There are two types of classroom teachers in the funding formula: core teachers and non-core teachers. **Core teachers** include those whose primary responsibility in lower grades is to serve as the primary classroom teacher. In higher grades, core teachers teach in one or more of four academic areas: language arts, math, science, and social studies. **Non-core teachers** include educators

who teach physical education, art, or music (PAM), or other electives. The state calculates the number of non-core teachers needed at 20% of the total core academic teachers. The matrix provides 20.8 core teachers and 4.14 non-core teachers for a total of 24.94 classroom teachers. The average number of classroom teachers that districts employ with foundation funding is slightly lower than the staffing level established in the matrix. The following table compares the matrix number for classroom teachers with the average number for all districts.

2012-13 Classroom Teachers			
Staff	Matrix Number	District Average per 500 Students	Difference
Classroom Teachers	24.94	24.90	.04 less than the matrix

To determine how much funding should be provided for the 24.94 teachers currently in the funding formula, the 2012-13 matrix used a base salary of \$48,356. An additional 22% of that amount is added for fringe benefits (14% for retirement and 8% for Social Security, Medicare, unemployment, and workers' compensation), plus a flat rate of \$1,572 for health insurance (\$131 for 12 months), for a total compensation package of \$60,566 per teacher position.

The following chart shows how the average teacher salary in the matrix has increased each year as the per-student foundation funding rate increased. At the same time, the actual average teacher salary stagnated over the last four years. In 2012-13 the actual average teacher salary among school districts was \$47,316, or \$1,040 below the salary provided through the matrix. (This actual average salary includes teachers paid with foundation funds as well as teachers who are paid with other state or local funding sources).



Because the per-student foundation funding rate has increased each year since it was established in 2004-05, funding for the teacher salary component of the matrix has increased as well. That means districts have actually received increasing amounts of money to support teacher salaries, even though they have been allowed to keep teacher salaries at the same statutory minimum since the 2008-09 school year.

In 2012-13, the majority of districts (203 of the 239 districts) had average teacher salaries below the teacher salary in the matrix. In other words, the funding districts received exceeded the salaries they actually paid in 85% of districts in the state. Additionally, higher salaries in large districts appear to be driving the statewide average salary higher. The 24 districts (10%) with the highest teacher salary averages employ over one-third (34.7%) of the FTE teachers in the state. (For more information on teacher salaries, see page 36.)

In 2013, schools statewide spent \$1.299 billion from foundation funding on classroom teachers. On a per-student basis, districts collectively spent nearly \$180 per student less than they were funded by the matrix.

2012-13 Classroom Teachers Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$3,021.03	\$2,841.31	\$179.72 less than the matrix

Special Education

All districts must provide students with disabilities access to special education services under the federal Individuals with Disabilities Education Act (IDEA). Arkansas Code § 6-41-202 establishes in state statute that it is also the state's policy to provide a free and appropriate public education to students with disabilities. (For more information about special education, see page 33.)

The following table compares the matrix number for special education teachers with the average number for all districts. The average number of special education teachers funded by foundation funding is slightly higher than the staffing level established in the matrix.

2012-13 Special Education Teachers		
Matrix Number	District Average per 500 Students	Difference
2.9	2.95	.05 more than the matrix

In 2013, districts statewide spent \$160.6 million in foundation funding on special education teachers. On a per-student basis, districts collectively spent almost exactly the amount funded by the matrix.

2012-13 Special Education Teachers Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$351.28	\$351.32	\$0.04 more than the matrix

Additionally, districts spent another \$24.76 million on instructional aides for special education students. The current matrix does not provide funding for instructional aides, but many districts spent foundation funding for this purpose.

Instructional Facilitators and Assistant Principals

An instructional facilitator is a staff member who helps teachers plan, develop and evaluate instruction. Instructional facilitators may be referred to as “academic coaches,” “specialists” and “curriculum supervisors.” This matrix item established a staffing level of 2.5 instructional facilitators, which includes a .5 FTE assistant principal and a .5 FTE instructional facilitator with technology expertise.

The following table compares the matrix number for instructional facilitators/assistant principals with the average number for all districts. The staffing level established in the matrix for instructional facilitators/assistant principals is more than two and a half times the average number of instructional facilitators/assistant principals, on which districts actually spent foundation funding. This does not mean districts did not employ instructional facilitators; they simply relied on other funding sources to pay for these staff members. The BLR’s Resource Allocation report indicated that districts spent considerable NSL and federal funds to hire these staff. Districts used foundation funding to cover just 9% of their total expenditures for instructional facilitators and curriculum supervisors.

2012-13 Instructional Facilitators/Assistant Principals			
Staff	Matrix Number	District Average Per 500 Students	Difference
Instructional Facilitators	2.5	.93	1.57 less than the matrix

In 2013, schools statewide spent \$69.9 million on instructional facilitators and assistant principals. On a per-student basis, districts spent nearly \$150 less from foundation funds on these types of school staff than is provided through the matrix.

2012-13 Instructional Facilitators Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$302.83	\$152.85	\$149.98 less than the matrix

Library Media Specialists

The school library media specialist is responsible for budgeting, purchasing and maintaining an appropriate library collection for each school. As licensed teachers, librarians are also responsible for teaching students as part of special subject offerings.

State Standards for Accreditation for library media specialists (16.02.3) require schools with fewer than 300 students to have a 1/2 time library media specialist; schools with 300 to 1,499 students must have one full-time library media specialist; and schools with 1,500 or more students must have two library media specialists.

The following table compares the matrix number for librarians with the actual average number of librarians funded by foundation funds. On average, districts have slightly more librarians than are funded in the matrix.

2012-13 Library Media Specialist			
Staff	Matrix Number	District Average Per 500 Students	Difference
Librarians	0.825	.91	.085 more than the matrix

In 2013, schools statewide spent nearly \$53.4 million on library media specialists.

2012-13 Library Media Specialist Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$99.93	\$116.74	\$16.81 more than the matrix

Counselors and Nurses

This line of the matrix provides guidance counselors, nurses, and other pupil support services. These positions may also include speech therapists, social workers, psychologists, and family outreach workers. The matrix established a staffing level of 2.5 FTEs for counselors, nurses and other pupil support. This includes 1.11 FTEs for a counselor, a .67 FTE for a nurse and a .72 FTE for other student services.

On average, districts employ more counselors than are funded in the matrix and fewer nurse and other pupil support positions. The following table compares the matrix number for counselors and nurses with the average number funded by foundation funds for all districts.

2012-13 Counselors and Nurses			
Staff	Matrix Number	District Average Per 500 Students	Difference
Counselors	1.11	1.14	.03 more than the matrix
Nurses	.67	.44	.23 less than the matrix
Other Pupil Support	.72	.18	.54 less than the matrix

In 2013, schools statewide spent nearly \$112.5 million from foundation funds on counselors, nurses and other pupil support staff. They spent \$23.73 per student more than the matrix provided for counselors and roughly \$40 less per student for nurses and for other pupil support. However, districts had other sources of funds to pay for nurses and other pupil support. Districts used foundation funds to cover just over half of the cost of nurses and about a third of the cost of other pupil support services.

2012-13 Counselors and Nurses Funding and Expenditures			
	Matrix Amount	Expenditures Per Student	Difference
Counselors	\$134.46	\$158.19	\$23.73 more than the matrix
Nurses	\$81.16	\$41.63	\$39.53 less than the matrix
Other Pupil Support	\$87.22	\$46.17	\$41.05 less than the matrix

SCHOOL-LEVEL ADMINISTRATIVE STAFF

The matrix provided funding for two people to provide school-level administrative support: a principal and a school-level secretary.

Principals

Principals must provide the operational management and instructional leadership to make schools run smoothly and to improve student achievement. State accreditation standards require that every school employ at least a half-time principal, and schools with 300 or more students must have a full-time principal. The matrix established staffing for principals at a level of one per 500 students.

The average number of actual principal positions is just under the staffing level established in the matrix. The following table compares the matrix number for principals with the average number for all districts.

2012-13 Principals			
Staff	Matrix Number	District Average Per 500 Students	Difference
Principals	1	.99	.01 less than the matrix

In 2013, schools statewide spent \$88.4 million in foundation funding on principals. On average, districts spent about \$3.17 more per student than the matrix provided.

2012-13 Principals Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$190.20	\$193.37	\$3.17 more than the matrix

School-Level Secretaries

Clerical support is not required by state standards. However, the Legislature believed that, as a practical matter, there is a clear need for clerical support. The duties of school clerical personnel include record-keeping, answering phones, managing the office, and serving as a liaison to

parents. The matrix established staffing for clerical support at a level of one secretary position per 500 students.

In 2013, schools statewide spent \$52.4 million on school secretaries. On average, districts spent \$37.91 more foundation funding per student than the matrix provided.

2012-13 School Secretaries Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$76.70	\$114.61	\$37.91 more than the matrix

School-Level Resources

In addition to staffing, schools need a variety of other types of resources. The school-level resources in the matrix include five general categories: technology equipment and related services, instructional materials, extra duty funds, supervisory aides, and substitute teachers.

TECHNOLOGY

The technology line of the matrix provides funding for four general categories:

1. Computers
2. Operating systems and other non-instructional software
3. Printers, copiers, and network equipment
4. Instructional software and additional hardware

Technology staff are funded by other matrix line items. The matrix funds one full-time technology coordinator in the central office line item and one-half FTE technology instructional facilitators in the instructional facilitator line item.

In 2012-13, districts collectively spent \$34.3 million from foundation funds on technology. However, districts used other types of funding to pay for most of their technology needs. In FY2013, districts used foundation funding to pay for just a third of their overall technology needs. As a result, districts spent only about 34.5% of the foundation funds they received for technology on technology-related needs.

2012-13 Technology Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$217.60	\$75.13	\$142.47 less than the matrix

INSTRUCTIONAL MATERIALS

Instructional materials are the books and other supplies needed for classes and educational research. The matrix provides funding for instructional materials, which include the following items:

- Textbooks
- Workbooks, worksheets and other consumables
- Pedagogical aides, such as math manipulatives and science supplies
- Library materials including books, other instructional materials and/or services such as subscriptions to electronic databases
- \$500 for each elementary school teacher for instructional materials, books and supplies

State statute requires districts to “provide instructional materials, including the availability of any equipment needed to access the instructional materials,” for all K-12 students in the state at no cost to the student (§ 6-21-401). The state accreditation standards also require school districts

to “adopt instructional materials which provide complete coverage of a subject as described in that subject’s curriculum frameworks and which fit the achievement levels of the students assigned to each teacher.” State standards do not require specific levels of consumable pedagogical aides, but some state and federal requirements necessitate their purchase, particularly in science. For high school science courses, state accreditation standards require “active student participation in laboratory experience...for a minimum of 20% of instructional time.” For school libraries, state standards require a minimum of 3,000 volumes or eight books per student, whichever number is larger.

In 2013, districts collectively spent \$50.5 million from foundation funding on instructional materials. On average, they spent about \$66.23 per student less than the matrix provides.

2012-13 Instructional Materials Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$176.70	\$110.47	\$66.23 less than the matrix

EXTRA DUTY FUNDS

Schools use extra duty funds to pay stipends for teachers who coach athletics and those who supervise after-school clubs or other extracurricular activities.

In 2013, districts collectively spent \$82.5 million from foundation funds on extra duty pay. On average, districts spent \$125.28 more on extra duty than the amount provided by the matrix. The following table shows the per-student expenditures for 2012-13.

2012-13 Extra Duty Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$55.20	\$180.48	\$125.28 more than the matrix

SUPERVISORY AIDES

School districts hire supervisory aides to help students on and off buses in the morning and afternoons and to supervise lunch and recess periods. Funding was provided in the matrix for supervisory aides because state law prohibits districts from assigning teachers to more than 60 minutes of “non-instructional duties” per week without paying them additional money (§ 6-17-117). However, districts typically exhaust teachers’ 60 minutes for supervisory duties before spending additional funds for this service. As a result, districts are spending considerably less for supervisory aides than the amount funded by the matrix. In FY2012-13, districts collectively spent \$5 million from foundation funds on supervisory aides.

2012-13 Supervisory Aides Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$54.70	\$10.99	\$43.71 less than the matrix

SUBSTITUTES

In 2013, districts collectively spent \$30.7 million from foundation funds on substitute pay. Districts spent about \$3 more per student than the amount provided by the matrix. The following table shows the per-student expenditures for 2012-13.

2012-13 Substitutes Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$64.00	\$67.24	\$3.24 more than the matrix

District-Level Resources

District-level resource expenditures include operations and maintenance, central office expenses, and district transportation expenses.

OPERATIONS AND MAINTENANCE

The operations and maintenance line of the matrix (O&M) includes the staff and other resources necessary to maintain school facilities and grounds and keep school buildings clean, heated, and cooled. Act 1426 of 2005 required districts to spend at least 9% of their foundation funding on utilities, custodial, maintenance, repair, and renovation activities and related personnel costs. The state has no required minimum staffing level for operations and maintenance personnel, but the state's Public School Facilities, Maintenance, Repair and Renovation Manual, maintained by the Division of Public School Academic Facilities and Transportation (Facilities Division), provides staffing recommendations for custodians, groundskeepers, and maintenance personnel. According to data provided by the Facilities Division, districts are, on average, slightly understaffed for custodians and slightly overstaffed on maintenance staff. The Facilities Division does not have data on grounds staff.

In FY2012-13, districts collectively spent \$355.4 million from foundation funds on operations and maintenance. Districts spent considerably more on operations and maintenance than the funding amount provided by the matrix.

2012-13 Operations and Maintenance Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$629.00	\$777.41	\$148.41 more than the matrix

CENTRAL OFFICE

The matrix provides funding for district-level administrative expenses including the salaries and benefits of the superintendent, as well as administration personnel (legal, fiscal, human resources, communications, etc.), district instructional and pupil support directors, and clerical staff. The central office line of the matrix also provides funding for activities of the local school board.

In 2012-13, districts collectively spent \$153.6 million from foundation funds on expenses that have been attributed to the central office. Districts spent less foundation funding on central office needs than was funded in the matrix.

2012-13 Central Office Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$415.10	\$335.96	\$79.14 less than the matrix

TRANSPORTATION

Transportation expenditures include school bus and district vehicle operations and maintenance, transportation personnel, insurance and equipment costs. They also include bus purchases and non-academic transportation. The transportation line of the matrix does not include expenditures for athletic or activity transportation.

In FY2012-13, districts collectively spent \$134.6 million from foundation funds on transportation expenses. Districts spent about \$15.45 per student less on transportation than they were provided through the matrix.

2012-13 Transportation Funding and Expenditures		
Matrix Amount	Expenditures Per Student	Difference
\$309.90	\$294.45	\$15.45 less than the matrix

See page 44 for additional review of transportation costs and the amount of time students spend on the bus.

NON-MATRIX ITEMS

Districts use foundation funding for purposes not included in the matrix and not specifically noted as being essential for educational adequacy. The category “non-matrix items” includes a variety of items that have not been assigned to a specific matrix line item in this analysis. It is important to note that foundation funding is unrestricted funding, and districts are free to use it however best fits their needs. Spending on non-matrix items should not be considered necessarily problematic or incorrect. In some cases, expenditures were placed in this category simply because they did not fit with a specific component of the matrix.

