

ARKANSAS GENERAL ASSEMBLY

HOUSE INTERIM COMMITTEE ON EDUCATION and SENATE INTERIM COMMITTEE ON EDUCATION

Senator Jane English
Senate Chair



Representative Bruce Cozart
House Chair

ADDENDUM

March 5, 2019


Following the submission of the November 1, 2018 Final Report on the Legislative Hearings for the 2018 Educational Adequacy Study, we found it necessary to increase the foundation funding amounts for the upcoming biennium of school years 2019-2020 and 2020-2021.

Due to the increased costs of submitting the school district portion to the teacher retirement system, the foundation funding amounts were increased by \$16 the first year and \$33 the second year.

The increased foundation funding amounts were provided in HB1685 as filed March 5, 2019 during the 2019 Regular Session.



Senator Jane English, Chairman



Representative Bruce Cozart, Chairman

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

Senator Jane English
Senate Chair

Representative Bruce Cozart
House Chair

November 1, 2018

Senator Jonathan Dismang
President Pro Tempore
Arkansas Senate
Room 320, State Capitol
Little Rock, Arkansas 72201

Representative Matthew Shepherd
Speaker of the House
Arkansas House of Representatives
Room 350, State Capitol
Little Rock, Arkansas 72201

Re: A Report on Legislative Hearings for the 2018 Interim Study on Educational Adequacy
(Act 57 of the Second Extraordinary Session of 2003, Act 1204 of 2007, and Act 725 of 2011)

Dear President Dismang and Speaker Shepherd:

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 pleased to submit their report on the legislative hearings held for the purpose of completing the 2018 interim study on the adequacy of the state’s system of public education.

The 2018 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 for changes concerning educational adequacy:

| Topic | FY20 | FY21 |
|-------------------------------|--|---|
| Definition of Adequacy | <p>The definition the General Assembly uses for educational adequacy should be amended as follows:</p> <ol style="list-style-type: none"> 1. The standards included in the state's curriculum <u>and career and technical</u> frameworks, which define what all Arkansas students are to be taught, including specific grade level curriculum, <u>and</u> a mandatory thirty-eight (38) Carnegie units defined by the Arkansas Standards of Accreditation to be taught at the high school level, <u>and opportunities for students to develop career readiness skills;</u> 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. | |
| Special Education | <p>House: Add \$4 million to Catastrophic Occurrences funding for a total of \$17,020,000 in FY20 with the understanding that this amount can be changed during budget hearings.</p> <p>Senate: No change from FY19 funding level (\$13,020,000).</p> | <p>House: Provide no increase to Catastrophic Occurrences funding in FY21, leaving the funding at \$17,020,000 for FY21 with the understanding that this amount can be changed during budget hearings.</p> <p>Senate: No change from FY20 funding level (\$13,020,000).</p> |

| Topic | FY20 | FY21 |
|---|---|---|
| Teacher Salaries | Increase all steps of the statutory minimum teacher salary by \$1,000 for teachers with a BA and teachers with an MA. This will bring the minimum salary for teachers with a BA to \$32,800 and for teachers with an MA to \$37,450 in FY20. | Increase all steps of the statutory minimum teacher salary by \$1,000 for teachers with a BA and teachers with an MA. This will bring the minimum salary for teachers with a BA to \$33,800 and for teachers with an MA to \$38,450 in FY21. |
| Partnership Program | No change in the regular funding that has been provided historically for the Partnership Program each year (about \$41.8 million in General Revenue and about \$16 million or so in transfers from savings in facilities predecessor programs). | Provide a total of \$90 million for the Partnership Program for FY21. The \$90 million is to include the funding that historically has been provided for the Partnership Program (about \$41.8 million in General Revenue and about \$16 million in transfers from savings in facilities predecessor programs). |
| Adequacy Study | A new study of educational adequacy should be undertaken in the next biennium to reexamine the educational system and its finance structure, including the components and underpinning assumptions of the matrix. | |
| Categorical Funding | | |
| National School Lunch (NSL) Funding | Leave the per-student funding rates at \$526, \$1,051 and \$1,576, but increase the funding for the NSL matching grants by \$1 million, for a total of \$5.3 million in FY20. | Leave the per-student funding rates at \$526, \$1,051 and \$1,576, and continue to provide a total of \$5.3 million for the NSL matching grants in FY21. |
| Professional Development (PD) Funding | Keep the per-student funding rate at \$32.40, but increase the funding for Professional Learning Communities (PLCs) by \$4 million, for a total of \$12.5 million for PLCs. | Increase the per-student funding rate by \$8.40 (the equivalent of \$4 million statewide), for a per-student funding rate of \$40.80. Keep the funding for PLCs at \$12.5 million for FY21. |
| English Language Learner (ELL) Funding | Increase the per-student funding rate to \$345 per ELL student. | Increase the per-student funding rate to \$352 per ELL student. |
| Alternative Learning Environment (ALE) Funding | Increase the per-student funding rate to \$4,700 per ALE FTE student. | Maintain the per-student funding rate at \$4,700 per ALE FTE student. |
| Foundation Funding | | |
| Classroom Teachers | Increase the teacher salary in the matrix to \$67,127. | Increase the teacher salary in the matrix to \$68,470. |
| Special Education Teachers | | |
| Instructional Facilitators | | |
| Librarian/Media Specialist | | |
| Guidance Counselor/Nurse | | |
| Instructional Materials | Increase the per-student funding in the matrix for instructional materials to \$184.20. | Increase the per-student funding in the matrix for instructional materials to \$187.90. |
| Operations and Maintenance | Increase the per-student funding in the matrix for operations and maintenance to \$697.50. | Increase the per-student funding in the matrix for operations and maintenance to \$705.70. |

| Topic | FY20 | FY21 |
|--------------------------------------|---|--|
| Transportation | Maintain the per-student funding level in the matrix for transportation at \$321.20. Increase the supplemental transportation for high cost districts by \$2 million, for a total of \$5 million in FY20. | Maintain the per-student funding level in the matrix for transportation at \$321.20. Maintain the supplemental transportation for high cost districts at a total of \$5 million in FY21. |
| Total Foundation Funding Rate | With the increases listed above, the per-student foundation funding rate should be \$6,883 for FY20. | With the increases listed above, the per-student foundation funding rate should be \$6,985 for FY21. |

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 91st General Assembly, and the incoming members of the 92nd General Assembly to ensure the continued adequacy of our state's system of public education.

Sincerely,



Senator Jane English
Vice Chair
Senate Interim Committee on Education



Representative Bruce Cozart
Chair
House Interim Committee on Education

cc: The Honorable Asa Hutchinson, Governor, State of Arkansas

***FINAL REPORT ON THE LEGISLATIVE
HEARINGS FOR THE 2018 EDUCATIONAL
ADEQUACY STUDY***

**(ACT 57 OF THE SECOND EXTRAORDINARY SESSION OF 2003,
ACT 1204 OF 2007, ACT 725 OF 2011 AND ACT 936 OF 2017)**

VOLUME I

RECOMMENDATIONS

OF THE

**HOUSE INTERIM COMMITTEE ON EDUCATION AND
SENATE INTERIM COMMITTEE ON EDUCATION**

November 1, 2018

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Acronyms

| | |
|-----------------------|--|
| AACF | Arkansas Advocates for Children and Families |
| AAE | Association of American Educators |
| AAEA | Arkansas Association of Educational Administrators |
| AAGEA | Arkansas Association of Gifted Education Administrators |
| ABC | Arkansas Better Chance |
| ACTAAP | Arkansas Comprehensive Testing, Assessment, and Accountability Program |
| ADE | Arkansas Dept. of Education |
| ADHE | Arkansas Dept. of Higher Education |
| ADM | Average Daily Membership |
| AEA | Arkansas Education Association |
| AESAA | Arkansas Education Support and Accountability Act |
| AETN | Arkansas Educational Television Network |
| AGATE | Arkansans for Gifted and Talented Education |
| ALE | Alternative Learning Environment |
| ALP | Additional Licensure Plan |
| AP | Advanced Placement |
| APSCN | Arkansas Public School Computer Network |
| APSRC | Arkansas Public School Resource Center |
| ARCareerEd | Arkansas Department of Career Education |
| AREA | Arkansas Rural Education Association |
| Arkansas IDEAS | Internet Delivered Education for Arkansas Schools |
| ASBA | Arkansas School Boards Association |
| ASR | Annual Statistical Report |
| ATRS | Arkansas Teacher Retirement System |
| BLR | Bureau of Legislative Research |
| CGR | College-going rate |
| COLA | Cost of Living Adjustment |
| CPI-U | Consumer Price Index-All Urban Consumers |
| CTE | Career and Technical Education |
| EAF | Educational Adequacy Fund |
| EBD | Employee Benefits Division |
| EETF | Educational Excellence Trust Fund |
| ELA | English language arts |
| ELDA | English Language Development Assessment |
| ELL | English Language Learners |
| ELPA21 | English Language Proficiency Assessment 21 st Century |
| EPPQR | Educator Preparation Performance Quality Report |

| | |
|------------------------|---|
| ESEA | Elementary and Secondary Education Act |
| ESL | English as a Second Language |
| ESSA | Every Student Succeeds Act |
| FAPE | Free, appropriate public education |
| FICA | Federal Insurance Contributions Act |
| FRPL | Free and Reduced-Price Lunch |
| FTE | Full-Time Equivalent |
| GED | General Educational Development |
| GIF | General Improvement Funds |
| GPA | Grade Point Average |
| GT | Gifted and Talented |
| IDEA | Individuals with Disabilities Education Act |
| IEP | Individualized education program |
| ISLLC | Interstate School Leaders Licensure Consortium |
| ISP | Interim Study Proposal |
| LEADS | Leader Excellence and Development System |
| LPAC | Language Placement and Assessment Committee |
| MSAA | Multi-State Alternate Assessment |
| NAEP | National Assessment of Educational Progress |
| NBCT | National Board Certified Teacher |
| NCES | National Center for Education Statistics |
| NEA | National Education Association |
| NPBEA | National Policy Board for Educational Administration |
| NSL | National School Lunch state categorical funding |
| O&M/M&O | Operations and Maintenance |
| PARCC | Partnership for Assessment of Readiness for College and Careers |
| PD | Professional Development |
| PLC | Professional Learning Community |
| PSEL | Professional Standards for Educational Leaders |
| PSF | Public School Fund |
| SBOE | State Board of Education |
| SQSS | School Quality and Student Success |
| SREB | Southern Regional Education Board |
| TESS | Teacher Excellence and Support System |
| URT | Uniform Rate of Tax |
| US DOE | U.S. Department of Education |
| WRF | Winthrop Rockefeller Foundation |
| WSD | Warm, Safe and Dry |

Section 1: Introduction

The adequacy study is a key element in the continued constitutionality of the state's system of funding public education. The study process began during the 2003 Regular Legislative Session when the General Assembly enacted Act 94 of 2003 to create the Joint Committee on Educational Adequacy. The joint 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. In early 2004, the General Assembly made that responsibility ongoing with Act 57 of the Second Extraordinary Session of 2003, which requires the Education Committees to study the entire educational system and report their findings and recommendations before every regular session.

In 2005, the General Assembly passed Act 723, which allowed the Education Committees to hire consultants or other experts, as necessary, for the adequacy review (which was also allowed under Act 94). During the 2007 legislative session, the General Assembly passed Act 1204 of 2007, which refined the Act 57 requirements. In the 2011 Regular Legislative Session, the General Assembly passed Act 725, which added one new area of study, changed the deadline for the final adequacy study report to November 1 and required a draft of the report to be published two weeks before the report's deadline. Act 936 of 2017 changed the terminology used for certain study requirements and eliminated the requirement that Academic Distress programs be reviewed. These changes were made in alignment with Act 930 of 2017, which made the language changes and replaced the Academic Distress program with a new state support program. The adequacy study acts are codified at A.C.A. § 10-3-2101 et seq. (See Appendix A.)

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 (as amended by later acts) specified that these broad reviews should be accomplished by:

- Reviewing a report prepared by Arkansas Legislative Audit compiling all funding received by public schools for each program;
- Reviewing the academic standards developed by the Department of Education;
- Reviewing the Arkansas Educational Support and Accountability Act;
- Reviewing fiscal and facilities distress programs;
- Reviewing the state's standing under the Elementary and Secondary Education Act of 1965 as reauthorized by the Every Student Succeeds Act;
- 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; and
- 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 of 2007 also established that the Education Committees would review any other program or topic they 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 statutory requirements to sections of this report, see Appendix B. A list of the acronyms used in this report is provided on page v.

HOW THE 2018 STUDY WAS CONDUCTED

For the 2018 adequacy study, the Chairs of the House and Senate Education Committees, Representative Bruce Cozart and Senator Jane English, opted to include all members of both Education Committees in the review. Committee members began meeting for the study in June 2017.

The House and Senate Education Committees met 18 times, and presenters included representatives from the Bureau of Legislative Research (BLR), Arkansas Legislative Audit, the Arkansas Department of Education (ADE). (A list of all presenters and contributors can be found in Appendix C.) This report represents a summary of all testimony and reports presented to the Education Committees for this adequacy study and provides the recommendations the Committees developed based on that information.

As part of this study, BLR staff surveyed school district superintendents and charter school directors and school principals using online surveys. The BLR also visited a randomly selected sample of 73 schools for on-site interviews with principals. The BLR also surveyed the teachers in those 73 schools using an online survey. BLR staff used the data collected through these surveys and visits to prepare a number of reports presented to the Education Committees.

The testimony and reports presented to the Education Committees drew from a wide variety of sources, including data submitted by districts to ADE, reviews of policies in 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). The Education Committees also solicited comment from Arkansas educational associations, other interested organizations and individual members of the public.

This report serves as Volume I of the 2018 final adequacy report. Volume II of this report, contains copies of all materials presented to the Education Committees for this adequacy review. Those materials are available at the following link:

<http://www.arkleg.state.ar.us/education/K12/Pages/AdequacyReportDetails.aspx?catId=2018>.

Additional data sources and research citations 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 16 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 the *Lake View* decisions.¹ 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. Adoption of a comprehensive system of accounting and accountability to provide state oversight of school district expenditures;
4. 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;
5. Adoption of Amendment 74 to provide a 25 mill Uniform Rate of Tax and ensuring that school districts receive the full amount of foundation funding if the actual school tax collection is less than 98%;
6. Categorical funding for alternative learning environments, English-language learners, and national school lunch students;
7. Foundation funding;

¹ *Lake View School Dist. No. 25 v. Huckabee*, 351 Ark. 31, 91 S.W.3d 472 (2002); *Lake View School Dist. No. 25 v. Huckabee*, 355 Ark. 617, 142 S.W.3d 643 (2004); *Lake View School Dist. No. 25 v. Huckabee*, 358 Ark. 137, 189 S.W.3d 1 (2004); *Lake View School Dist. No. 25 v. Huckabee*, 362 Ark. 520, 210 S.W.3d 28 (2005); *Lake View School Dist. No. 25 v. Huckabee*, 364 Ark. 398 (2005); and *Lake View School Dist. No. 25 v. Huckabee*, 370 Ark. 139, 257 S.W.3d 879 (2007)

8. Growth or declining enrollment funding; and
9. Adoption of a minimum teacher salary schedule allowance of the use of national school lunch categorical funding to supplement certain teacher salaries, and provision of incentives to attract and retain teachers in high-priority districts.

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) 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.