Description	Expenditures or other uses from foundation funds	Expenditures or other uses from foundation funds per pupil
Athletic supplies and transportation	\$21,310,475	\$46.61
Activity supplies and transportation	\$2,741,484	\$6.00
Supplies and objects other than salaries and benefits in instruction and instructional support not otherwise classified as instructional materials, technology, etc.	\$30,944,135	\$67.68
Other classified instructional personnel for programs outside regular school programs, including preschool, summer school, homebound instruction, and selected instructional program coordinators	\$12,035,401	\$26.32
Classified guidance services	\$3,277,251	\$7.17
Instructional aides	\$57,841,185	\$126.51
Classified library support	\$4,818,030	\$10.54
Supplies and materials for counselors, nurses, and other student support services	\$3,470,361	\$7.59
Pre-school	\$1,378,270	\$3.01
Food service	\$1,606,660	\$3.51
Community outreach	\$943,834	\$2.06
Other financing uses such as bonded indebtedness not accounted for in the debt service fund and indirect costs	\$7,280,560	\$15.92
Non-technology related facilities construction and site improvement	\$6,354,839	\$13.90
Other miscellaneous items	\$20,209,244	\$44.20
Total other non-matrix items	\$174,211,729	\$381.03

In FY2012-13, districts collectively spent \$174.2 million from foundation funds on expenses not attributable to a matrix line item. This equates to approximately \$381.03 per student. The expenditure per student for all students equates to 6.08% of the overall matrix.

2012-13 Expenditures for Other Non-Matrix Items		
Matrix Amount	Expenditures Per Student	Difference
\$0.00	\$381.03	\$381.03 more than the matrix

Summary of Foundation Funding Staffing and Expenditures

The tables in this section provide an overview of how districts' staffing and spending in 2012-13 compared with the matrix structure. **Red** numbers in the "Difference" column indicate line items in which districts spent less foundation funding or had fewer positions funded by foundation funds than the funding and staffing provided by the matrix. **Blue** numbers indicate where districts' spending and staffing exceeded the matrix.

2012-13 School-Level Staffing			
Staff	Matrix Number	District Average per 500 Students	Difference
Non-administrative school-level total	33.665	31.45	2.215
• Classroom Teachers	24.94	24.90	.04
• Special Education Teachers	2.9	2.95	.05
• Instructional Facilitators	2.5	.93	1.57
• Librarians and Media Specialists	0.825	.91	.085
• Counselors and Nurses	2.5	1.76	.74
Administrative school-level total	2		
• Principals	1	.99	.01
• Secretary	1	NA	NA

2012-13 Per-Student Foundation Funding and Expenditures			
	Matrix	District Expenditures	Difference
Classroom Teachers	\$3,021.03	\$2,841.31	\$179.72
Special Education Teachers	\$351.28	\$351.32	\$.04
Instructional Facilitators	\$302.83	\$152.85	\$149.98
Librarians and Media Specialists	\$99.93	\$116.74	\$16.81
Counselors and Nurses	\$302.83	\$245.99	\$56.84
Principal Salary + Benefits	\$190.20	\$193.37	\$3.17
School-level Secretary	\$76.70	\$114.61	\$37.91
Technology	\$217.60	\$75.13	\$142.47
Instructional Materials	\$176.70	\$110.47	\$66.23
Extra Duty Funds	\$55.20	\$180.48	\$125.28
Supervisory Aides	\$54.70	\$10.99	\$43.71
Substitutes	\$64.00	\$67.24	\$3.24
Central Office	\$415.10	\$335.96	\$79.14
Transportation	\$309.90	\$294.45	\$15.45
Operations & Maintenance	\$629.00	\$777.41	\$148.41
Other Non-Matrix Items	\$0.00	\$381.03	\$381.03
TOTAL	\$6,267.00	\$6,249.35	

Overall, districts' actual foundation funding expenditures in 2012-13 tracked fairly closely with the intent of the matrix in some areas and less well in other areas. Average per-student spending in four areas closely matched the matrix amounts: special education teachers, principals, substitutes and transportation. In seven areas, districts spent less foundation funding than the matrix provided. These areas included classroom teachers, instructional facilitators, counselors and nurses, technology, instructional materials and the central office. In four of those

seven areas, districts' under-spending may result from the fact that they had other types of funding to use for those expenditures.

Districts spent more foundation funding than they received in four areas: librarians, secretaries, extra duty, and operations and maintenance. The matrix provides a basic level of funding for school secretaries and extra duty as a component of providing an adequate education. However previous legislatures have recognized that districts may choose to use more secretaries and athletic staff than what is funded in the matrix, but that any additional spending for these resources could come from local funds. Districts' spent 23.6% more on O&M than the matrix funding provided, and this may be an area for further study.

In general, large districts spent more for items directly related to instruction than smaller districts, while small districts put more of their foundation funding in administrative expenditures. Large districts spent more per student on classroom teachers, special education teachers, instructional facilitators, and instructional materials. Small districts spent more per student on expenditures associated with the central office, transportation and O&M.

A similar pattern emerges when viewing districts based on concentrations of poverty. Low poverty districts spent more foundation funding per student for classroom teachers, special education teachers, counselors and nurses, technology and instructional materials. High poverty districts spent more per student on principals, librarians, central office staff and transportation. This pattern may result, in part, from high poverty districts having additional sources of revenue, beyond foundation funding, to spend on instructional resources.

Spending patterns among districts grouped according to student achievement are less clear. Still, top quartile districts spent more foundation funding per student on classroom teachers and special education teachers, while the lowest achieving districts spent more on central office staff, transportation, and O&M.

Section 10: District Use of Categorical Funding

In addition to foundation funding, districts receive four types of categorical funding. Three of the four categorical funds are intended for high need student populations. These groups include:

- 1.) Students in poverty
- 2.) Students who are not proficient in the English language
- 3.) Students who need the additional assistance of an alternative learning environment

The fourth categorical fund type benefits students through the provision of professional development training for teachers and other educators. One important characteristic of all four categorical funding programs is that it is restricted, meaning districts can spend the money only on the programs for which they are intended.

In January and April 2014, the BLR presented five reports on categorical funding.

National School Lunch Act

National School Lunch (NSL) funding is state money provided to school districts and open enrollment charter schools to help with the educational challenges associated with having high percentages of poor students. This state categorical funding should not be confused with the federal National School Lunch Act. The state money is called NSL funding only because it uses the federal act's eligibility criteria for free and reduced price lunches (household incomes below 185% of the federal poverty level). In 2012-13, 279,853 K-12 public school students in Arkansas (not including students in charter schools) were eligible for free or reduced price lunches, or 60.4% of the total 463,374 enrolled students.

NSL FUNDING DISTRIBUTION

Districts receive NSL funding based on the percentage of their students who are eligible for free or reduced price lunches. The funding is based on the rates shown in the table. Districts receive the funding amount for each student eligible for a free or reduced price lunch. In 2012-13, districts collectively received a total of nearly \$200 million in NSL funding.

% NSL Students	FY13 Funding Rate	Districts
< 70%	\$517	150
70% - 90%	\$1,033	81
90% >	\$1,549	8

In addition to the regular NSL funding, there are two other related state funding programs: NSL growth funding and NSL transitional adjustments.

NSL growth funding: Because NSL funding is based on the prior year's enrollment data, a provision was made to provide additional NSL funding for growing districts. (This funding is separate from the regular student growth funding [see page 74], which is another appropriation in the public school fund.)

FY2013	Districts
NSL Funding	\$199,936,831
NSL Transitional	(\$7,472,024)
NSL Growth	\$512,943
Total	\$192,977,750

Districts that have grown at least one percent each of the last three years qualify for growth funding. A total of \$512,943 in growth funding was provided to 11 districts in FY2012-13.

NSL transitional adjustments: Districts receive NSL transitional adjustments to help them move from one funding level to another. Transitional adjustments provide a NSL funding provides a "smoothing" mechanism to ease the funding changes between established break points in the levels of eligibility for NSL funding. Adjustments can be either positive or negative. In 2012-13, 21 districts received a transitional adjustment. Of those, 3 received a positive adjustment, and 18 received a negative adjustment. Transitional adjustments totaled a negative \$7.5 million.

NSL FUNDING USES

Unlike the per-pupil foundation funds, NSL funding is considered restricted, meaning districts can spend NSL dollars only for certain activities. State law lists a number of approved uses and allows the SBOE to establish additional approved uses. Districts may use the funding to pay for classroom teachers (under certain circumstances), instructional facilitators, tutors, counselors, social workers, nurses, summer programs, before- or after-school programs or to extend the school year, among a variety of other types of uses. There are 17 approved uses in statute and another 8 or so (depending on how one counts them) established by the Board.

The following table shows the five allowable uses on which districts collectively spent the highest percentage of NSL funding.

Use	% of All NSL Exp.
Instructional facilitators	21.15%
Other approved activities	13.49%
ACSIP, Scholastic Audit, etc.	12.56%
Transfers to other funds	11.27%
Teacher aides	8.54%

Over the last biennium, as the distribution and use of NSL funding have been examined by legislators and educators, questions have surfaced about which students the funding is intended to serve. Some have argued that because the funding is based on the number and concentration of low-income students, the funding was intended to target low-income students. Others believe the funding is intended to serve students who are not testing on grade level, and that the funding uses eligibility for a free or reduced-price lunch as merely a proxy for targeting struggling learners. Finally, others believe the funding is intended to raise the achievement of all students, not just poor students or struggling learners. Determining which students are targeted is important, in part, because it's difficult to measure the "success" of the funding until it's known who it's intended to help.

As part of the 2014 adequacy study, the BLR surveyed all 238 school districts in the state through an online survey. One survey question sought information on how the districts target NSL funds.

Question: Which one of the following goals is most important when your district is deciding how to allocate NSL funding?

- a.) Raising the achievement of economically disadvantaged students
- b.) Raising the achievement of students who are not performing on grade level
- c.) Raising the achievement of all students

The responses indicate that nearly half of the districts do not target the funding toward any particular group of students. Instead, they consider the funding to be a resource for all students.

	All Districts
Raising the achievement of economically disadvantaged students	31%
Raising the achievement of students who are not performing on grade level	20%
Raising the achievement of all students	49%

NSL EXPENDITURES

In 2012-13, districts spent \$196,927,711 of their NSL funding — about \$3.9 million more than they received that year. The overspending is likely the result of districts' attempts to spend down their **NSL fund balances**. At the end of 2012-13, districts had collectively reduced the total NSL fund balance from \$26.65 million at the end of 2010-11 to \$18.36 million. Still, of the 239 districts operating in 2013, 222 had fund balances.

Districts' efforts to reduce fund balances is likely the result of Act 1220 of the 2011 Regular Session (§ 6-20-2305). That measure calls for districts to spend at least 85% of the NSL allocation they receive each year. Districts with NSL fund balances above 15% of their current year allocation are required to reduce their balances by at least 10% annually. If a district fails to comply, ADE may withhold a portion of the district's NSL funding in the following year. The law also allows ADE to redistribute to other districts any funding it withholds. The law was applied for the first time to NSL fund balances as of June 30, 2012, requiring 53 districts to reduce their NSL fund balances in the 2012-13 school year. At the end of 2012-13, school districts that did not spend down the required 10% of their 2011-12 fund balance had NSL funding withheld in 2013-14. Eleven districts were unable to adequately spend down their fund balances, and ADE withheld a total of \$1.47 million from their NSL funding during the 2013-14 school year.

RESEARCH ON EFFECTIVE STRATEGIES FOR ACHIEVEMENT GAINS

At the end of the 2012 adequacy study and going into the 2014 study, the Education Committees began discussing the impact that NSL funding was having in K-12 schools. Some members questioned the breadth of allowable uses of these funds and requested information on the most effective interventions for raising achievement among low-income students. In January 2014, the BLR presented a report entitled, "Success in High Poverty Schools: Uncovering the 'Secrets' of Student Achievement in Schools with High Concentrations of Poverty." The report reviewed the literature on this topic and summarized the most potent influences on student achievement.

High Quality Teachers

- Research studies have demonstrated that teachers influence student learning more than any other single factor within the school context, and the effects of teaching on student achievement are cumulative.
- Teachers need a thorough command of their subject to be able to provide differentiated instruction to students with diverse abilities and deficits. Teachers must know their teaching area in detail, and its connections to other important elements of the area, both prior to and beyond the level they are assigned to teach.
- Bright teachers from strong academic institutions have higher student achievement results than their peers from colleges with less academic rigor/productivity.
- Minority students and students in poverty often have been taught by unlicensed, out-of-field, and inexperienced teachers, who often did not have a record of strong academic performance in their college years.
- Three essential factors leading to effective teaching are hiring practices, effective leaders, and professional development (PD).
- A National Mathematics Advisory Panel found that differences in teaching effectiveness account for 12% to 14% of total variability in students' mathematics achievement gains during an elementary school year.

Leadership

- There is a consensus emerging that the principal is best positioned to ensure teaching and learning are maximized, especially in schools with high concentrations of poverty. Student achievement is the result of dynamic, interacting forces, both in school and in the larger community, and the principal is the catalyst.
- A noted study found that leadership was the second most important school-based factor in children's academic achievement and noted that there were few, if any, cases of troubled schools turning around without effective leaders.
- A well-designed study found that the impact of principals, as measured by the value-added scores, was nearly twice as large in high-poverty schools as in low-poverty schools. The Wallace Foundation has calculated that principals account for about a quarter of the student achievement in a school.
- Two prevailing themes found throughout the current literature involve principals assuming the primary role of curriculum leader, while sharing leadership with teachers who have the capacity to encourage and reinforce critical elements of teamwork.

Professional Development

- Effective instruction requires a comprehensive, in-depth knowledge of content, and an array of teaching skills to present complex ideas to a diverse group of learners.
- 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 PD aimed at identifying individual teacher and student needs, instructional strategies to address those needs, and data-driven evaluations of teaching.
- Research indicates that effective PD presupposes a sequence of developmental learning, consisting of individually-tailored instruction, modeling, practice teaching and observational feedback from peers and coaches, and regular evaluation based on a variety of indicators.
- Stanford University researchers found that opportunities for sustained, collegial PD of the kind that produces changes in teaching practice and student outcomes were much more limited in the United States than in most high-achieving nations abroad. They also found that in areas like teaching of English language learners, special education, and struggling students, U.S. investments in teacher learning appeared to be increasingly focused on the least effective models of professional development, such as one-time workshops with no follow-up that are not effective in improving teaching.

Professional Learning Communities

- As studies reveal more about how teachers learn, many researchers and practitioners have begun to place greater emphasis on collaborative learning in professional learning communities.
- PLCs provide an ideal forum for teachers to learn course content and teaching skills from one another, to examine and interpret test data as the basis for differentiated and coordinated instruction across teachers and courses, and to evaluate and adjust lesson plans and curriculum.
- Principals should be ex officio members of the PLCs, especially when curriculum and other administrative changes are being considered for adoption. To the extent circumstances permit, tutors and parent representatives should also participate in some of the PLC meetings.
- Parents only become involved in their children's school work when communication is ongoing, detailed, and mutually informative.

Response to Intervention (RTI)

- RTI provides a systematic set of steps to identify problems and their severity in early grades so progressively intensifying intervention can remedy them in order for normal learning to occur. This type of intervention is critical for students entering school with many skill deficits as a result of poverty.
- A critical element to the RTI process is having a professional (e.g., social worker, nurse) to facilitate, coordinate, and evaluate the collection of various services needed by individual children. This professional should be knowledgeable about ecological systems perspective on the effects of poverty, and the various services available in the community to address complicated problems stemming from bio-psychosocial forces.