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

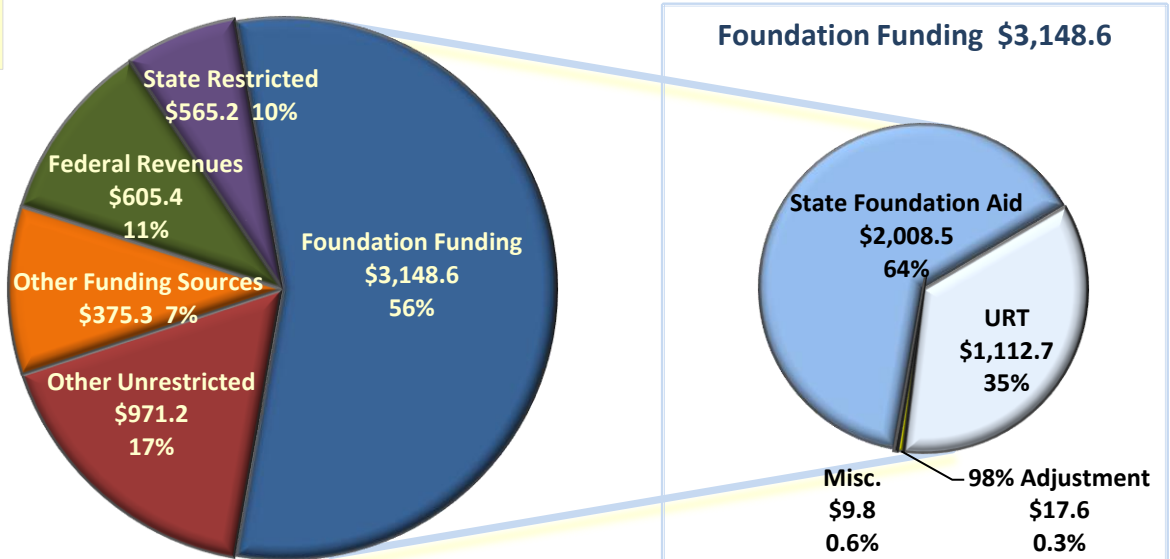
The Education Committees used the following working definition of "educational adequacy" to serve as a basis for identifying the resources required for adequate funding:

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, and opportunities for students to develop career-readiness skills;
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

Arkansas schools receive many different types of funding. In 2016-17, school districts and open-enrollment charter schools received about \$5.7 billion in total revenue. The following chart illustrates the variety of revenue sources districts and charter schools have.

2016-17
In Millions
\$5,665.5



- **Foundation Funding** primarily consists of property tax revenues (uniform rate of tax, or URT) and the state aid portion of foundation funding. (The components of foundation funding are described in Section 10 of this report.)
- **Other Unrestricted Funds** include state funding such as student growth, declining enrollment, and isolated funding and local revenue sources in excess of URT. School districts have broad authority to spend these funds for their educational needs without limitation.
- **State Restricted Funds** include state categorical funds, as well as funding for magnet school programs, early childhood education, adult education, career education, special education, academic facilities and other grants for specific programs.
- **Federal Revenues** include Title I funding, the Individuals with Disabilities Education Act (IDEA), Part B funding, school lunch and breakfast grant funds and other federal grant funding.
- **Other Funding Sources** include the sale of bonds for construction activities, loans, insurance compensation for loss of assets, other gains from disposals of assets and other miscellaneous funding.

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.

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 on a range of educational and economic statistics. The BLR has 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 report provides information about the progress made by Arkansas’s public schools in recent years, as measured by student test scores, graduation rates and other education statistics.

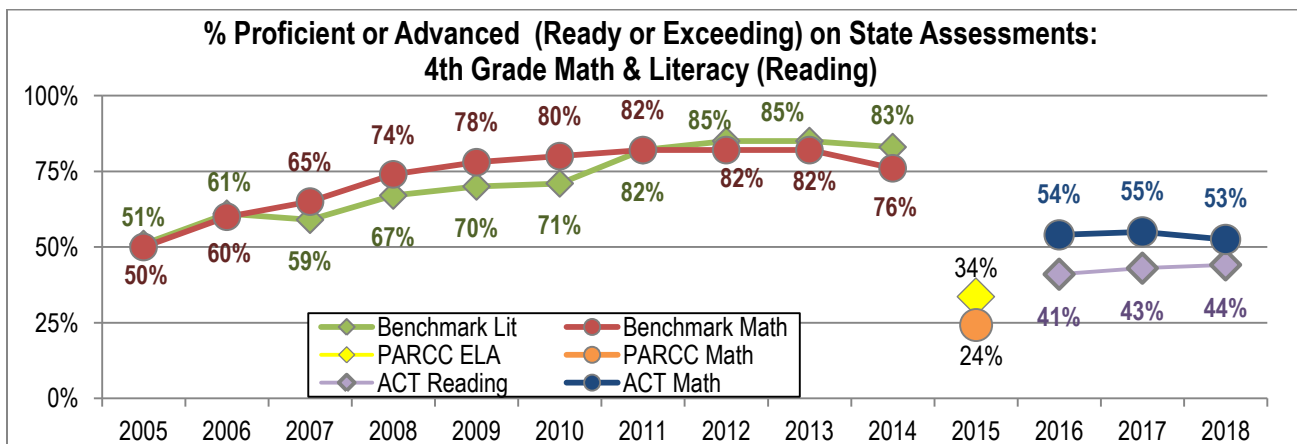
While there has been improvement across most of these measures, there have also been some declines. The ACT composite and English scores have dropped slightly since 2001, which may be due to an increase in the number of students taking the test. Additionally, while Arkansas’s median household income has increased by about \$15,000 since 2001, its national ranking has remained the same. While Arkansas students have made significant academic improvements in some areas, they continue to score below the national average on some national assessments. However, since state assessments have changed multiple times in the last several years, it is difficult to determine overall increases and decreases in student achievement.

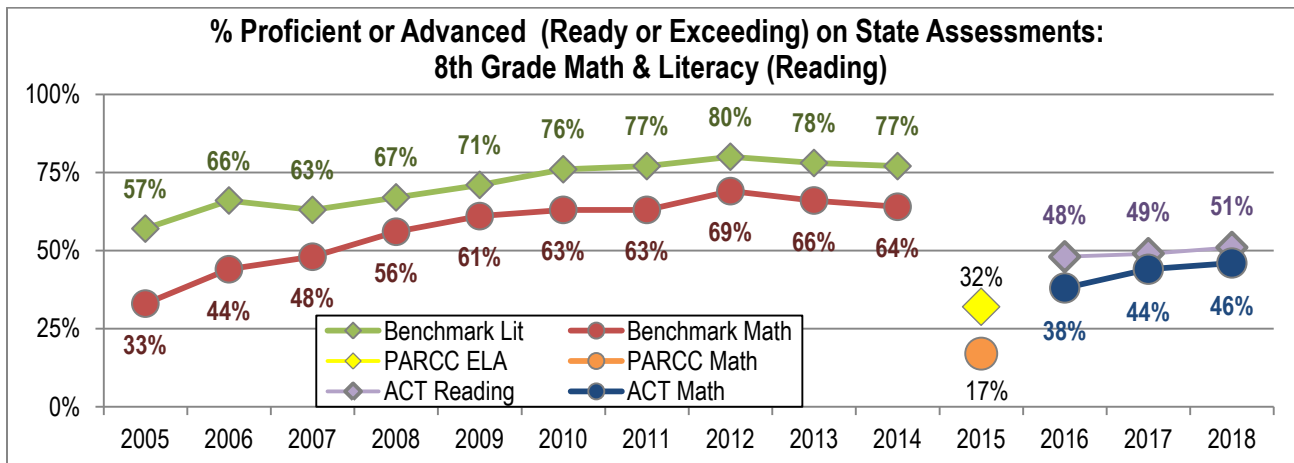
STATE ASSESSMENT SCORES

2001 KILGORE DECISION: “The first set of scores on the ACTAAP test 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 ACT Aspire shows that 44% of 4th graders were “ready” or “exceeding” in reading (indicating proficiency with grade-level standards) in 2017, and 53% were “ready” or “exceeding” in math.

Since the state assessment has changed multiple times in the last few years, results are not completely comparable. Results from the Benchmark assessments from 2005 to 2014 show increases in math and literacy among 4th and 8th grade students. The Partnership for Assessment of Readiness for College and Careers (PARCC) assessment was administered in 2015 and shows less than 35% of 4th and 8th grade students scored proficient or advanced in math and literacy. In 2016, the ACT Aspire assessment began to be administered. The 2018 ACT Aspire scores show a slight decrease in 4th grade students scoring ready or above in math and an increase in 4th graders scoring ready or above in reading. There were also increases in the percentages of 8th grade students scoring ready or above in both math and reading.



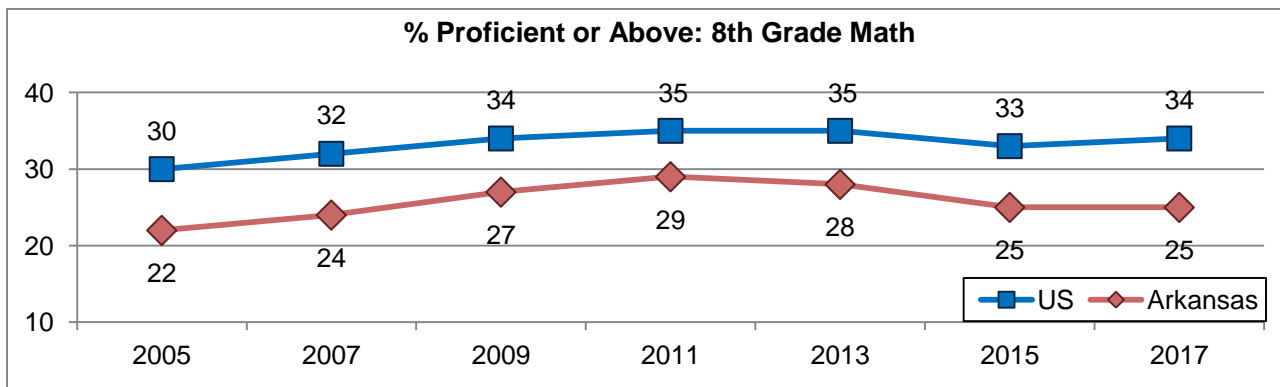
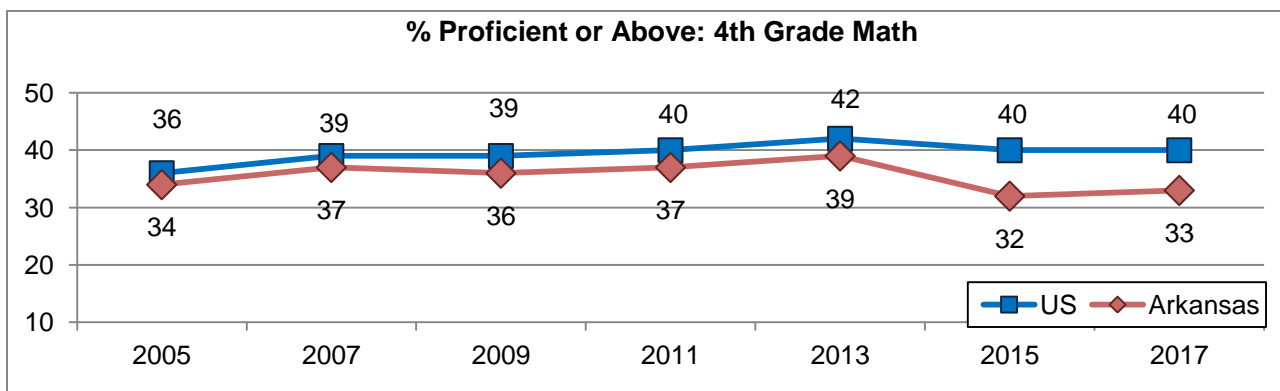


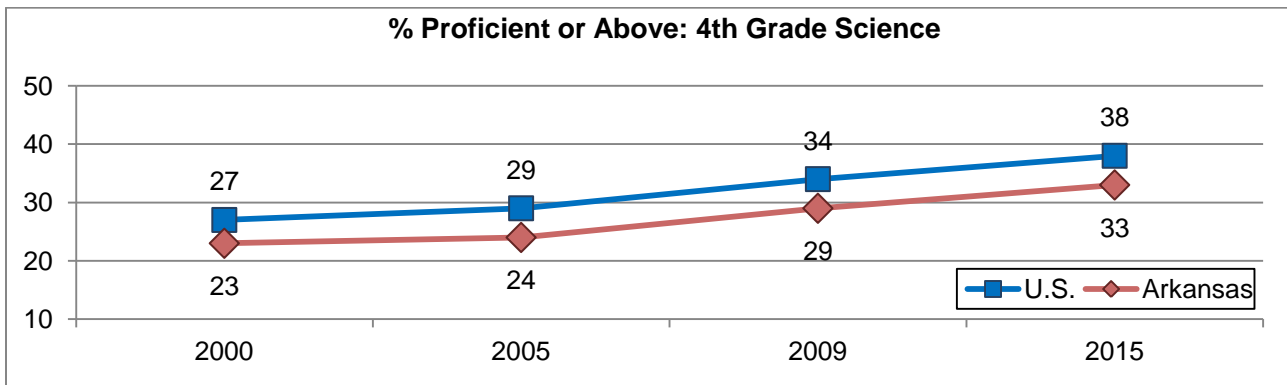
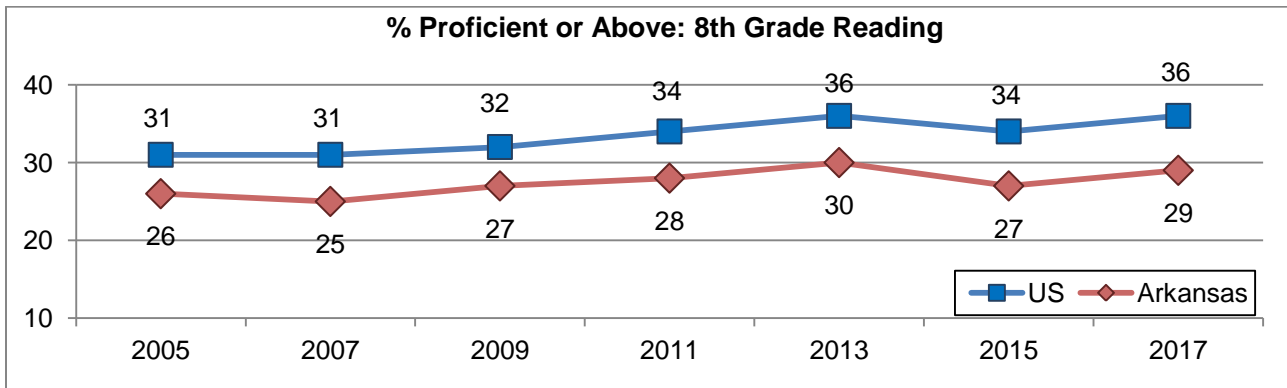
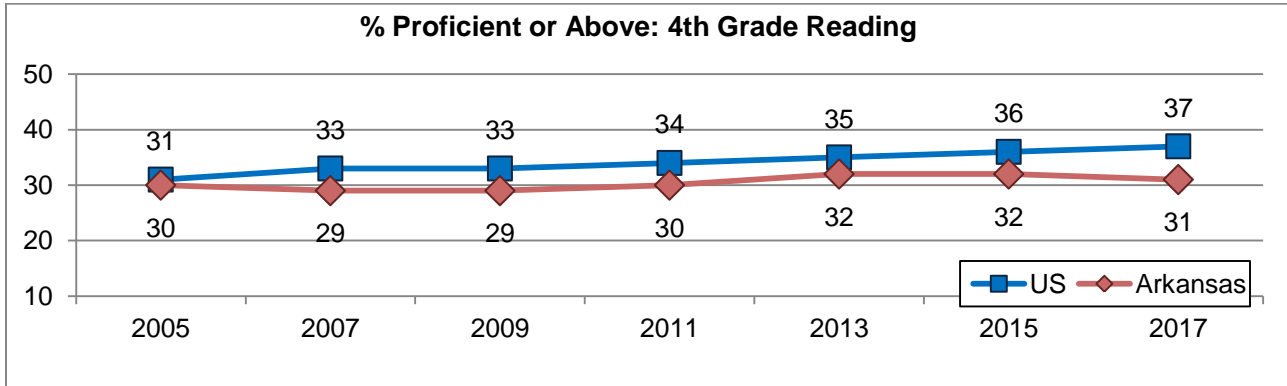
Source: ADE