Tutoring

- One-to-one tutoring is effective in raising reading skills and performance in other courses. Teachers are more effective as tutors than teaching assistants or volunteers, and an emphasis on phonics greatly improves tutoring outcomes.
- Although one-to-one phonetic tutoring for first graders is highly effective, effects last into the upper elementary grades only if classroom interventions continue beyond this initial period.
- Small group tutorials can be effective, but are not as effective as one-to-one instruction by teachers or trained paraprofessionals.
- Classroom instructional process approaches, especially cooperative learning and structured phonetic models, have strong effects for low achievers (as well as other students).

After-School Programs

- Overall, the evidence suggests that participation in after-school programs (ASPs) can positively affect the academic, social-emotional, and physical well-being of young people, including long-term educational attainment and occupational success. However, both the direction and magnitude of associated effects of ASPs depend on program quality.
- Quality after-school programs share the following features:
 - ✓ Clearly stated measurable goals and objectives.
 - ✓ Responsible supervision and well-defined structure.
 - ✓ Skilled and knowledgeable staff.
 - ✓ Intentional programming with opportunities for autonomy and choice.
 - ✓ Strong partnerships among the various settings in which program participants spend their day—schools, after-school programs, and families.

Summer Programs

- Many types of summer learning programs have the potential to reduce summer learning losses, but they are not guaranteed to be effective.
- Researchers identified components of quality summer learning programs:
 - ✓ small class size (≤ 20),
 - ✓ differentiated instruction,
 - ✓ high-quality instruction,
 - ✓ aligned school year and summer curriculum,
 - ✓ engaging and rigorous academics,
 - ✓ maximized participation and attendance,
 - ✓ sufficient duration,
 - ✓ involved parents, and
 - ✓ evaluation of effectiveness.

Alternative Learning Environments

An **alternative learning environment (ALE)** is an intervention program that seeks to eliminate barriers to learning for at-risk students (§ 6-48-101). ALE programs are based on the premise that all students can learn if provided with a non-punitive environment that is conducive to learning. ALEs offer smaller class sizes, individualized or specialized instruction, and additional services integrated into the academic atmosphere.

Arkansas law requires every school district to offer an ALE program for all students who qualify. Some districts provide ALE programs in a separate room within a regular school, while others dedicate an entire school facility to their ALE programs. Some districts join with other districts or their education cooperative to provide ALE services for area students.

ALE ELIGIBILITY

To be placed in an ALE program, students must be referred by a district's or school's Alternative Education Placement Team because they exhibit or are experiencing two of the following:

- Ongoing, persistent lack of attaining proficiency levels in literacy and math (*Students cannot be placed in an ALE program for academic problems alone.*)
- Abuse: physical, mental, or sexual
- Frequent relocation of residency
- Homelessness
- Inadequate emotional support
- Mental/physical health problems
- Pregnancy
- Single parenting
- Personal or family problems or situations
- Recurring absenteeism
- Dropping out of school
- Disruptive behavior

In 2012-13, 9,573 students – about 2% of the total student population – spent part or all of their day in an ALE program. ALE programs typically have higher proportions of male students and minority students than exist in the total student population. In 2012-13, ALE programs reported being comprised of 66% male students and 45% minority students, compared with the total student population, which is 51% male and 35% minority.

ALE FUNDING

Because ALE students need intensive services, the state provides districts with funding to serve these students in addition to foundation funding. ALE funding is provided to districts for students who have been in an ALE program for at least 20 consecutive days. The funding is also based on the amount of time those students spend in the ALE program during each day and throughout the year.

For funding purposes, students are counted on a full-time equivalency (FTE) basis. An FTE student is one who has spent the entire day (6 hours) in the ALE program for the entire year. A .5 FTE student may have spent all day in an ALE for half the year or half of the day all year. To calculate ALE funding for the current year, districts count ALE FTE students from the previous year. In 2012-13, funding was based on 5,428 FTE students from 2011-12. In 2012-13, 210 districts received ALE funding. The remaining 29 districts reported no ALE FTE students in the prior year. Those that had no ALE students provided a variety of reasons, including having no

Total ALE Categorical Funding	
2010-11	\$21.1 M
2011-12	\$22.3 M
2012-13	\$23.0 M

students who qualified, using an in-school suspension setting instead, and a belief that ALE placement is not in the best interest of the district's students. ALE enrollment figures indicate the number of ALE FTE students increased each year through 2012 and then decreased nearly 9.5% in 2013. The decrease may be related to revised rules with more rigorous program requirements and ADE's efforts to ensure districts do not receive ALE funding for students who require only credit recovery.

The ALE funding rate established in state statute was \$4,228 per ALE FTE student in FY13 and \$4,305 in FY14.

ALE EXPENDITURES

ALE funding is considered restricted, meaning districts can spend it only on approved ALE programs. Under ADE rules, allowable uses include:

- Salaries and benefits for ALE program employees
- Equipment and instructional materials used in an ALE program
- Fees paid to another district or educational cooperative to operate an ALE program serving other districts' students

ALE funding was designed to enhance the foundation funding that districts receive for these students and allow districts to provide more intensive services for their additional needs. In 2012-13, each ALE FTE student generated \$4,228 in ALE funding and \$6,267 in foundation funding for a total of \$10,495 per student. In 2012-13, districts received \$23 million in ALE categorical funding and another \$34 million in foundation funding for 5,428 ALE FTEs. Districts also transferred \$16.4 million in NSL funding to their ALE funds. Districts spent \$40.1 million of their ALE funds and they spent another \$16.7 million on ALE programs using funding from other sources.

District ALE Expenditures	
2010-11	\$33.5 M
2011-12	\$40.6 M
2012-13	\$39.9 M

On the whole, districts spent on ALE programs roughly the amount they received in ALE funding and foundation funding. However, they used NSL funding to cover the costs of ALE programs rather than spending unrestricted foundation funds.

ALE FUND BALANCES

Despite districts' expenditures collectively exceeding the funding provided, some districts ended the year with unspent funds. At the end of 2012-13, 143 districts had a collective ALE fund balance of \$1.63 million.

English Language Learners

English language learner (ELL) funding is state categorical funding that supports students who are not proficient in the English language.

According to the Arkansas Department of Education, there were 34,272 ELL students in 2012-13, making up 7.5% of all students in public school districts. Fifty-six percent (19,211) of all ELL students in the state were served by four school districts—Springdale (8,636), Rogers (4,837), Fort Smith (3,455) and Little Rock (2,283).

Five most widely spoken languages	Number of Students
1. Spanish	24,823
2. Marshallese	1,865
3. Vietnamese	425
4. Laotian	363
5. Hmong	261

ELL ELIGIBILITY

To be designated as an ELL, the student may be identified as a Language Minority Student (LMS) at the time of enrollment by a Home Language Survey, which is filled out by parents or guardians. The student is then assessed for English proficiency using a screener or placement test. If the test indicates the student is not fully fluent in English, the student is then classified as ELL and placed in an English as a second language, or ESL, program.

Arkansas uses the English Language Development Assessment (ELDA) test to determine an English language learner's level of proficiency. The ELDA tests only students' proficiency with the English language and does not assess prior academic knowledge. Students in kindergarten through 12th grade are tested in five domains: reading, writing, listening, speaking, and comprehension. The results of the assessment help schools determine what type of English language instruction is appropriate for each ELL student.

A student exits the ELL program once his or her ELL committee, which is assigned once the student is designated as ELL, deems the student eligible. This is determined on the basis of the student's ELDA test scores, grades in core content classes, and through the subjective review of the teachers sitting on each committee.

ELL FUNDING

For the 2012-13 school year, each Arkansas school district received \$305 per ELL student in state ELL categorical funding. Districts received a total of \$10.5 million in ELL funding.

Arkansas ELL Funding Per Student	
2011	\$293
2012	\$299
2013	\$305

Only districts with ELL students receive ELL funding. In 2012-13, 151 Of 239 school districts that year (63%) received funding. The remaining 88 (36.8%) received no funding due to 0% enrollment of qualifying ELL students.

ELL FUNDING EXPENDITURES

Like other categorical funds, ELL funding is restricted, meaning the money can be used only for ELL program costs. Eligible ELL funding uses include:

- Salaries for ELL instruction;
- Professional development activities;
- Instructional materials including technology;
- Counseling services, community liaison staff with language and cultural skills appropriate to the ELL population; and
- Assessment activities.

ELL programs are designed by, and provided at, the district level. The state does not mandate one way in which to provide these services. Instead there is often a combination of instructional services used to serve the ELL population. Some districts may use pull-out instruction, while others provide students with "sheltered instruction." This is a method by which students are aided during content area classes by an ESL-trained instructor within a particular classroom. In schools with a critical-mass enrollment, a stand-alone, self-contained ELL class may be provided, if resources justify.

ELL categorical funding expenditures among these districts totaled \$14.7 million in 2012-13, or \$428 per ELL student. The \$14.7 million includes about \$3.8 million in transfers from NSL categorical funds into ELL and \$3.2 million from other non-federal sources. The total ELL fund balance, across all districts, in 2013 was about \$1.6 million.

FEDERAL FUNDING AND PROGRAM REQUIREMENTS

Federal funding is available to districts who meet a \$10,000 funding threshold (typically districts with between 100-120 ELL students) through the Title III program. In 2013, there were 38 Arkansas school districts that met this requirement and were subsequently allotted a total of \$3.1 million in Title III funding.

ELL students' performance on the ELDA test is used at the federal level to gauge the performance of qualifying Title III schools. Three Annual Measurable Achievement Objectives (AMAO) are set that districts must meet in order to continue to qualify for federal funding. In 2013, 84% of districts met the target for AMAO 1, 87% of districts met the target for AMAO 2, and 10.5% of districts met the target for AMAO 3 (proficiency in literacy and math on state assessments among ELL students).

ELL STUDENT PERFORMANCE

Arkansas ELL students also participate in state Benchmark and End of Course (EOC) exams. In 2013, 66% of ELL students scored proficient or above in math and 68% of ELL students scored proficient or advanced in literacy (across all grades for Benchmark and EOC testing). This is compared to the non-ELL population in which 77% were proficient or advanced in math and 77% were proficient or advanced in literacy. NAEP (National Assessment of Educational Progress) is a test given at grades 4 and 8 across all U.S. states. Arkansas ELL students performed well on NAEP tests, with the highest average NAEP score for ELLs among surrounding states (202) and the third highest average NAEP score among SREB states.

Professional Development

Professional development (PD) is organized training required for licensed teachers, administrators, and some classified staff to increase their knowledge and improve their skills to ensure all students demonstrate proficiency on state academic standards.

Each district is required to develop a plan that spells out the PD activities for the district. Each plan must be aligned with district's Arkansas Comprehensive School Improvement Planning (ACSIP) and target students' needs as identified through student achievement data (ACA§ 6-17-704(c)(1)).

All related PD activities must be aligned to the SBOE standards. PD must relate to the following focus areas: content (K-12), instructional strategies, mentoring, supervision, or peer coaching. There are a variety of ways to earn PD credit, including workshops, curriculum planning, conferences, college or university course work, and distance or online learning provided by ADE through the Arkansas Educational Television Network (AETN).

PD FUNDING

The state provides additional funding to help districts pay for professional development programs. PD funding, like other state categorical funds, is considered restricted, meaning districts can only use the money on the programs for which it is intended. Districts are allowed to spend PD funding only on specific activities, such as conferences, web-training, workshops, or other PD activities.

Districts receive PD funding based on their ADM from the previous year. In the First Extraordinary Session of 2013, the General Assembly passed Act 2, which reduced PD funding from \$54 per student to \$32.40 for the 2014-15 school year. The Act was implemented to generate savings to support the public school employee health insurance plan. ADE then revised its rules to reduce the number of PD hours that educators need to obtain for licensure from 60 hours to 36.

School Year	Per Student PD Funding Amount
2010-11	\$50
2011-12	\$51
2012-13	\$52
2013-14	\$53
2014-15	\$32.40

However, school districts will still be required to provide 10 days (60 hours) of PD because the statutorily defined basic teacher contract requires 10 days for PD. This may cause districts to rely on cost-free PD activities to supplement the 36 hours that are funded.

In 2005, the Legislature passed Act 2318, creating the Arkansas Online Professional Development Initiative (§ 6-17-707). Section 29 of Act 2131 of 2005 authorized ADE to use up to \$4 million of the total PD appropriation for the online PD program. This funding reduces the amount of PD money distributed to districts by about \$8.50 per student.

The idea for the program was to create one online system that each school district could not have afforded to develop individually. The special language provision setting aside \$4 million has been included in every Public School Fund appropriation since 2005. ADE manages the online system by awarding grants to AETN and other organizations to set up and maintain a portal for online courses, known as ArkansasIDEAS.

ADE officials noted that when funding is reduced, AETN is expected to continue receiving about \$3.5 million, a slight reduction from the \$3.75 million the organization received in 2012-13. This may mean that the bulk of PD funding cuts will be shouldered by the districts and charter schools.

The middle column in the table to the right shows the total PD funding distributed to districts, charters and the online PD program. The right-hand column provides the amount distributed just to the districts.

Year	Total PD Funding	Total PD Funding for Districts
2010-11	\$23.1 M	\$18.9 M
2011-12	\$23.7 M	\$19.4 M
2012-13	\$24.2 M	\$19.8 M

PD EXPENDITURES

In 2012-13, districts (not including the charter schools) received a total of \$19.8 million. Districts are allowed to transfer money between categorical funds, and in 2012-13, they transferred nearly \$2 million of their NSL funding to their PD funds. Using the transferred NSL funding and the \$19.8 million in PD categorical funding, districts spent \$20.8 million. Collectively districts spent more on PD than they received, but they used NSL funding to make up the difference.

Total PD Expenditures by Districts	
2010-11	\$17.7 million
2011-12	\$20.1 million
2012-13	\$20.8 million

Summary of Categorical Funding

The following tables show how categorical funding was distributed to school districts and compares districts' spending in 2012-13 with the amount of categorical funding provided to them.

	Students*	Districts Receiving Funding
ELL	34,272	151
ALE	5,428	210
NSL	275,275	239
PD	NA	239

*Student counts for categorical funding are based on the number of student used to calculate FY2013 funding. For ELL, the number of students was based on current year counts (2012-13). For ALE, PD and NSL, the student count is based on prior year (2011-12) numbers.

	Total District Expenditures	Per-Student Funding	Districts' Actual Per-Student Expenditure
ELL	\$14.7 million	\$305	\$428
ALE	\$39.9 million	\$4,228	\$7,355
NSL	\$196.9 million	\$517, \$1,033, \$1,549	\$715
PD	\$20.8 million	\$52 (\$43.39 to districts, \$8.61 to statewide online PD program)	\$45.55

Section 11: Recommendations From Picus Odden and Associates

In September 2014, Drs. Lawrence Picus and Allan Odden, principal partners of Picus Odden and Associates presented information on the recent developments in their evidence-based model, which is the model used to design the Arkansas education finance system. They offered recommendations for applying the new evidence to the Arkansas matrix.

The consultants noted that their report's purpose was to provide information about how their evidence-based model "has changed over the years and how, if implemented those changes would impact the elements of the current funding matrix." Their recommendations should be viewed as guidance for the Arkansas General Assembly to consider and to tailor to meet the needs of Arkansas students, educators and communities.

During his introductory remarks to the Adequacy Committee, Dr. Odden discussed the Arkansas adaptation of the evidence-based model and the discretion the committee should retain in adjusting the standards to meet their specific needs. Dr. Odden stated that the updated elements in the Picus Odden report were provided "to inform what you might do going forward, rather than where you should be."

He further told the committee that the original Arkansas matrix has "held up quite well over time, and we don't see any research out there that counters what we said in 2003 and 2006." Additionally, Dr. Odden noted, "new research has reinforced some of the more complex areas and elements of the model, and it is even stronger today."

This section of the report includes their recommendations for each line of the matrix as well as for state categorical programs.

School Level Staff

CLASSROOM TEACHERS

The current matrix is based on teacher-to-student ratios of 1:20 for kindergarten and 1:23 for 1st through 3rd grade. Picus Odden and Associates recommended reducing class sizes for K-3 students to 15 students per teacher. Smaller class sizes would increase the number of classroom teachers needed by 4.82 people per 500 students.

Classroom Teachers Per 500 Students		
Type of Teacher	FY15 Matrix	Picus Odden Recommendation
Core Teachers	20.8	24.12
Non-Core Teachers	4.14	5.64
Total	24.94	29.76

SPECIAL EDUCATION TEACHERS

The consultants recommended increasing the number of special education teachers in the matrix by .4 people per 500 students and adding 3.3 special education aides. The current matrix does not fund special education aides.

Special Education Teachers Per 500 Students		
	FY15 Matrix	Picus Odden Recommendation
Special Education Teachers	2.9	3.3
Special Education Aides	0	3.3

INSTRUCTIONAL FACILITATORS AND ASSISTANT PRINCIPALS

Picus Odden and Associates recommended increasing the number of instructional facilitators and assistant principals by .26 people per 500 students. (The consultants group their assistant principal recommendations with their recommendations for principals, but assistant principals are documented here for easier comparison with the current matrix.)

Instructional Facilitators and Assistant Principals Per 500 Students		
	FY15 Matrix	Picus Odden Recommendation
Instructional Facilitators	2.0, including .5 with technology expertise	2.5
Assistant Principals	.5	.26
Total	2.5	2.76

LIBRARY MEDIA SPECIALISTS

Picus Odden and Associates recommended increasing the number of library media specialists by .205 FTEs per 500 students.

Library Media Specialists Per 500 Students		
	FY15 Matrix	Picus Odden Recommendation
Library Media Specialists	.825	1.03

PUPIL SUPPORT SERVICES

Picus Odden and Associates recommended increasing the number of counselors by .49 FTEs per 500 students and the number of nurses by .03 FTEs. The consultants did not make any recommendations regarding funding for other pupil support through foundation funding. However, they did recommend funding one pupil support position for every 125 at-risk students within state categorical funding. See page 72 for more information.

Pupil Support Per 500 Students		
	FY15 Matrix	Picus Odden Recommendation
Counselors	1.11	1.6
Nurses	.67	.7
Other Pupil Support	.72	NA

PRINCIPALS

Picus Odden and Associates recommended increasing the number of principals by .03 FTEs per 500 students. (The consultants also recommended funding .26 FTEs of an assistant principal. That recommendation is described in the Instructional Facilitators and Assistant Principals section at the top of this page.)

Principals Per 500 Students		
	FY15 Matrix	Picus Odden Recommendation
Principals	1	1.03

SCHOOL SECRETARY

Picus Odden and Associates recommended increasing the number of secretaries by 1.31 FTEs per 500 students.

Secretaries Per 500 Students		
	FY15 Matrix	Picus Odden Recommendation
Secretaries	1	2.31

School-Level Resources

TECHNOLOGY

Despite the fact that districts spent considerably less foundation funding than the matrix amount provided for technology, Picus Odden and Associates recommended increasing the per-student funding level for this line item to \$250 per student.

Technology Per Student		
	FY15 Matrix	Picus Odden Recommendation
Technology	\$225.60	\$250

INSTRUCTIONAL MATERIALS

Districts spent less foundation funding than was provided for instructional materials, but Picus Odden and Associates recommended increasing the per-student funding level for instructional materials to \$220 per student.

Instructional Materials Per Student		
	FY15 Matrix	Picus Odden Recommendation
Instructional materials	\$183.10	\$220

EXTRA DUTY

Picus Odden and Associates recommended increasing the funding level for extra duty funding and student activities to \$215.16 per student. This recommendation includes funding for both the people involved in athletics and other student activities, as well as the material items needed for such activities (equipment, etc.). The current matrix does not provide funding for material items. However, the BLR's Resource Allocation report noted that districts used about \$21.3 million of their foundation funds on materials for athletics and \$2.7 million on materials for other student activities (see page 55).

Extra Duty Funding Per Student		
	FY15 Matrix	Picus Odden Recommendation
Extra duty funding	\$57.20	\$107,580 per 500 students, or \$215.16 per student

SUPERVISORY AIDES

The \$56.70 currently in the matrix for supervisory aides is based on one supervisory aide for every 500 students. Picus Odden and Associates recommended increasing funding for supervisory aides by increasing the number in the matrix from 1 to 2.1 per 500 students. The consultants did not provide a dollar amount, but if the current funding amount is multiplied by 2.1, the recommended funding amount would be \$119.07.

Supervisory Aides Per Student		
	FY15 Matrix	Picus Odden Recommendation
Supervisory aides	\$56.70, based on 1 supervisory aide per 500 students	Increase from 1 supervisory aide to 2.1, which would increase the per-student amount to \$119.07

SUBSTITUTES

Picus Odden and Associates recommended tripling the funding for substitutes to support 10 days of substitute pay per teacher at a compensation level equal to that in the current matrix for teachers.

Substitutes Per Student		
	FY15 Matrix	Picus Odden Recommendation
Substitutes	\$66.30	\$195 per student

District-Level Resources

OPERATIONS AND MAINTENANCE

Picus Odden and Associates's recommendation for O&M is not easily compared with the current matrix amount. The consultants recommended funding to support 4.62 O&M employees per 500 students, plus another \$116.73 per student for additional supplies and materials. Because the consultants did not include a recommended salary for the O&M employees, it is difficult to translate their recommendation into a per-student dollar amount.

Operations and Maintenance Per Student		
	FY15 Matrix	Picus Odden Recommendation
Operations and Maintenance	\$651.80	The recommendations call for 4.62 FTEs per 500 students, plus \$116.73 per student for additional materials and supplies

CENTRAL OFFICE

Picus Odden and Associates provided a recommended range of funding levels for central office needs based on the consultants' estimates of necessary staffing levels in other states. As a result, the consultants recommended increasing the per-student funding level for central office by \$57.80 to \$213.80 per student.

Central Office Per Student		
	FY15 Matrix	Picus Odden Recommendation
Central Office	\$430.20	Recommendation range: \$488 to \$644 per student

TRANSPORTATION

Picus Odden and Associates recommended providing funding for transportation as a categorical program based on multiple factors. The consultants did not recommend a particular funding amount.

Transportation Per Student		
	FY15 Matrix	Picus Odden Recommendation
Transportation	\$321.20	None provided

ITEMS NOT CURRENTLY IN THE MATRIX

Picus Odden and Associates recommended adding funding for items that are not included in the current matrix.

Gifted and Talented Per Student		
	FY15 Matrix	Picus Odden Recommendation
Tutors	No funding specifically provided in the matrix	1 tutor per 500 students
Gifted and Talented	No funding specifically provided in the matrix	\$25 per regular student

Categorical Funding Programs

STRUGGLING STUDENTS (NSL)

Picus Odden and Associates recommended funding two additional employees (1 tutor and 1 pupil support position) for every 125 students who are either eligible for a free or reduced-price lunch or are English language learners. The consultants did not specify a salary level for these staff. Therefore a dollar amount per student could not be calculated. However, if the teacher compensation level of \$63,130 is used (the teacher salary in the FY15 matrix), the recommended amount would be \$1,010.08 per NSL/ELL student.

The consultants also recommended providing funding to support extended day and summer school programs. For these two programs, they suggested funding a total of two teacher positions for every 120 at-risk students. Based on a teacher compensation package of \$63,130, this recommendation would cost \$1,052.17 per at-risk student.

Support for Struggling Students		
	FY15 NSL Funding	Picus Odden Recommendation
Tutors	Funding per NSL student	1 tutor for every 125 at-risk students (unduplicated NSL and ELL students)
Pupil Support	<ul style="list-style-type: none"> Less than 70% NSL students: \$517 	1 pupil support position for every 125 at-risk students
Extended Day Programs	<ul style="list-style-type: none"> 70% to less than 90% NSL students \$1,033 	1 extended day teacher for every 120 at-risk students
Summer School	<ul style="list-style-type: none"> 90% or more NSL students: \$1,549 	1 summer school teacher for every 120 at-risk students

ALTERNATIVE LEARNING ENVIRONMENT

The consultants recommended funding one assistant principal position and three teacher positions for every seven FTE ALE students. The consultants also recommended providing funding to support school-level resources, such as instructional materials and technology, as well as funding for central office and O&M costs. Picus Odden and Associates did not translate their recommendation into a per-student funding amount.

Alternative Learning Environment		
	FY15 ALE Funding	Picus Odden Recommendation
Alternative Learning Environment	\$4,383 per ALE FTE student (originally based on one teacher per 12 ALE students)	1 assistant principal and 3 teacher positions for every 7 FTE ALE students, plus the per-student amounts for school and district resources

ENGLISH LANGUAGE LEARNERS

Picus Odden and Associates recommended funding one teacher for every 100 ELL students. The consultants did not specify a salary level for these staff from which a dollar amount per student could be calculated. However, if the teacher compensation level of \$63,130 is used, the recommended amount would be \$631.30 per ELL student. This would nearly double the current ELL funding level.

English Language Learners		
	FY15 Matrix	Picus Odden Recommendation
English Language Learners	\$317 per ELL student (originally based on 60% of 1 teacher for every 100 ELL students)	1 teacher for every 100 ELL, or \$631.30 per ELL student

PROFESSIONAL DEVELOPMENT

Picus Odden and Associates recommended providing districts with \$100 per student for professional development. That recommendation represents an increase of \$67.60 per student over the FY15 funding level.

Professional Development		
	FY15 Matrix	Picus Odden Recommendation
Professional Development	\$32.40 per student	\$50,000 for every 500 students or \$100 per student

Section 12: District Use of Other Fund Types

In addition to foundation funding and state categorical funding, some districts receive other types of funds designed to help districts deal with changes in student enrollment or geographical challenges. In March and August 2014, the BLR presented two reports on student growth, declining enrollment, isolated and special needs isolated funding.

School districts receive foundation funding based on their ADM, a measure of student count. When a district's ADM grows or declines rapidly, their costs may not decrease or increase at the same pace. To adjust for changes in ADM from one year to the next, the state provides funding through two funding programs: **student growth funding** and **declining enrollment funding**.

Student Growth Funding

Student growth funding is the additional funding school districts receive to handle increasing numbers of students. School districts are eligible for growth funding if they have more students in the current year than they had in the previous year. The funding is calculated on a quarterly basis. The funding calculation, established in § 6-20-2305(c)(2)(A), multiplies 1/4 of the per-student foundation funding rate by the increase in the ADM of each quarter in current year compared with the prior year 3Q ADM. In 2012-13, 104 districts received about \$35.5 million in student growth funding. For the districts that received this funding, the individual district payments for the year ranged from \$1,034 (Ouachita) to \$4.4 million (Bentonville). (These numbers do not include open enrollment charter schools.) The following five districts received the most student growth funding in 2012-13:

District	Student Growth Funding
Bentonville	\$4,419,159
Springdale	\$3,885,759
Bryant	\$2,118,230
Rogers	\$1,991,198
Pulaski Co.	\$1,356,539

Districts collectively spent about \$28.4 million in student growth funding in 2012-13. (Because districts do not receive their full student growth funding allotment until the end of the school year, some expenditures carry over to the following year.)

2012-13 Student Growth	
Funding	\$35,476,686
Expenditures	\$28,352,624

Declining Enrollment Funding

Declining enrollment funding, established in § 6-20-2305(a)(3)(A)(i), is designed to provide extra money to schools to help them deal with a decrease in foundation funding resulting from the loss of students. To calculate declining enrollment funding, districts subtract the average ADM for the previous two years from the ADM for the previous year and multiply that amount by the per-student foundation funding amount. In 2012-13, 89 districts received declining enrollment funding. For the districts that received this funding, the individual district payments for the year ranged from \$8,962 (Mulberry/Pleasant View Bi-County) to just over \$1 million (Helena-West Helena). (These numbers do not include open enrollment charter schools.)

The following five districts received the most declining enrollment funding in 2012-13:

District	Declining Enrollment
Helena-West Helena	\$1,080,556
Blytheville	\$499,605
Pine Bluff	\$413,653
Osceola	\$376,145
Little Rock	\$286,778

Districts collectively spent about \$8.4 million in declining enrollment funding in 2012-13. (Because districts do not receive their full declining enrollment funding allotment until the end of the school year, some expenditures carry over to the following year.)

2012-13 Declining Enrollment	
Funding	\$10,233,450
Expenditures	\$8,355,116

Because the calculations for declining enrollment funding and growth funding use ADM data from different years, it is possible for districts to qualify for both growth funding and declining enrollment funding in the same year. For example, a district that lost students in the previous year and gained students in the current year would be eligible for both declining enrollment and student growth funding. However, state statute prohibits school districts from actually receiving both declining enrollment funding and student growth funding in the same year. When a district is eligible for both types of funding, ADE provides the funding type that offers the most money to the district. State statute also prohibits districts from receiving both declining enrollment funding and **special needs isolated funding** (see page 76).

Both student growth and declining enrollment funding are considered unrestricted, meaning districts can use the funding however they believe best fits their needs.

Isolated and Special Needs Isolated Funding

As a rural state, Arkansas has a number of schools located in sparsely populated or remote areas. School districts range from 22 square miles in size to 922 square miles, and student density in those districts ranges from less than one student per square mile to nearly 300 per square mile. School districts in these communities may encounter geographic challenges, such as a rugged road system or low student density, that can increase costs due to longer bus routes or other unavoidable inefficiencies. To compensate for these challenges, the state provides additional money, known as isolated funding. There are two types of isolated funding: **isolated funding** and **special needs isolated funding**.

ISOLATED FUNDING

Although the state has provided some form of funding for isolated districts since 1983, the modern version of the program was established in 1997. Act 1318 of 1997 (§ 6-20-601) created a new section of statute defining the isolated school districts and the criteria they must meet to receive isolated funding. Districts were defined as isolated if they had fewer than 350 students AND they met four of five criteria, including long distances from schools in neighboring districts, low density ratio among transported students, and low proportion of hard-surfaced roads. During the Second Extraordinary Session of 2003, legislation called for the consolidation of any school district with fewer than 350 students. To ensure that the isolated districts that were consolidated continued to receive isolated funding, Act 65 of the Second Extraordinary Session of 2003 created the definition for isolated *school areas* and provided continued isolated funding for the districts that received the former districts as part of the consolidations.

Arkansas Code § 6-20-603 lists 56 isolated school areas that received isolated funding in 2003-04 and therefore qualify for continued funding. The law also specifies the per-student funding amount each area would continue to receive. For example, the law calls for the district that received the former Hatfield School District (Mena) to receive \$42 for each student in Hatfield, and the district that merged with the former Alread district (Clinton) to receive \$2,219 per student in Alread. When a district closes an isolated school, the district stops receiving the isolated funds for that school. This results in decreasing expenditures statewide. In 2012-13, 27 districts received nearly \$2.7 million in isolated funding.

Isolated Funding	
Funding	\$2,693,633

Once the isolated funding has been distributed as specified in statute, any remaining funding is transferred to the other isolated funding program, special needs isolated funding. Districts that receive isolated funding are allowed to spend the money only on the operation, maintenance, and support of their isolated school areas.