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS SCORES

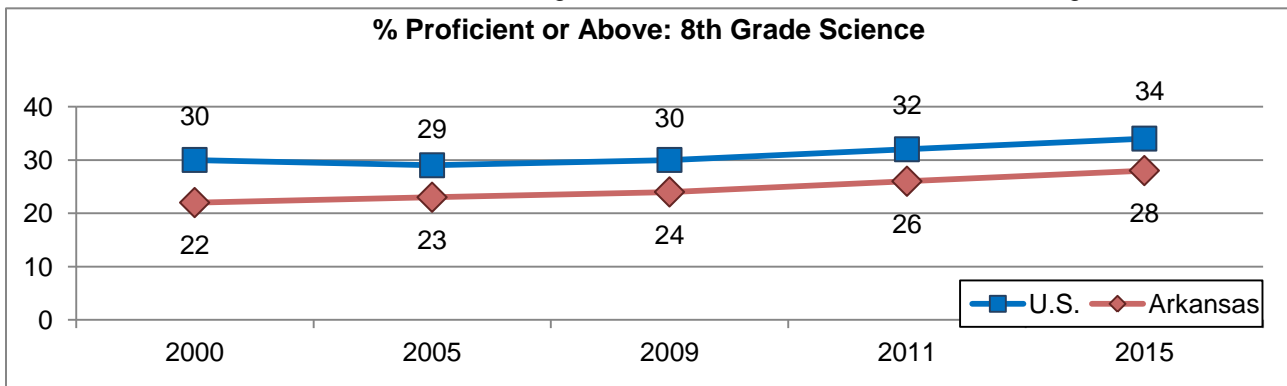
2001 KILGORE DECISION: “Arkansas’ fourth and eighth grade students do not rank at or above the national average for proficiency in math, reading, science or writing as measured by the Southern Regional Education Board’s State Analysis of the National Assessment of Education Progress (NAEP) test scores.”

NOW: Arkansas’s 4th and 8th grade students have made some progress on the NAEP assessments since the 2001 Kilgore decision. However, Arkansas students still trail behind the national average on each measure.





Note: The NAEP science assessment was not given in 2017. The science framework changed in 2009.



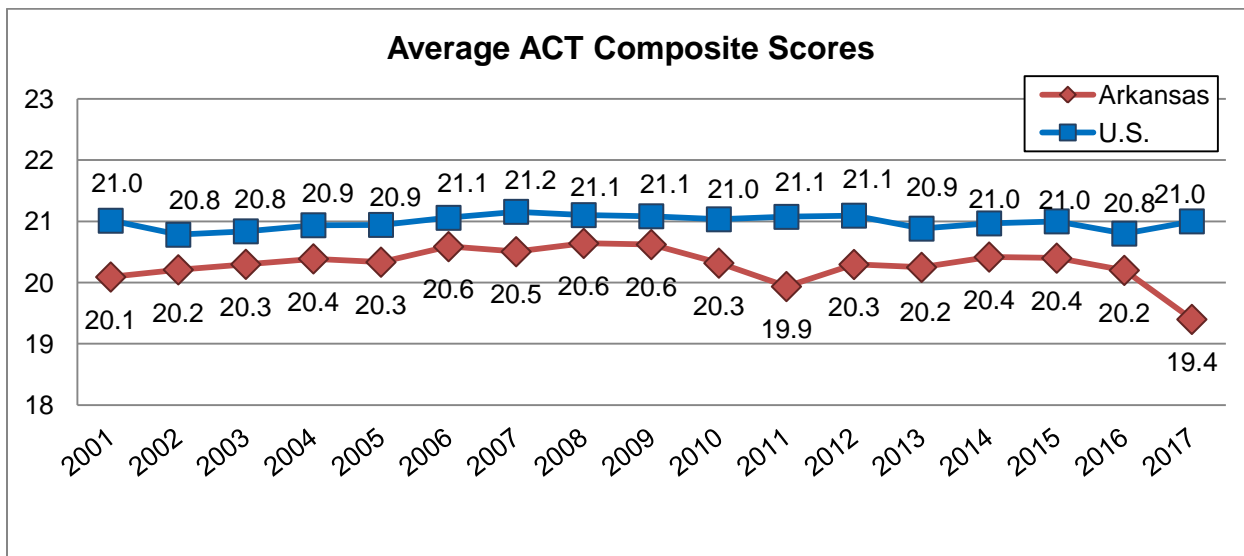
Note: The NAEP science assessment was not given in 2017. The science framework changed in 2009.

AVERAGE ACT COMPOSITE SCORES

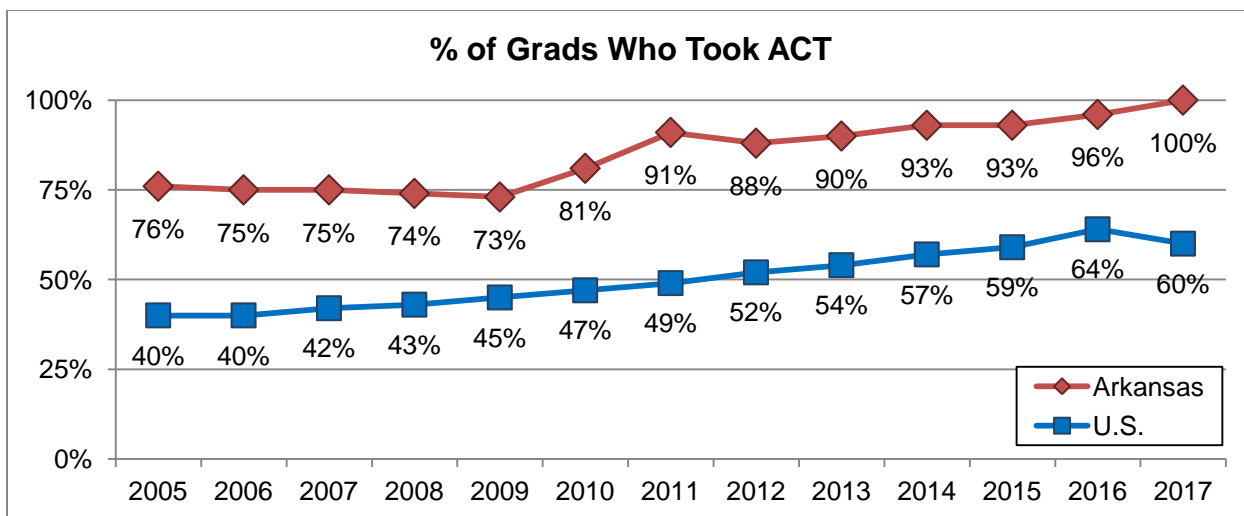
2001 KILGORE DECISION: “Arkansas students scored several tenths below the national average on the ACT from 1990 to 1999.”

NOW: Arkansas students continue to score below the national average on the ACT. However, the percentage of students taking the ACT increased significantly and far surpassed the national average.

Since 2001, the average composite ACT score for Arkansas (and the U.S.) has remained relatively flat. However, in 2017, Arkansas’s average composite score dropped from 20.2 in 2016 to 19.4, about a point and a half below the national average in 2017. That said, the percentage of students in Arkansas taking the ACT increased from 38% in 2001 to 100% in 2017, far surpassing the national average of 60%.