SPECIAL NEEDS ISOLATED FUNDING

Act 1452 of 2005 created the special needs isolated funding program (§ 6-20-604) to provide additional funding to isolated districts, defined under separate, but related criteria:

- Districts must have been part of a consolidation or annexation.
- The local school board must have determined that it would be "impractical or unwise" to combine the operation of an isolated school (one that was part of a consolidated district that qualified for isolated funding before consolidation) to one district campus.
- The school or district must meet the requirements established under the original isolated funding program (§ 6-20-601). However, unlike the original program, districts with more than 350 students could qualify for special needs isolated funding.

Districts that qualify for special needs isolated funding receive either 20%, 15%, or 10% of the districts' foundation funding in additional funding. The percentage received depends on the district's ADM, student density, and number of isolated schools. In 2012-13, 11 districts received isolated special needs funding.

Another type of special needs isolated funding is referred to as small district funding. To qualify for this funding, a district must have an ADM below 500 students and a density ratio of two students or fewer per square mile. Past eligibility for isolated funding is not a requirement. In 2012-13, 11 districts received special needs isolated small district funding. Special needs isolated funding must be spent on the operation of isolated school areas.

Any funding remaining after the special needs isolated districts and the small districts receive their funding is then divided equally among the districts that received special needs isolated funding. Districts in the small district category do not receive this second round of special needs isolated funding. All funding that districts receive as part of the second round of special needs isolated funding must be spent on transportation and is therefore referred to as special needs isolated transportation funding. In 2012-13, 11 districts received isolated special needs transportation funding in the amount of \$341,833 each.

Special Needs Isolated (SNI) Funding	
SNI Funding	\$3,017,593
SNI Small District	\$1,424,608
SNI Transportation	\$3,760,163
Total SNI	\$8,202,364

In total, 35 districts received some type of isolated or special needs isolated funding in 2012-13. The five districts that received the most isolated and special needs isolated funding are listed in the table to the right.

Total Isolated Funding (All Types)	
1. Jasper	\$1,558,118
2. Deer/Mt. Judea	\$1,016,473
3. Hillcrest	\$938,787
4. Ozark Mountain	\$900,073
5. Mountain View	\$841,657

Each year nearly \$11 million in isolated and special needs isolated funding is distributed statewide. A total of 35 districts received at least one type of isolated funding, and 14 districts received both types. Individually, districts received as little as \$2,619 in total isolated payments (El Dorado) or as much as \$1.56 million (Jasper). Districts that received isolated or special needs isolated funding averaged about \$311,000 in total funding.

In 2012-13, districts collectively spent \$9.76 million in isolated and special needs isolated funding. A review of districts' expenditures indicates that districts spend most of their isolated funds (both types) on instruction-related expenses (e.g., classroom teacher salaries and instructional materials) and transportation. More than three-quarters of the total isolated expenditures are spent in those two areas. Smaller amounts are spent for operations and maintenance costs as well as school and district administrative expenses.

Although the eligibility criteria used to distribute isolated funding is based as much on a district's historical status as its present condition, the funding does generally appear to support districts with challenges that are characteristic of rural and remote schools. Districts that received either type of isolated funding tend to be larger geographically, have lower student densities and have higher overall transportation expenditures per student.

Districts receiving isolated funding tend to have higher overall expenditures per student and slightly lower levels of student achievement than districts that do not receive either type of isolated funding. However, their performance may be more related to their higher concentrations of poverty. These districts also tend to have slightly fewer students per classroom teacher and slightly lower teacher salaries on average than other districts, but these differences are not statistically significant.

Section 13: State Disbursements

Overview of Appropriations and Expenditures

In the December 2013, the Bureau of Legislative Research presented an overview of the FY13 and FY14 appropriations for the Public School Fund and actual expenditures from those appropriations.

The ADE appropriations payable from the Public School Fund authorize grants and aid for local school districts. The appropriations are authorized in Act 1309 in the 2013 Regular Session and Act 293 of the 2014 Fiscal Session. These line items include appropriations for foundation funding and categorical funding, but they also include appropriations for a variety of other purposes, including the Arkansas Better Chance program, which funds Pre-K programs, and payments for court ordered desegregation. These appropriations are primarily funded by General Revenue allocated through the Revenue Stabilization Law, Educational Adequacy Fund, and Educational Excellence Trust Fund. Other sources of funding include fund balances, transit tax revenues, Temporary Assistance for Needy Families (TANF) Fund Transfer, Erate Credit, and an Off-the-Top General Revenue allocation for Desegregation Settlement Expenses.

For FY13, there was a total appropriation of about \$2.732 billion and about \$2.673 billion in actual expenditures. The FY13 appropriations were about \$59.5 million more than the FY12 appropriations.

The BLR also presented total ADE expenditures by fund source each year over the last decade. The fund sources included State General Revenue Funds, Federal Funds, Trust Funds, Cash Funds and Special Revenues. The expenditures increased by 25% in 2005 to \$2.734 billion following the creation of foundation funding and the four categorical funds. Expenditures increase annually by 2% to 6% for six years. In 2012 and 2013 expenditures fell by 4% and 1% respectively. The data excluded expenditures from the Uniform Rate of Tax, which for 2012-13 totaled \$1.026 billion dollars. Total URT funding has increased every year since 2004.

State Disbursements to Local School Districts

During the December 2013 adequacy study meeting, the Division of Legislative Audit presented an annual report entitled, *Department of Education Grants Summarized by the Division of Legislative Audit For the Year Ended June 30, 2013*, which detailed education funding disbursed by the state to each school district, charter school, education service cooperative, and other organization. The funding is disbursed from the Public School Fund, the Department of Education Fund, the Education Facilities Partnership Fund, the Division of Public School Academic Facilities and Transportation Fund, the Property Tax Relief Trust Fund, federal funds, and cash funds. The report detailed 30 types of funding distributed to districts through the Public School Fund, in addition to foundation funding and categorical funding. The report also recorded 17 types of federal funds disbursed to districts.

The report documented about \$2.076 billion provided to the districts (not including open enrollment charter schools) through foundation and categorical funding in FY2012-13. (Not included in these disbursements is the URT funding that all districts have as part of the per-student foundation funding.) Districts also received other types of funding from the Public School Fund totaling \$269,773,825, and they received \$471,497,055 in federal funds, which is about \$94.4 million less than they received in FY2012.

The following table provides the actual funding levels authorized for K-12 education for FY2004-05 through FY2011-12 that have been allocated from the following funds:

	Department of Education Public School Fund Account	General Education Fund- Department of Education Fund Account	Educational Excellence Trust Fund- Department of Education Public School Fund Account	Educational Excellence Trust Fund- Dept of Education Fund Account	Educational Facilities Partnership Fund Account and DPSAF&T Fund Account	Educational Adequacy Fund	Total All Selected Funds
2005	\$1,587,868,208	\$11,841,192	\$165,146,201	\$809,075	\$20,439,774	\$442,872,886	\$2,228,977,336
2006	\$1,664,928,944	\$13,536,267	\$178,219,239	\$873,122	\$54,214,982	\$426,505,888	\$2,338,278,442
2007	\$1,722,737,993	\$13,433,942	\$191,219,957	\$936,815	\$90,976,326	\$448,450,030	\$2,467,755,062
2008	\$1,830,265,989	\$15,799,231	\$200,422,877	\$981,901	\$502,643,494	\$438,730,903	\$2,988,844,395
2009	\$1,843,274,503	\$14,769,806	\$193,587,342	\$948,413	\$51,585,902	\$433,090,041	\$2,537,256,006
2010	\$1,790,947,911	\$17,529,999	\$190,786,665	\$934,692	\$36,916,527	\$411,286,403	\$2,448,402,197
2011	\$1,829,267,307	\$15,167,661	\$180,391,694	\$883,765	\$57,704,295	\$451,110,054	\$2,534,524,776
2012	\$1,882,316,142	\$15,701,088	\$188,051,836	\$921,294	\$58,528,882	\$438,147,425	\$2,583,666,667
2013	\$1,936,432,524	\$15,471,687	\$193,026,506	\$945,665	\$62,465,585	\$444,832,631	\$2,653,174,598
2014	\$1,980,965,210	\$16,578,345	\$195,093,479	\$955,792	\$84,858,082	\$456,647,180	\$2,735,098,088

Section 14: Educational Equity and Efficiency

Equity

To gauge the equity of Arkansas's educational system, the BLR examined the variation in districts' per-pupil funding and expenditures. The BLR presented the "Equity Analysis Report" during the March 2014 meeting.

DISTRICT REVENUE

The BLR used a variety of statistical measures accepted by the Supreme Court to examine the equity in Arkansas's education funding, including the federal range ratio, the coefficient of variation, and the McLoone Index. It found that overall, horizontal equity analyses demonstrate that school funding is distributed in a comparably equitable manner in Arkansas. In FY 2013, districts received on average \$8,588.15 per ADM in unrestricted revenue, including foundation funding and categorical funding. The difference between the funding level of the district receiving the greatest per-student funding and the district receiving the lowest (the restricted range) was \$2,974.06 per student. The report also examined the relationship between property wealth and district revenue per pupil using two measures—the wealth-neutrality score and wealth elasticity. Based on these measures, the report found the increase in correlation between property wealth and district per-pupil revenue over the past three years shows that Arkansas school districts are becoming less equitable over time. However, when the analysis removed the eight school districts which were allowed by court order in 2013 to keep their revenues from property taxes in excess of foundation funding, the correlation falls back to values comparable in previous years. The report also concluded that when categorical funding is factored into the analysis, the measures decrease, showing that the distribution of categorical funding to low-socioeconomic districts does help increase the vertical equity (among demographics) of funding across the state.

DISTRICT EXPENDITURES

The report also examined the equity in school district expenditures. The BLR divided the school districts into ten deciles based on property wealth and compared the average expenditures per ADM of the districts in each decile. The analysis found that the relationship between expenditures per ADM and assessed property values per ADM was relatively small from 2011 to 2013, meaning that districts' spending has very little correlation with their property wealth.

The report also examined the relationships between per-pupil expenditures and the following criteria:

- **Percentage of NSL students**
School districts with a higher percentage of NSL students have higher per-pupil expenditures than districts with a lower percentage of NSL students. Districts with the highest percentage of poverty are spending at the highest level.
- **Percentage of minority students**
As the percentage of minority students increases, per-pupil expenditures also slightly increase.
- **District size**
As ADM increases, expenditures per ADM decrease. Smaller districts spend slightly more per pupil than do larger districts, but the difference is not significant.

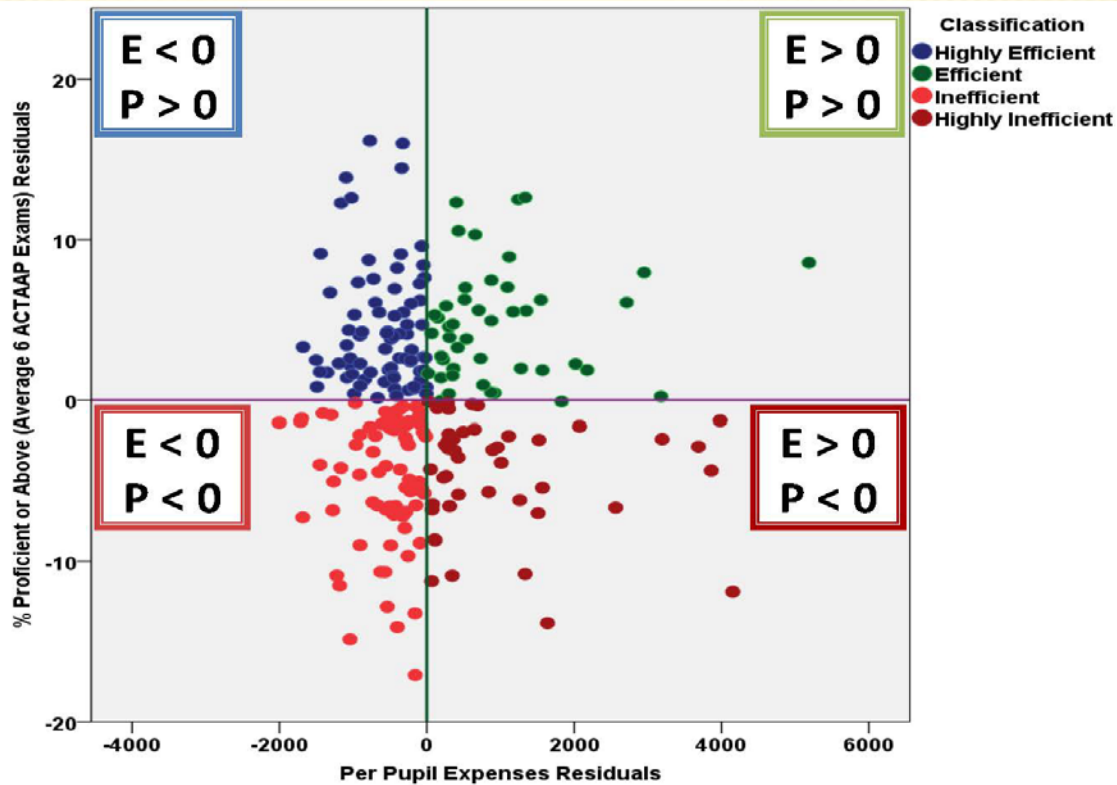
Efficiency of Arkansas School Districts

One commonly used measure of educational adequacy is efficiency. Efficiency is based on the assumption that there is a linear relationship between an input (expenditures) and an output, such as student achievement. Examining the efficiency of school districts can help ferret out inefficient districts, identify efficient districts to serve as a model for other districts, and measure statewide expenditure efficiency.

In April 2014, the BLR analyzed the efficiency of Arkansas school districts by examining the linear relationship between district expenditures and student performance. The study, “Efficiency of School Districts in Arkansas Based on Per-Pupil Expenditures and Student Achievement,” was conducted using ordinary least squares (OLS) regression in order to determine the linear relationship between all per-pupil expenditures (except capital) and districts’ average percentage proficient or advanced on six Benchmark exams (3rd & 8th grade math and literacy, geometry, and 11th grade literacy). The analysis controlled for extraneous influences on districts’ spending, such as the percentages of students qualifying for free or reduced-price lunch and minority students, which could unfairly skew the results for districts with high concentrations of students in poverty.

The differences between observed and predicted values for expenditures and for achievement (known as residuals) for all districts are shown in the scatter-plot in Chart 1. The upper-left quadrant shows districts (blue dots) that had lower than predicted (or 0) expenditures (E) and higher than predicted student performance (P).

Chart 1. Efficiency Classification of Arkansas School Districts



Tables 1 and 2 summarize the number of districts in each classification of efficiency and their average percentage of students scoring proficient or above on the Benchmark exams.

Table 1. Achievement Efficiency Classifications

Efficiency Classification	Number of Districts	Percent of Districts
Highly Inefficient	44	18.4%
Inefficient	73	30.5%
Efficient	45	18.5%
Highly Efficient	77	32.2%

Table 2. Average % Proficient or Above, According to Classification

Efficiency Classification	Number of Districts	Average % Proficient or >
Highly Inefficient	44	68.1%
Inefficient	73	69.6%
Efficient	45	79.4%
Highly Efficient	77	79.0%

In summary, 44 districts (18.4%) were found to be highly inefficient, whereas 77 districts (32.2%) were classified as highly efficient, which suggests that the former districts might benefit from consulting with or emulating the practices of the latter. The predictors in this study (per-pupil expenditures, % NSL, and % minority) accounted for 56% of the variance in student achievement across districts. The study's results are closely aligned with those of previous studies using similar methodology in Arkansas and other states.

Section 15: Measures of Inflation and Deflation

One option for addressing the foundation funding amount for the upcoming biennium is adjusting for anticipated inflation or deflation. The General Assembly can adjust the foundation funding amount as a whole or the components of the matrix individually. Additionally, categorical funding or other funding programs may also be adjusted. On October 1, 2014, the BLR presented information on inflationary estimates for FY 2016 and 2017. The BLR subscribes to the economic data and associated forecasting of two sources, Moody's Analytics and IHS Global Insight, both of which are recognized throughout the academic and business communities as the top providers of economic information.

The report presented the two sources' estimates for the Consumer Price Index - All Urban Consumers (CPI-U). The following table shows the quarterly and annualized projections from each source.

<u>Quarterly</u>	<u>Moody's</u>	<u>Global</u>	
15:3	2.29	1.7	
15:4	2.34	0.8	
16:1	2.42	2.2	
16:2	2.49	1.7	
FY16	2.385	1.60	1.993
<u>Annual</u>	<u>Moody's</u>	<u>Global</u>	
CY15	2.24	1.4	
FY16	2.40	1.5	1.950
CY16	2.56	1.6	

From the data above, it was determined by the Education Committees to apply a 2% inflationary adjustment where necessary to specific components of the matrix or other funding mechanisms. The 2% inflationary adjustment could apply to FY16 and could also be used for the initial funding bill for FY17, subject to revision before the Fiscal Session of 2016.

Section 16: Public Comment

Eight associations and organizations representing the interests of districts, school boards, educators and students provided comments and/or recommendations on the state's educational funding system. This section summarizes the testimony provided in May 2014.

Arkansas Association of Educational Administrators

The Arkansas Association of Educational Administrators (AAEA) represents superintendents, principals, and other educational administrators. AAEA Executive Director Dr. Richard Abernathy submitted the following recommendations related to the funding matrix and categorical funding:

- Add an annual cost of living adjustment (COLA) to the matrix for foundation funding and categorical funding, due to yearly statutory obligations for salaries of both certified and classified employees;
- Fund a categorical funding program for districts with extremely high number of route miles within their boundaries;
- Make efforts to increase average teacher salaries and the minimum starting teacher salary of \$29,244, which has not been amended or increased since the 2007 session;
- Appropriate additional state funds for the public school employee health insurance to achieve parity with that of state employees, as well as include more representation from public school employees on the State and Public School Health Insurance Board [Note: In July 2014 after AAEA provided this testimony, the General Assembly added one public school employee to the Board];
- Provide adequate bandwidth to all schools, including allowing the use of the Arkansas Research and Education Optical Network (ARE-ON);
- Replace professional development (PD) categorical funding to the level prior to the First Extraordinary Session of 2013, when it was transferred to the health insurance program. This level would be \$54 per student for FY 2016; and
- Continue using the matrix as a revenue model, not an expenditure model, which allows education professionals to make decisions to meet their individual district's needs.

Beyond issues related to the matrix, AAEA offered recommendations in the following areas:

- Secure ongoing appropriation or a one-time allocation from general improvement funds for the facilities Partnership Program. In addition, AAEA believes that a comparative study of the state's school district facilities is needed to assess equity between districts and establish priorities for funding decisions;
- Increase funding for high-quality pre-K programs and transfer the Division of Early Childhood Education from the Department of Human Services to the Department of Education;
- Broaden the measures used to determine the success of a high school beyond students' average ACT score or their remediation rate. Such indicators should measure the college and career success each high school's graduates.
- Expand and fund career centers in Arkansas to ensure all students have an opportunity to explore alternative educational paths;
- Make the Arkansas Department of Career Education's (ACE) Career and Technical Education Division a part of the ADE; and
- Re-establish and enhance the career counselor program in K-12 schools, to help students know what careers are available so they can make quality decisions.

Arkansas School Boards Association

In May 2014, Mr. Ron Harder, Policy Service & Advocacy Director presented the comments and recommendations of the Arkansas School Boards Association (ASBA). A summary of the issues he addressed are as follows:

- Funding for career education needs to be significantly increased (aligned with ALE), and quality and availability of programs needs to be aligned with needed job market skills;
- Accountability needs to be based on assessments that measure a student's ability to think critically, examine problems, gather information, and make informed, reasoned decisions while using technology;
- The matrix should include a full-time assistant principal position in order to give principals the time they need to conduct summative evaluations for the Teacher Excellence and Support System (TESS), especially for struggling schools that have high teacher turnover;
- Digital learning opportunities are essential to bringing the world students live in outside the classroom into the classroom;
- Schools' outreach to parents and professional development for teachers is necessary as education's culture moves to a project-based learning system;
- ASBA strongly supports the Common Core State Standards and urges the legislature to stay the course;
- Allowing multiple districts to remain as K-8 districts while creating regional high schools could be a relatively economical way for those districts to provide a high-quality high school education;
- While it is not part of adequacy, pre-K is probably the single best investment the state can make in lowering future education expenditures, and pre-K programs need to be expanded;
- There are only 35.665 positions in the matrix that included funding for health insurance. Act 3 of the 2013 Special Session had "black box" language directing BLR to determine the per-student health insurance funds in the matrix [Note: In July 2014, after ASBA provided this testimony, the General Assembly passed Act 6 of the Second Extraordinary Session of 2014, which eliminated this requirement.] The BLR determined that there were 41.06 positions that counted toward the per-student amount. ASBA believes that it is unclear where these extra positions came from; and
- Under Article 14, Section 2 of the Arkansas Constitution, districts cannot give their unused facilities to charter schools or anyone else. Possible solutions are amending the Constitution or passing legislation that establishes a way to determine the fair market value of unused facilities. One established, if there were no takers, the facility could become state property, and the disposal wouldn't have the constitutional constraints it has for school districts.

Arkansas Education Association

The Arkansas Education Association (AEA) represents teachers in Arkansas. In May 2014, AEA Executive Director Tom Dooher recommended that the Adequacy Report include the following:

- Provisions that evaluate how well the state, schools and communities are meeting the comprehensive needs of all students;
- Recommendations that address the circumstances that create disadvantages for low-income students, minority students, students with developmental disabilities, and students with different cultural and language backgrounds;
- Access to high-quality health care programs for all students;
- Class size of 1:15 in grades K-3;
- Recommendations for research-driven elements that lead to permanent systemic change, such as leveraging community assets, improving staff capacity and effectiveness, and developing family and school community partnerships;
- Educator quality recommendations, including the establishment of standards for teaching and learning conditions;
- Recognition that early childhood education is a part of adequacy and that funding needs to be increased substantially for quality pre-school;
- A significant level of funding for the Positive Youth Development Act;
- A recommendation for entry-level salaries and career earnings for teachers comparable to those in other professions with similar preparation and structured to provide compensation levels that will encourage teachers to remain in the classroom;
- Significant increase in the minimum teacher salary schedule;
- Adequate funding levels for teacher retirement;
- A more equitable funding system for school employee health insurance;
- Recommendation of a new study of all public school academic facilities, as well as strengthening facility standards and increasing facility funding;
- Access to broadband sufficient to meet the needs of Common Core Standards and 21st century learning; and
- More targeted expenditure of NSL categorical funding.

Arkansas State Teachers Association

The Arkansas State Teachers Association is a state chapter of the Association of American Educators (AAE), which offers the state's teachers a variety of ways to collaborate, organize, and promote educational advocacy. Dr. Michele Ballentine-Linch provided suggestions based on survey responses from ASTA members, which are summarized below.

- ***District/Classroom Needs/Technology.***
 - ASTA members recommended providing more adequate funding for healthcare insurance for effective retention of quality school employees.
 - Provide additional paraprofessionals in the classroom; more assistant principals; effective discipline support and training, resources for Common Core State Standards, and smaller class sizes.
 - Provide additional technology in the schools such as computers and better internet speed.

- **Resource Allocation:**

- Fifty-eight percent (58%) of ASTA members stated districts could align funds better to meet student learning needs and retain high-quality teachers.
- Sixty-three percent (63%) of ASTA members responded too much money was spent on athletics; Twenty-one (21%) responded that too much money was spent on administrative positions.
- There were also anecdotal comments from ASTA members that included opinions regarding the allocation of resources on the following: excessive spending on large flat-screen TVs for cafeterias, prepackaged programs, unneeded/extravagant buildings, and ineffective high paid consultants.

- **Primary concerns of ASTA survey respondents:**

- Serious discrepancies related to issues that impact student learning still exist.
- Teachers and other education professionals must have a stronger voice with regard to educational adequacy.
- Funding systems should be transparent and shared with the professionals on frontlines.

The Winthrop Rockefeller Foundation

The Winthrop Rockefeller Foundation (WRF) is a philanthropic organization working on issues related to education, economic development and economic, racial and social justice, according to WRF's website. The Foundation's President, Dr. Sherece West-Scantlebury, provided comments and education recommendations that are summarized below.

WRF noted its belief that early access to high-quality educational opportunities is the key to future academic success. Thus, WRF offered the following recommendations:

- Improve school readiness by expanding Pre-K and evidence-based home visiting programs;
- Reduce summer learning loss by investing in high-quality summer and youth development programs;
- Decrease chronic absence by ensuring our children are in the classroom every day and able to learn; and
- Strengthen parent and community engagement by providing caregivers with the support and resources.

According to WRF, Arkansas loses \$142 million dollars per year, because of "inequity in our education system." They also supported the Arkansas Opportunity to Learn Campaign, which is a diverse community committed to strengthening public education in Arkansas. WRF supported key ways identified by the Arkansas Opportunity to Learn Campaign to expand educational opportunity for all students by:

- Building strong parent, community, student, and school partnerships;
- Increasing the accountability for how schools spend NSL funding;
- Create fairer systems of discipline that reduce suspensions and time outside the classroom; and
- Make career and technical education opportunities more accessible for all students.

In addition to the recommendations made by the group, WRF also advocates for making the state's tax system fair, which will help create parity in the way school districts are funded. The WRF concludes the point by stating, "the public school system and its funding mechanism should be fair to create opportunity for all students in our state."

Finally, WRF recommended investing in high-quality academic standards, such as Common Core, which WRF believes are essential for improving educational outcomes in the state. To the enjoy the full benefits of Common Core, the Foundation advocated 1) providing evidence-based resources for parents and teachers; and 2) offering quality professional development to support the continued implementation of these standards.

Arkansas Public School Resource Center

The Arkansas Public School Resource Center (APSRC) is a non-profit membership organization that provides assistance to Arkansas's public schools through support, technical assistance, and training for charter schools and rural school districts, according to the group's website. Scott Smith, APSRC's Executive Director, submitted recommendations on three specific challenges in the state's education system.

Broadband Services

Mr. Smith noted that Act 1280 of 2013 required school districts and public charter schools in the 2014-2015 school year to have at least one digital learning course. The Act also required all high school freshmen to have at least one digital learning course for credit to graduate. The APSRC believes in the benefits of digital learning. However, Mr. Smith noted two specific impediments to complying with those mandates: 1) lack of available bandwidth and 2) cost of acquiring the required bandwidth.

He recommended that action be taken to make sure that all Arkansas public schools have access to sufficient bandwidth by enacting specific state policy changes to establish high-speed broadband for the state's public schools.

Technology Support for Instructional Outcomes

Mr. Smith noted that increasing internet access alone does not create quality teaching and learning environments. The APSRC recommended providing highly qualified educators in the areas of math, science, and special education. The APSRC also suggested that technology can support, especially in rural areas, the training and certification of applicants as well as provide instructional services for students.

Facilities Funding for Open-Enrollment Public Charter Schools

The Arkansas Public School Resource Center is greatly concerned about the lack of equity in the financing of education facilities for open-enrollment charter schools. APSRC noted that open-enrollment charter schools are not eligible to receive state facility funding assistance and cannot raise the money through millage increases. The APSRC recommended giving charter schools the right of first refusal for the use of closed, vacant, or unused school district facilities instead of a right to access. APSRC advocated the development of a viable facilities funding assistance program or some form of per-pupil funding to ensure that charter schools are able to comply with their mandate to "provide a constitutional, equitable, and adequate quality education in proper, suitable facilities."

Arkansas Advocates for Children and Families

Arkansas Advocates for Children and Families (AACF) is a non-profit organization that advocates on behalf of the interests of children and their families. In May 2014, Jerri Derlikowski, AACF Director of Education Policy and Finance, submitted the following recommendations to the Education Committees:

- Expand access to after-school and summer programs through grants to community organizations such as churches and Boys' Clubs;
- Improve teacher quality and supply by raising the state's minimum salary schedule, addressing the disparity in beginning teacher pay across districts, training teachers in meeting the needs of low-income and culturally diverse students, and expanding or piloting new teacher recruitment programs, such as the Arkansas Department of Education's Teacher Cadets Program;
- Conduct a reassessment of school facilities in Arkansas and update the facilities standards;
- Create stronger building-level and teacher leadership;
- Expand broadband access to meet technology needs of rural and isolated schools as well as help close the digital divide for low-income families;
- Proven strategies that benefit low-income students, such as Pre-K; and
- Better use of NSL funds, particularly in schools that are classified as "needs improvement", including priority and focus schools.

Section 17: Recommendations

On Oct. 14 and 27, 2014, the House and Senate Education Committees voted to adopt the following recommendations for each topic addressed in this adequacy study:

Topic	Recommendation	Rationale
Definition of Adequacy	No change.	The Education Committees have used the same definition of adequacy since the 2006 adequacy study. The Arkansas Supreme Court found no fault with this definition, and no evidence was presented during the 2014 adequacy study to suggest the definition is deficient.
ACTAAP	Conduct a study of the amount of testing currently required in Arkansas schools.	The federal ESEA requires schools to test students in specified grade levels. With the adoption of the PARCC assessment, Arkansas plans to add testing in 9 th and 10 th grade English language arts as well as a new Algebra II end-of-course exam. In addition to the testing for ACTAAP and ESEA, students take a variety of other tests throughout grades K-12. To better understand the extent and necessity of testing in Arkansas schools, the Education Committees determined that testing requirements and practices should be reviewed.
Curriculum Frameworks/ Common Core	Conduct a study of the role and scope of technology in education.	In 2013, the General Assembly passed Act 1280, which requires school districts to provide at least one interactive online course beginning in 2014-15. Additionally, the evolution of technology has introduced an increasing variety of instructional materials and instructional delivery methods used in Arkansas classrooms. The current curriculum frameworks should be examined to determine if they sufficiently incorporate technology at all grade levels and prepare students for technologically driven education and careers.