Source: ACT Profile Reports – Arkansas, 2001-2017; ACT, Inc.



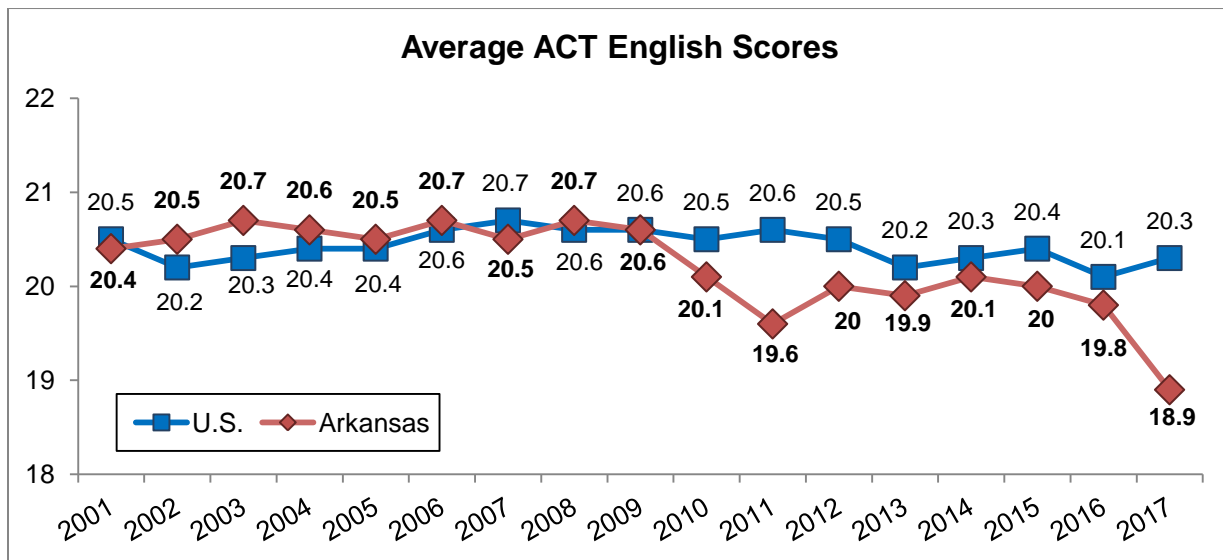
Source: ACT, Inc.

AVERAGE ACT SCORES IN ENGLISH

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

NOW: The average ACT English score for Arkansas dropped from 20.4 in 2001 to 18.9 in 2017. Arkansas students now score below the national average ACT score in English.

From 2002 to 2006, Arkansas students slightly outperformed the national average on the ACT test in English. Arkansas students remained close to the national average until 2010 when it dropped about one point over the course of two years. In 2012, the state began to close the gap with the national average until 2017, when Arkansas’s average score dropped again. The decreases in the average ACT English score may be due, in part, to more students taking the exam, as seen on the previous chart.



Source: ACT Profile Report – Arkansas, 2001-2017; ACT, Inc.

COLLEGE GOING RATES

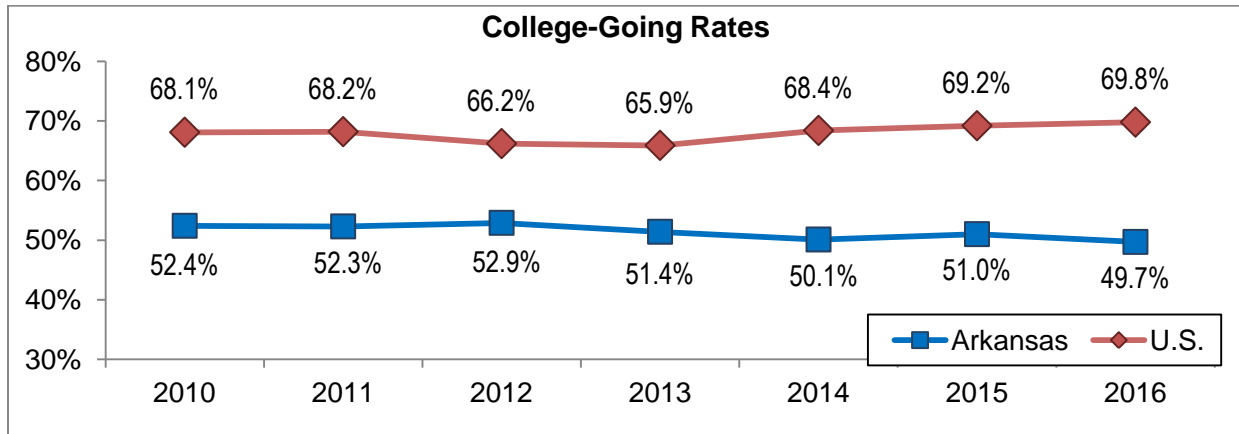
2001 KILGORE DECISION: “For the period 1996 through 1998, the percentage of Arkansas high school graduates attending college is approximately 53%.”

NOW: The college-going rate is calculated differently from the methodology used in the late 1990s, which makes comparisons difficult. However, the most recent data still show that about half of Arkansas’s graduating students go on to postsecondary education.

The college-going rate cited in the Kilgore decision was calculated using a different methodology than the one currently used. Beginning in the 2009-10 school year, 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.² According to the Arkansas Department of Higher Education’s (ADHE) 2017 Comprehensive Higher Education Annual Report, Arkansas’s CGR fell slightly from 52.9% in 2012 to 49.7% in 2016, despite an increase of about one percentage point in 2015.³ In comparison, the national CGR increased from 65.6% in 1998 to 69.8% in 2016.

² Arkansas Department of Higher Education. *Comprehensive Arkansas Higher Education Annual Report*. 2011. Retrieved from: https://static.ark.org/eeuploads/adhe/6-CollegeGoingRate-ANNUAL_2.pdf

³ Arkansas Department of Higher Education. *Comprehensive Arkansas Higher Education Annual Report*. 2017. Retrieved from: <https://www.adhe.edu/data-publications/comprehensive-report/2017-comprehensive-report>



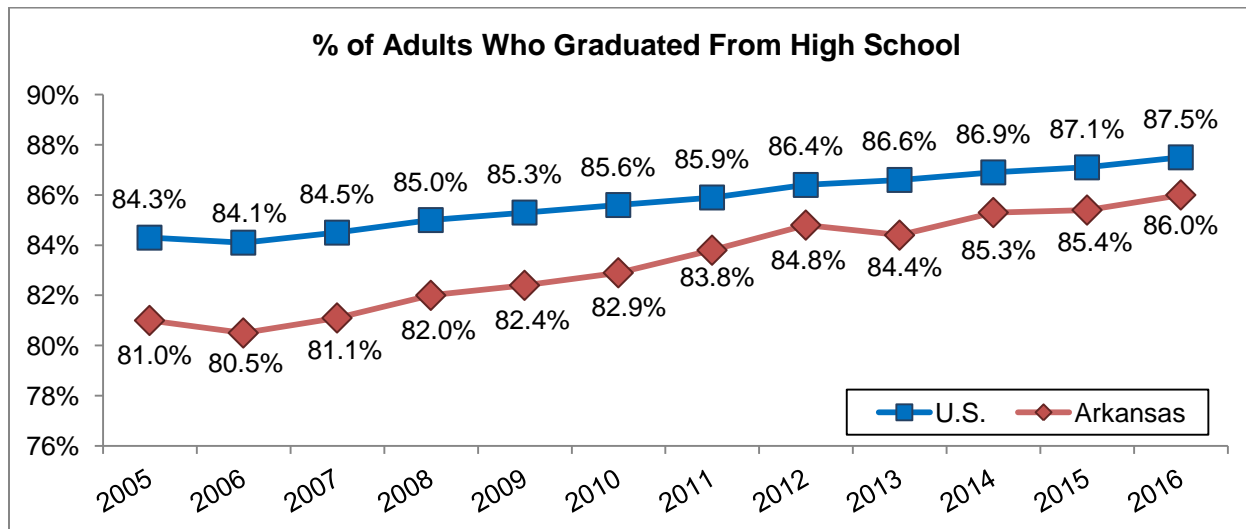
Source: *Digest of Education Statistics: 2017*. National Center for Education Statistics, Recent high school completers and their enrollment in 2-year and 4-year colleges, by sex: 1960 through 2016; ADHE, Comprehensive Arkansas Higher Education Annual Reports, 2005-2017.