Topic	Recommendation	Rationale
Fiscal Distress	Conduct a study of the Fiscal Distress program in the next biennium.	The three distress programs are a necessary part of the state's obligation to ensure students receive an adequate education. The three programs provide corrective guidance to struggling districts/schools and sanctions to those that continue to perform poorly. Although evidence provided during the 2014 adequacy study suggests these programs are operating as intended, the impact and protocols of the Fiscal Distress program should be further reviewed.
Academic Distress		
Facilities Distress		
ACSIP	Study the results of the ACSIP pilot program.	While some districts consider the ACSIP to be a vital tool in improving teaching and student achievement, a number of districts complained that the ACSIP had become a time-consuming compliance document. A subcommittee, formed to examine the issue, recommended a pilot program of a new ACSIP process and software known as Indistar. The pilot program will need to be reviewed in the next adequacy study to determine whether the Indistar system allows districts to effectively map out strategies for improvement.
State's Standing Under No Child Left Behind (ESEA)	No change.	In July 2014, the U.S. Department of Education approved a one-year extension on the state's ESEA Flexibility Plan, indicating that Arkansas is in good standing with the federal agency and in compliance with the requirements of the ESEA.
Special Education Funding	No change.	The amount of foundation funding districts spent on special education teachers closely matches the amount of funding they received, suggesting that the current funding levels are adequate to meet districts' needs.
Teacher Salaries	Amend Arkansas Code § 6-17-2403 to adopt a new minimum teacher salary schedule. The new salary schedule will increase in equal increments over the biennium to end with a minimum salary of \$31,000. The following table provides the minimum salary required for each step of the schedule for each year of the biennium.	Arkansas ranks 12 th among the 16 SREB states in both minimum teacher salary and average teacher salary. Since 2006-07, the state's rank has fallen from 9 th in average salary and 7 th in minimum salary. Additionally the minimum teacher salary schedule has not changed since the 2008-09 school year.

Topic	Recommendation	Rationale																																																																																									
<p>Teacher Salaries, continued</p>	<p>Minimum teacher salary schedule</p> <table border="1" data-bbox="394 313 1150 954"> <thead> <tr> <th rowspan="2">Years of Experience</th> <th colspan="2">2015-16</th> <th colspan="2">2016-17</th> </tr> <tr> <th>BA</th> <th>MA</th> <th>BA</th> <th>MA</th> </tr> </thead> <tbody> <tr><td>0</td><td>\$30,122</td><td>\$34,640</td><td>\$31,000</td><td>\$35,650</td></tr> <tr><td>1</td><td>\$30,572</td><td>\$35,140</td><td>\$31,450</td><td>\$36,150</td></tr> <tr><td>2</td><td>\$31,022</td><td>\$35,640</td><td>\$31,900</td><td>\$36,650</td></tr> <tr><td>3</td><td>\$31,472</td><td>\$36,140</td><td>\$32,350</td><td>\$37,150</td></tr> <tr><td>4</td><td>\$31,922</td><td>\$36,640</td><td>\$32,800</td><td>\$37,650</td></tr> <tr><td>5</td><td>\$32,372</td><td>\$37,140</td><td>\$33,250</td><td>\$38,150</td></tr> <tr><td>6</td><td>\$32,822</td><td>\$37,640</td><td>\$33,700</td><td>\$38,650</td></tr> <tr><td>7</td><td>\$33,272</td><td>\$38,140</td><td>\$34,150</td><td>\$39,150</td></tr> <tr><td>8</td><td>\$33,722</td><td>\$38,640</td><td>\$34,600</td><td>\$39,650</td></tr> <tr><td>9</td><td>\$34,172</td><td>\$39,140</td><td>\$35,050</td><td>\$40,150</td></tr> <tr><td>10</td><td>\$34,622</td><td>\$39,640</td><td>\$35,500</td><td>\$40,650</td></tr> <tr><td>11</td><td>\$35,072</td><td>\$40,140</td><td>\$35,950</td><td>\$41,150</td></tr> <tr><td>12</td><td>\$35,522</td><td>\$40,640</td><td>\$36,400</td><td>\$41,650</td></tr> <tr><td>13</td><td>\$35,972</td><td>\$41,140</td><td>\$36,850</td><td>\$42,150</td></tr> <tr><td>14</td><td>\$36,422</td><td>\$41,640</td><td>\$37,300</td><td>\$42,650</td></tr> <tr><td>15</td><td>\$36,872</td><td>\$42,140</td><td>\$37,750</td><td>\$43,150</td></tr> </tbody> </table> <p>To fund the proposed salary schedule increases, the Education Committees recommend providing an additional \$848 per teacher position in the matrix (see page 95). The \$848 should be added to the salary of each of the 33.69 teacher positions in the matrix (including the additional .025 librarian the Education Committees recommended). Like the salary schedule, this amount would be phased in over the biennium. In 2015-16, the salary for each teaching position in the matrix would be increased by \$424 and another \$424 in 2016-17.</p>	Years of Experience	2015-16		2016-17		BA	MA	BA	MA	0	\$30,122	\$34,640	\$31,000	\$35,650	1	\$30,572	\$35,140	\$31,450	\$36,150	2	\$31,022	\$35,640	\$31,900	\$36,650	3	\$31,472	\$36,140	\$32,350	\$37,150	4	\$31,922	\$36,640	\$32,800	\$37,650	5	\$32,372	\$37,140	\$33,250	\$38,150	6	\$32,822	\$37,640	\$33,700	\$38,650	7	\$33,272	\$38,140	\$34,150	\$39,150	8	\$33,722	\$38,640	\$34,600	\$39,650	9	\$34,172	\$39,140	\$35,050	\$40,150	10	\$34,622	\$39,640	\$35,500	\$40,650	11	\$35,072	\$40,140	\$35,950	\$41,150	12	\$35,522	\$40,640	\$36,400	\$41,650	13	\$35,972	\$41,140	\$36,850	\$42,150	14	\$36,422	\$41,640	\$37,300	\$42,650	15	\$36,872	\$42,140	\$37,750	\$43,150	<p>In the adequacy study survey, districts ranked difficulty in offering competitive salaries as their top teacher recruitment and retention issue.</p> <p>The Education Committees have determined that \$848 per teacher in the matrix is sufficient to support the salary schedule increase. The recommended \$848 is the result of two calculations:</p> <ol style="list-style-type: none"> 1. First, it includes the difference between the average salary of the 2017 salary schedule (average of the top and bottom salary for a BA and the top and bottom salary for an MA, or \$36,888) and the average salary of the current minimum salary schedule (\$35,000). The result is a difference of \$1,888. 2. The actual average teacher salary in 2013 (\$47,316) was \$1,040 less than the average teacher salary funded in the matrix (\$48,356). Therefore \$1,040 is subtracted from \$1,888, for a difference of \$848.
	Years of Experience		2015-16		2016-17																																																																																						
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Topic	Recommendation	Rationale
Partnership Program	<p>Provide funding to meet the \$65 million in unfunded facilities obligations identified by the Commission for Arkansas Public School Academic Facilities and Transportation. If districts' facilities needs exceed \$65 million, the General Assembly should determine the appropriate amount to add.</p> <p>Replace the \$16.3 million that was redirected from facilities funding to the Employee Benefits Division by Act 1 of the First Extraordinary Session of 2013.</p>	<p>The Commission for Arkansas Public School Academic Facilities and Transportation has identified \$65 million in unfunded facilities needs for the 2015-17 biennium. The Education Committees recommend providing funding to meet those facilities obligations. The Committees also recognize that districts' facilities needs could exceed \$65 million. In that case, the General Assembly will need to determine the appropriate amount to add.</p> <p>The Education Committees also recommend replacing \$16.3 million that previously supported the Partnership Program. Act 1 of the First Extraordinary Session of 2013 redirected \$16.3 million in facilities funding to the Public School Employee Health Insurance Plan. The Education Committees voted to ensure the Partnership Program's level of funding would be restored, but a funding source was not identified.</p>
Student Growth Funding	No change.	The evidence presented during the 2014 adequacy study demonstrated to the committees that current student growth funding levels are sufficient to meet districts' needs.
Declining Enrollment Funding	No change, but conduct a study of declining enrollment funding in the next biennium.	Because the amount of foundation funding districts receive is based on the prior year's ADM, the formula already provides a built-in "cushion" for loss of students from one year to the next. In other words, if a district has fewer students in this year's enrollment than it had in last year's enrollment and it's being paid this year based on last year's higher student count, the district is receiving funding for more students than it is actually responsible for educating. Recognizing this, the Education Committees believe more study is necessary before making changes to the declining enrollment funding program.

Topic	Recommendation	Rationale
Isolated Funding	No change, but conduct a study of isolated funding in the next biennium.	Isolated funding and special needs isolated funding appears to generally support districts with challenges that are characteristic of rural and remote schools. However the eligibility criteria used to distribute isolated funding is based as much on districts' historical status as their present condition. The Education Committees determined that more study is necessary before making any changes to the isolated funding programs.

Categorical Funding

Topic	Recommendation	Rationale	Funding Level
National School Lunch Funding	Increase the funding rates by .84% for each year of the next two years and study the NSL funding program during the next biennium.	Because NSL funding is primarily based on staff ratios, a change to the minimum teacher compensation level suggests a corresponding percentage change to NSL funding.	FY16 <70% NSL: \$522 70% to <90%: \$1,042 >90%: \$1,562 FY17 <70% NSL: \$526 70% to <90%: \$1,051 >90%: \$1,576
Professional Development Funding	Continue funding at the current level.	The number of PD hours teachers are required to have for licensure was reduced by 40% to correspond with the PD funding cut required by Act 2 of the First Extraordinary Session of 2013. Districts have other funding, particularly NSL funding, they can use to cover any additional PD needs they may have.	FY16: \$32.40 FY17: \$32.40

Topic	Recommendation	Rationale	Funding Level
English Language Learner Funding	Increase by 2% for each year of the biennium.	Districts spent all of the ELL funding they received in 2012-13 and required a transfer from the NSL categorical fund in many districts. The Education Committees determined that this categorical program should receive a cost-of-living increase to continue being adequate.	FY16: \$324 FY17: \$331
Alternative Learning Environment Funding	Increase by 2% for each year of the biennium.	Districts spent all of the ALE funding they received in 2012-13 and required a transfer from the NSL categorical fund in many districts. The Education Committees determined that this categorical program should receive a cost-of-living increase to continue being adequate.	FY16: \$4,471 FY17: \$4,560

Foundation Funding and the Matrix

Topic	Recommendation	Rationale	Funding Level
Classroom Teachers	<p>No change to the staffing number. Increase the salary amount to \$63,663 in FY16 and \$64,196 in FY17.</p> <p>This additional funding would be provided only in conjunction with the specified increase in the minimum teacher salary schedule. One measure should not be passed without the other.</p> <p>Additionally districts would be required to annually report in a public meeting the amount of funding the General Assembly has provided for teacher salaries.</p>	<p>The 24.94 classroom teachers currently in the matrix remains sufficient to meet state accreditation requirements.</p> <p>See rationale for teacher salary calculation under teacher salaries on pages 91 and 92.</p>	FY16: \$3,175.51 FY17: \$3,202.10

Topic	Recommendation	Rationale	Funding Level
Special Education Teachers	No change to the staffing number. Increase the salary amount to \$63,663 in FY16 and \$64,196 in FY17.	The 2.9 special education teachers currently in the matrix remain sufficient to meet the state accreditation requirements.	FY16: \$369.25 FY17: \$372.34
Instructional Facilitators	No change to the staffing number. Increase the salary amount to \$63,663 in FY16 and \$64,196 in FY17.	The 2.5 instructional facilitators currently in the matrix remain sufficient to meet state accreditation requirements.	FY16: \$318.32 FY17: \$320.98
Librarian/Media Specialist	Increase the staffing number to .85 per 500 students. Increase the salary amount to \$63,663 in FY16 and \$64,196 in FY17.	When the staffing level for librarians was set in 2007, it was determined that 912.5 librarians would be needed to support the 1,106 schools operating at the time, or .825 librarians per school. Using the same methodology with the schools operating in 2012-13, a total of 875 librarians would be needed for 1,062 schools, or .85 librarians per school.	FY16: \$108.23 FY17: \$109.13
Guidance Counselor/Nurse	No change to the staffing number. Increase the salary amount to \$63,663 in FY16 and \$64,196 in FY17.	The 2.5 pupil support personnel currently in the matrix remain sufficient to meet state accreditation requirements.	FY16: \$318.32 FY17: \$320.98
Principal	No change to the staffing number or the salary amount.	The evidence presented during the 2014 adequacy study suggests that the staffing level and salary for principals is adequate to meet districts' needs.	FY16: \$198.10 FY17: \$198.10
Secretary	No change to the staffing number or the salary amount.	The Education Committees determined that one school-level secretary remains sufficient to support a prototypical school of 500 students.	FY16: \$80.10 FY17: \$80.10
Technology	Increase the technology funding by \$12.20 per student each year of the biennium.	Picus Odden and Associates noted that technology has become a necessary instructional tool that should be embedded in student programs and school management. The consultants recommended funding technology at \$250 per student. The Education Committees agreed with that finding and recommended increasing the funding level in phases over the biennium.	FY16: \$237.80 FY17: \$250.00
Instructional Materials	Continue funding levels in FY 16 and FY 17 as they are in FY15.	Evidence presented in the July 15, 2014, Resource Allocation report indicated that the foundation funding level for instructional materials is sufficient to meet districts' needs.	FY16: \$183.10 FY17: \$183.10

Topic	Recommendation	Rationale	Funding Level
Extra Duty Funds	Increase by \$3.85 per student each year of the biennium.	The extra duty funding level was originally based on a calculation that assumed extra duty funds were not needed at the elementary school level. However, the Education Committees determined that there has been an increase in extracurricular activities in the elementary grades, particularly in STEM-related activities. Additionally, Picus Odden and Associates recommended providing extra duty funding for the elementary grades, an update to their 2006 evidence-based model.	FY16: \$61.05 FY17: \$64.90
Supervisory Aides	Reduce the funding for supervisory aides to \$50 per student each year.	The July 15, 2014 Resource Allocation report indicated that districts spent only about 20% of the foundation funding intended for supervisory aides. This may be because districts typically exhaust teachers' 60 minutes for supervisory duties—the maximum time allowed under state law—before spending additional funds for this service. The Education Committees determined that previous funding levels exceeded districts' actual need for supervisory aides.	FY16: \$50 FY17: \$50
Substitutes	Increase the per-student funding for substitutes by 2% each year of the biennium.	The July 15, 2014, Resource Allocation report indicated that districts spent slightly more foundation funding on substitutes than was provided in the matrix. The Education Committees determined that this component of the matrix should receive a cost-of-living increase to continue being adequate.	FY16: \$67.70 FY17: \$69.00
Operations and Maintenance	Increase the per-student funding for O&M by 2% for the first year of the biennium and continue that same funding level for FY17. The Education Committees recognize that additional O&M needs may be identified through further study of broadband expenses. An adjustment in this line of the matrix may be necessary in the 2016 Fiscal Session.	The Education Committees determined that more information is needed to ensure adequate funding for districts' operations and maintenance expenses. The July 15, 2014, Resource Allocation report indicated that districts spent all of the foundation funding they received for O&M on O&M costs. Therefore, the Committees opted to provide a cost-of-living adjustment for the first year of the biennium, with the option of providing more funding should additional information indicate it is warranted.	FY16: \$664.90 FY17: \$664.90

Topic	Recommendation	Rationale	Funding Level
Central Office	Continue the current central office funding level for FY16 and increase it by 2% in FY17.	The July 15, 2014, Resource Allocation report indicated that districts did not spend all of the foundation funding they received for central office resources. Therefore, the Committees opted to hold this line of the matrix flat for the first year of the biennium and apply a cost-of-living adjustment in the second year of the biennium.	FY16: \$430.20 FY17: \$438.80
Transportation	<p>Continue the current transportation funding level in the matrix for FY16 and FY17.</p> <p>Create a separate, supplemental funding program for districts with high transportation costs. The funding amount should be established at the equivalent of 2% of the funding provided for transportation in FY15. Use the BLR funding distribution model to determine the amount of funding high-cost districts receive.</p>	<p>In their 2014 report, Picus Odden and Associates repeated their 2006 recommendation that the General Assembly distribute transportation funding to districts through a categorical program that is separate from the matrix. They suggested using a model that more closely reimburses districts based on actual transportation costs. The Bureau of Legislative Research presented potential methods of distributing transportation funding to school districts. The data indicate that 98% of the variation in districts' transportation expenditures is explained by the variation in route miles, ADM and the number of bus riders.</p> <p>By itself, ADM, on which the current funding model is based, explains only about 79%. The best funding distribution model uses a combination of miles, riders and ADM to determine transportation costs. The Committees agreed with the consultants and recommended creating a supplemental funding program to address high-cost transportation needs in districts.</p>	<p>Matrix FY16: \$321.20 FY17: \$321.20</p> <p>Supplemental FY16: Equivalent of \$6.42 per student, or \$3 million FY17: Equivalent of \$6.42 per student, or \$3 million</p>
Total Foundation Funding Rate			FY16: \$6,584 FY17: \$6,646

Appendix A: Acts 57, 1204, and 725, codified at § 10-3-2102

(a) During each interim, the House Committee on Education and the Senate Committee on Education shall meet separately or jointly, as needed, to:

(1) Assess, evaluate, and monitor the entire spectrum of public education across the State of Arkansas to determine whether equal educational opportunity for an adequate education is being substantially afforded to the school children of the State of Arkansas and recommend any necessary changes;

(2) Review and continue to evaluate what constitutes an adequate education in the State of Arkansas and recommend any necessary changes;

(3) Review and continue to evaluate the method of providing equality of educational opportunity of the State of Arkansas and recommend any necessary changes;

(4) Evaluate the effectiveness of any program implemented by a school, a school district, an education service cooperative, the Department of Education, or the State Board of Education and recommend necessary changes;

(5) Review the average teacher salary in the State of Arkansas in comparison to average teacher salaries in surrounding states and member states of the Southern Regional Education Board and make recommendations for any necessary changes to teacher salaries in the State of Arkansas established by law;

(6) Review and continue to evaluate the costs of an adequate education for all students in the State of Arkansas, taking into account cost-of-living variances, diseconomies of scale, transportation variability, demographics, school districts with a disproportionate number of students who are economically disadvantaged or have educational disabilities, and other factors as deemed relevant, and recommend any necessary changes;

(7) Review and continue to evaluate the amount of per-student expenditure necessary to provide an equal educational opportunity and the amount of state funds to be provided to school districts, based upon the cost of an adequate education and monitor the expenditures and distribution of state funds and recommend any necessary changes;

(8) Review and monitor the amount of funding provided by the State of Arkansas for an education system based on need and the amount necessary to provide an adequate educational system, not on the amount of funding available, and make recommendations for funding for each biennium.

(b) As a guidepost in conducting deliberations and reviews, the committees shall use the opinion of the Supreme Court in the matter of *Lake View Sch. Dist. No. 25 v. Huckabee*, 351 Ark. 31, 91 S.W.3d 472 (2002), and other legal precedent.

(c) The Department of Education, the Department of Career Education, and the Department of Higher Education shall provide the House Committee on Education and the Senate Committee on Education with assistance and information as requested by the House Committee on Education and the Senate Committee on Education.

(d) The Attorney General is requested to provide assistance to the House Committee on Education and the Senate Committee on Education as needed.

(e) Contingent upon the availability of funding, the House Committee on Education, the Senate Committee on Education, or both, may enter into an agreement with outside consultants or other experts as may be necessary to conduct the adequacy review as required under this section.

(f) The study for subdivisions (a)(1)-(4) of this section shall be accomplished by:

(1) Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program;

(2) Reviewing the curriculum frameworks developed by the Department of Education;

(3) Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program, § 6-15-401 et seq.;

(4) Reviewing fiscal, academic, and facilities distress programs;

(5) Reviewing the state's standing under the No Child Left Behind Act of 2001, 20 U.S.C. § 6301 et seq.;

(6) Reviewing the Arkansas Comprehensive School Improvement Plan process; and

(7) Reviewing the specific programs identified for further study by the House Committee on Education and the Senate Committee on Education.

(g) (1) The study for subdivision (a)(5) of this section shall be accomplished by comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including without limitation:

(A) Comparing teacher salaries as adjusted by a cost of living index or a comparative wage index;

(B) Reviewing the minimum teacher compensation salary schedule; and

(C) Reviewing any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

(2) Depending on the availability of National Education Association data on teacher salaries in other states, the teacher salary comparison may be prepared as a supplement to the report after September 1.

(h) The study for subdivision (a)(6) of this section shall be accomplished by reviewing:

(1) Expenditures from:

(A) Isolated school funding;

(B) National school lunch student funding;

(C) Declining enrollment funding;

(D) Student growth funding;

(E) Special education funding;

(2) Disparities in teacher salaries; and

(3) Any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

(i) The study for subdivision (a)(7) of this section shall be accomplished by:

(1) Completing an expenditure analysis and resource allocation review each biennium; and

(2) Reviewing any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

(j) The study for subdivision (a)(8) of this section shall be accomplished by:

(1) Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education;

(2) Adjusting for the inflation or deflation of any appropriate component of the system of funding public education every two (2) years;

(3) Reviewing legislation enacted or rules promulgated during the biennium covered by the study to determine the impact of the legislation and rules on educational adequacy-related public school costs; and

(4) Reviewing any related topics identified for further study by the House Committee on Education and the Senate Committee on Education.

HISTORY: Acts 2003 (2nd Ex. Sess.), No. 57, § 1; 2005, No. 723, § 1; 2007, No. 1204, § 1; 2011, No. 725, § 1.

Appendix B: Index of Adequacy Reviews Required by Acts 57, 1204 and 725

Adequacy study responsibilities	Shall be accomplished by	Report Section
<p>(1) Assess, evaluate, and monitor the entire spectrum of public education across the State of Arkansas to determine whether equal educational opportunity for an adequate education is being substantially afforded to the school children of the State of Arkansas and recommend any necessary changes;</p> <p>(2) Review and continue to evaluate what constitutes an adequate education in the State of Arkansas and recommend any necessary changes;</p> <p>(3) Review and continue to evaluate the method of providing equality of educational opportunity of the State of Arkansas and recommend any necessary changes;</p> <p>(4) Evaluate the effectiveness of any program implemented by a school, a school district, an education service cooperative, the Department of Education, or the State Board of Education and recommend necessary changes;</p>	Reviewing a report prepared by the Division of Legislative Audit compiling all funding received by public schools for each program	13
	Reviewing the curriculum frameworks developed by the ADE	4
	Reviewing the Arkansas Comprehensive Testing, Assessment, and Accountability Program	4
	Reviewing fiscal, academic, and facilities distress programs	4
	Reviewing the state's standing under the No Child Left Behind Act of 2001	4
	Reviewing the Arkansas Comprehensive School Improvement Plan process	4
<p>(5) Review the average teacher salary in the State of Arkansas in comparison to average teacher salaries in surrounding states and member states of the Southern Regional Education Board and make recommendations for any necessary changes to teacher salaries in the State of Arkansas established by law;</p>	Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including:	6, 9
	Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index	
	Reviewing the minimum teacher compensation salary schedule	
<p>(6) Review and continue to evaluate the costs of an adequate education for all students in the State of Arkansas, taking into account cost-of-living variances, diseconomies of scale, transportation variability, demographics, school districts with a disproportionate number of students who are economically disadvantaged or have educational disabilities, and other factors as deemed relevant, and recommend any necessary changes;</p>	Reviewing expenditures from isolated school funding	12
	Reviewing expenditures from National School Lunch state funding	10
	Reviewing expenditures from declining enrollment funding	12
	Reviewing expenditures from student growth funding	12
	Reviewing expenditures from special education funding	5
	Reviewing disparities in teacher salaries	6
<p>(7) Review and continue to evaluate the amount of per-student expenditure necessary to provide an equal educational opportunity and the amount of state funds to be provided to school districts, based upon the cost of an adequate education and monitor the expenditures and distribution of state funds and recommend any necessary changes;</p>	Completing an expenditure analysis	5, 9, 10, 12, 14
	Completing a resource allocation review	9
<p>(8) Review and monitor the amount of funding provided by the State of Arkansas for an education system based on need and the amount necessary to provide an adequate educational system, not on the amount of funding available, and make recommendations for funding for each biennium.</p>	Using evidence-based research as the basis for recalibrating as necessary the state's system of funding public education	11, 17
	Adjusting for the inflation or deflation of any appropriate component of the system of funding public education	15
	Reviewing legislation enacted or rules promulgated during the biennium covered by the study to determine the impact of the legislation and rules on educational adequacy-related public school costs	Through-out
	Reviewing any related topics identified for further study by the House and Senate Committees on Education	6, 8

Appendix C: Glossary

Academic distress: The state designation for a district that has demonstrated a lack of student achievement on the state-mandated, exams for a sustained period of time. Currently districts are placed in academic distress if 49.5% or less of their students score proficient or advanced on state Benchmark exams. A district can also be placed in academic distress if one of its schools is considered a priority school that has not made sufficient academic progress.

Alternative learning environment funding: A state categorical funding program that provides extra money to school districts to help them educate students who need different learning environments due to social or behavioral factors that make learning difficult in the traditional classroom. School districts received \$4,228 per ALE student in 2013 in ALE categorical funding. In 2013, districts received funding for 5,428 ALE students in Arkansas.

Arkansas Comprehensive School Improvement Plan (ACSIP): A written plan schools and districts use to outline goals and activities that they believe will raise student academic achievement. It is written by schools and districts and approved by ADE.

Arkansas Comprehensive Testing, Assessment, and Accountability Program (ACTAAP): The state's student testing system in which every student and every school is required to participate. ACTAAP tests students to gauge their understanding of the state curriculum and uses the collective test scores to measure the quality of the education that schools provide.

Categorical funding: In addition to foundation funding school districts receive four groups of categorical funding. Three of the four categorical funds — English language learners (ELL), national school lunch Act (NSL), and alternative learning environment (ALE) — are designed to help schools educate students with special needs. The fourth categorical fund — professional development (PD) — is designed to pay districts for providing staff professional development.

English language learner funding: Students with limited English language proficiency. School districts received \$305 per ELL student in 2013 to help educate these students. ELL is one of the four categorical funds. In 2013, there were 34,272 ELL students in Arkansas.

Facilities distress: The state designation for a district that fail to properly maintain their academic facilities in accordance with state laws and related rules. Under the law, the Arkansas Commission for Arkansas Public School Academic Facilities and Transportation may place a district in facilities distress for problems including material violation of local, state, or federal fire, health, or safety code provisions or laws; material failure to comply with state laws regarding purchasing, bid requirements or school construction; material default on any district debt obligation; and material failure to plan and progress satisfactorily toward accomplishing priorities set by the Division and the district's master plan.

Fiscal distress: The state designation for a district having financial problems including a declining balance that jeopardizes the district's fiscal integrity; material failure to properly maintain facilities; and insufficient funds to cover payroll, benefits, and/or tax obligations.

Foundation funding: "An amount of money specified by the General Assembly for each school year to be expended by school districts for the provision of an adequate education for each student" (§ 6-20-2303). Foundation funding is the base per-student amount of state funding provided to school districts. Each district receives the foundation funding amount multiplied by its student count, or average daily membership. In 2012-13 foundation funding was set at \$6,267 per student.

Matrix: The formula for calculating the foundation funding amount. The matrix is made up of individual items considered necessary for the operation of schools, including teachers, principals, and instructional materials. The matrix establishes a funding value for each item.

National School Lunch funding: State funding provided to school districts with high percentages of students in poverty. This state funding should not be confused with the federal National School Lunch Act. The state money is called NSL funding only because it uses the federal act's eligibility criteria for free and reduced price lunches.

School districts whose student population consists of 90% or more students in poverty received \$1,549 per NSL student in 2013. Those with 70%-<90% low-income students received \$1,033 per NSL student, and those with less than 70% received \$517 per NSL student. In 2013 districts received NSL funding for 276,422 NSL students in Arkansas.

Professional development funding: One of the state's four categorical funds. State rules define professional development as "a coordinated set of planned learning activities that are based on research, are standards-based and continuous." All certified employees are required to receive 60 hours of such training annually. The state provided \$53 per student to provide staff professional development in 2012-13. About \$43.39 of the \$53 went to school districts and the remaining \$8.61 funded the statewide online professional development program. That program is a partnership between ADE and AETN to offer online PD courses to all teachers across the state at no cost to the teachers or their school districts.

Appendix D: Adequacy Study Presenters and Contributors

Experts, state agency officials, and members of the General Assembly provided information, data, and other assistance for the adequacy study.

Bureau of Legislative Research

- **Mr. Richard Wilson**, Assistant Director for Research Services
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- **Mr. Mark Hudson**, Senior Legislative Analyst, Legislative Committee Staff
- **Ms. Nell Smith**, Administrator, Policy Analysis and Research Section
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- **Ms. Adrienne Williams**, Reference Analyst, Policy Analysis and Research Section

Arkansas Department of Education

- **Dr. Tom Kimbrell**, Commissioner
- **Mr. Tony Wood**, Deputy Commissioner and Commissioner
- **Ms. Martha Kay Asti**, Associate Director, Special Education, Division of Learning Services
- **Ms. Dana Breitweiser**, English Language Arts Assessment Specialist, Division of Learning Svcs.
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- **Mr. Elbert Harvey**, School Improvement Coordinator, Division of Learning Services
- **Mr. Mike Hernandez**, Assistant Commissioner, Fiscal and Administrative Services
- **Mr. John Hoy**, Assistant Commissioner, Division of Academic Accountability
- **Mr. Willie Morris**, Director of Federal and State Monitoring, Division of Academic Accountability
- **Dr. Charles Stein**, Director, Division of Public Schools Academic Facilities and Transportation
- **Dr. Megan Witonski**, Assistant Commissioner of Learning Services

Other Organizations

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Dr. Michele Ballentine-Linch, Executive Director, Arkansas State Teachers Association

Mr. Gene Bottoms, Senior Vice President, Southern Regional Education Board, Atlanta, GA

Ms. Brandy Britton, Student, Lincoln School District

Ms. Stephanie Byrnes, Teacher, Cabot School District

Mr. Jerry Cox, President, Arkansas Family Council

Mr. Kim Davis, Director of Education and Workforce, Northwest Arkansas Council

Ms. Jerri Derlikowski, Director of Education Policy, Arkansas Advocates for Children and Families

Mr. Tom Doohar, Executive Director, Arkansas Education Association

Ms. Brenda Gullett, Chair, Arkansas State Board of Education

Dr. Mary B. Gunter, Executive Director, Arkansas Association for Supervision and Curriculum Development
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Ms. Barbara Hunter Cox, Director of Teaching and Learning, Arkansas Public School Resource Center
Mr. Richard Hutchinson, Co-Chair, Arkansas Opportunity to Learn Campaign
Mr. Jerry Jones, Chair, FASTER Arkansas, and Executive Vice President, Acxiom
Ms. Grace Lewis, Parent, Mount Vernon, AR
Mr. Evan Marwell, Chief Executive Officer and Founder, Education Super Highway
Dr. Neal McCluskey, Associate Director, Center for Educational Freedom, CATO Institute
The Honorable Dustin McDaniel, Attorney General
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Ms. Betty Yerger, Retired Educator, Heber Springs, AR
Mr. Randy Zook, President and Chief Executive Officer, Arkansas State Chamber of Commerce/ Associated Industries of Arkansas