% 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: While Arkansas still ranks below the national average, it has increased the percentage of adults who have graduated from high school and narrowed the gap.

The 2000 U.S. Census found that Arkansas ranked 46th among the 50 states and the District of Columbia in the percentage of adults aged 25 years and older who graduated from high school, at 75.3% (tied with Alabama), compared to the national average of 80.4%.⁴ According to the latest data from the U.S. Census Bureau from the American Community Survey (a different survey source from the 2000 Census data), Arkansas ranks 42nd among the states and the District of Columbia at 86%, compared to the national average of 87.5%.



Source: U.S. Census Bureau, American Community Survey, Educational Attainment, 1-Year Estimates, S1501, Various Years

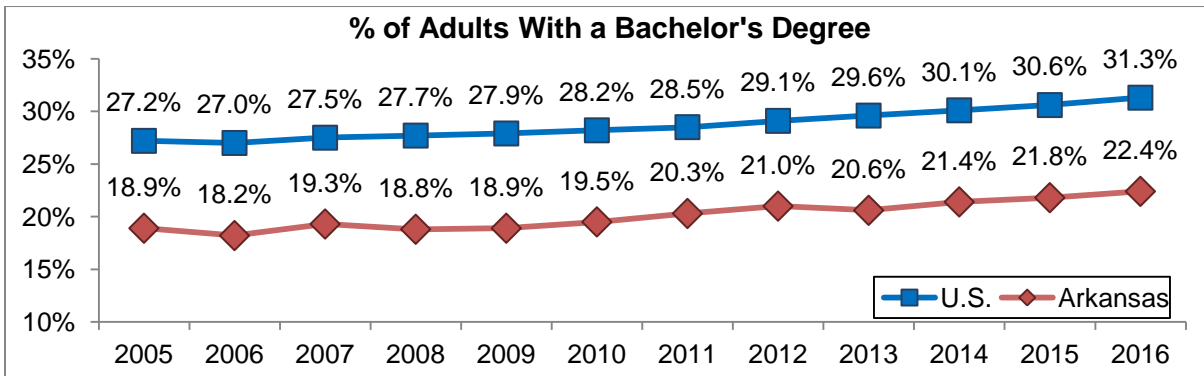
⁴ U.S. Census Bureau, Profile of Selected Social Characteristics: 2000, Census 2000 Summary File 3, DP-2

% 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 but continues to rank 49th among the 50 states and the District of Columbia.

According to data from the 2000 Census, Arkansas actually ranked 50th among the states and the District of Columbia in the percentage of adults with a bachelor’s degree or higher, at 16.7%, compared to the national average of 24.4%.⁵ According to the latest data from the U.S. Census Bureau (the American Community Survey, a different survey source from the 2000 Census data), in 2016, Arkansas ranked 49th on this measure at 22.4%, compared to the national average of 31.3%.



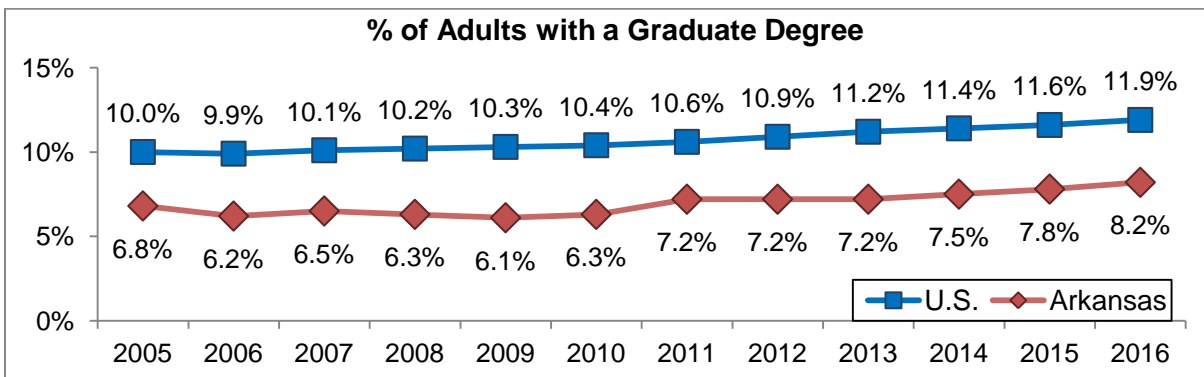
Source: U.S. Census Bureau, American Community Survey: 1-Year Estimate, Various Years.

% 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 now ranks 46th among the 50 states and the District of Columbia in the percentage of adults with graduate degrees. However, it still trails the national average.

According to data from the 2000 Census, Arkansas ranked 50th among the states and the District of Columbia in the percentage of the population age 25 years or over with a graduate degree, at 5.7%, compared to the national average of 8.9%.⁶ According to the latest data from the U.S. Census Bureau (the American Community Survey, a different survey source from the 2000 Census data), in 2016, Arkansas ranked 46th on the measure at 8.2% (tied with three other states), compared to national average at 11.9%.



Source: U.S. Census Bureau, American Community Survey: 1 –Year Estimate, Various Years.

⁵ U.S. Census Bureau, Profile of Selected Social Characteristics: 2000, Census 2000 Summary File 3, DP-2

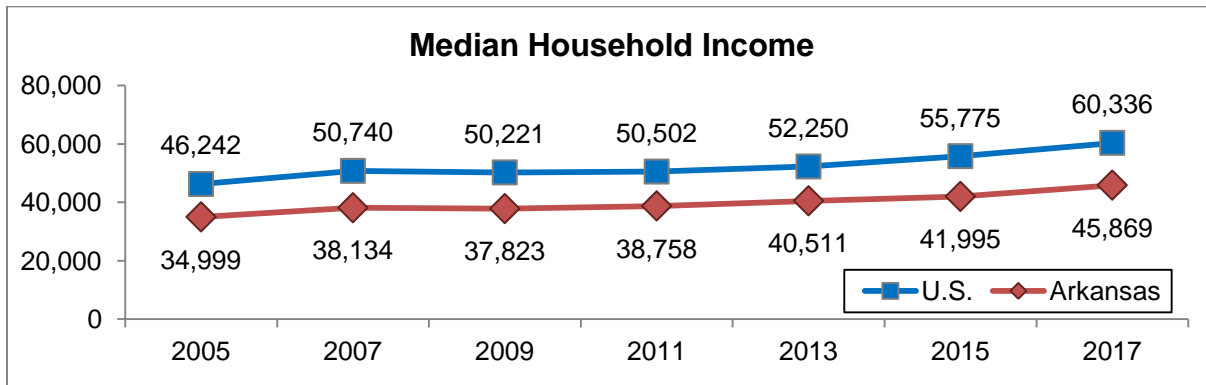
⁶ U.S. Census Bureau, Profile of Selected Social Characteristics: 2000, Census 2000 Summary File 3, DP-2

MEDIAN HOUSEHOLD INCOME

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

NOW: Although the median household income has risen by nearly \$15,000 since 2000, Arkansas still ranks 49th among states and the District of Columbia on this measure.

According to the 2000 U.S. Census, Arkansas ranked 49th among the states and the District of Columbia for median household incomes, at \$32,182, compared to the national average of \$41,994.⁷ According to the latest data from the U.S. Census Bureau (the American Community Survey, a different survey source from the 2000 Census data), in 2017, Arkansas still ranked 49th, at \$45,869, compared to the national average of \$60,336.



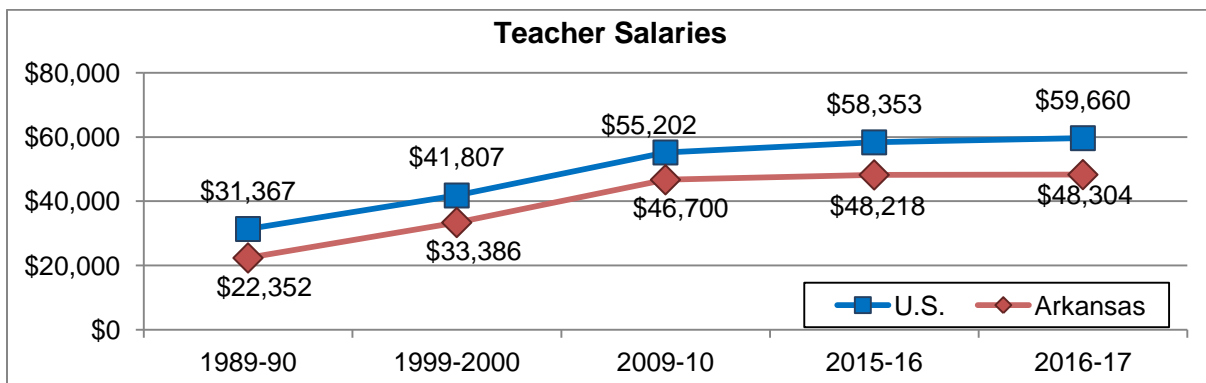
Source: U.S. Census Bureau, American Community Survey: 1-Year Estimate, Various Years.

TEACHER PAY

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

NOW: Arkansas’s average annual teacher salary increased by about \$15,000 since 2000, and its ranking in average annual teacher salaries improved to 42nd in 2017.

According to the 2000 *Digest of Education Statistics*, Arkansas ranked 43rd in 2000, at \$33,386, but the state’s ranking improved to 32nd in 2006-07 and has moved up and down in the years since. In 2017, Arkansas ranked 42nd in average annual teacher salaries at \$48,304, compared to the national average of \$59,660.



Sources: *Digest of Education Statistics*, National Center for Education Statistics (NCES), Estimated average annual salary of teachers in public elementary and secondary schools, by state: Selected years, 1969-70 through 2015-16; The NCES data for 2017 uses an estimated average calculated by the National Education Association. However, *Rankings of the States 2017*, National Education Association (NEA), provides actual 2017 figures which are used in the chart above, April 2018, Table B-6 Average Salary of Teachers.

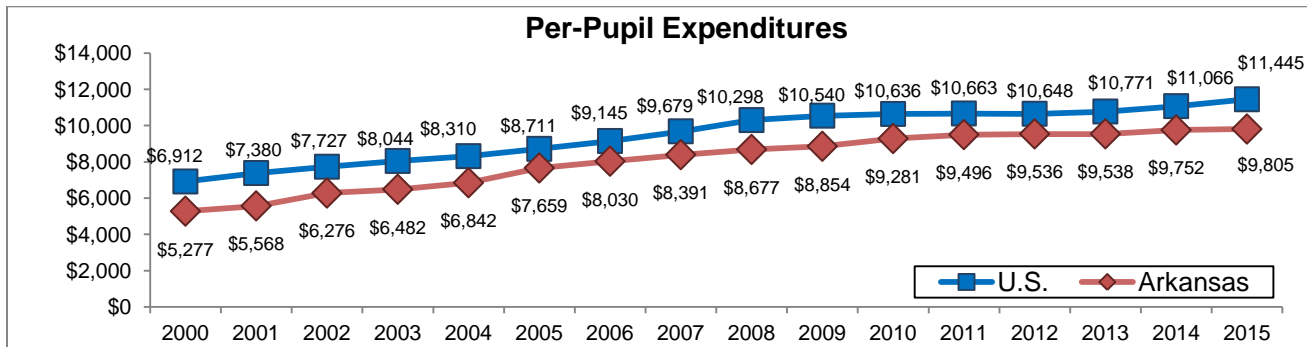
⁷ U.S. Census Bureau, Profile of Selected Economic Characteristics: 2000, Census 2000 Summary File 3, DP-3

PER-PUPIL EXPENDITURES

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

NOW: Arkansas’ per-pupil expenditures increased by about \$4,500, and the state now ranks 33rd in the nation on spending per student.

According to the 2000 *Digest of Education Statistics*, Arkansas actually ranked 47th among the 50 states and the District of Columbia on spending per student in FY 1998. Arkansas spent \$4,708, compared to the national average of \$6,189. According to 2016 *Digest of Education*, Arkansas ranked 33rd among the 50 states and the District of Columbia in FY 2015 on spending per student, at \$9,805, compared to the national average of \$11,445.



Source: *Digest of Education Statistics: Various years*. National Center for Education Statistics, Current expenditure per pupil in fall enrollment in public elementary and secondary schools, by state or jurisdiction: Selected years, 1969-70 through 2014-15.

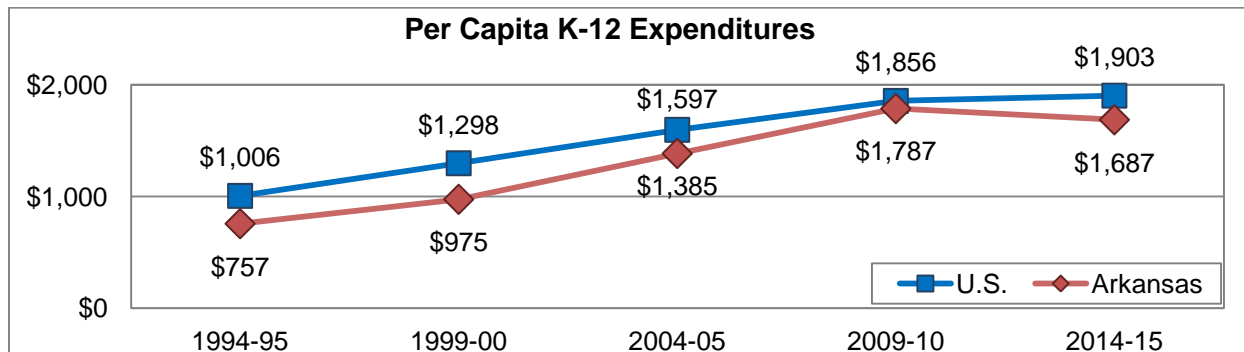
PER CAPITA SPENDING ON EDUCATION

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

According to the 2000 *Digest of Education Statistics*, Arkansas ranked 51st among states and the District of Columbia in per capita state and local government expenditures for elementary and secondary education in 1995-96, at \$757 per capita (which remained unchanged from 1994-95 shown in the following chart).

NOW: Since 2001, Arkansas more than doubled its per capita spending on education and improved its ranking from 51st to 33rd nationally in per capita state and local government expenditures for K-12 education.

According to the 2017 *Digest*, Arkansas ranked 33rd in 2014-15, with \$1,687 per capita. While its current ranking has improved from the time of the Kilgore decision, it has fallen in recent years. For example, the state ranked 27th in 2010.



U.S. Department of Education, NCES, *Digest of Education Statistics*: Direct general expenditures per capita of state and local governments for all functions and for education, by level of education and state, various years

EDUCATION WEEK’S “QUALITY 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.”

NOW: Arkansas improved from an F to a C- on the adequacy indicator from 1998 to 2004 (the last year that Education Week gave adequacy grades). Arkansas also improved from a C- to a B on the equity indicator during the same time frame. Following a methodology change, Arkansas’s rating in equity fell from an A- in 2008 to a B+ in 2018 and its rating in spending fell from a C- in 2008 to an F in 2018.

Since Education Week’s “Quality Counts” reports were first published, the publication’s 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. However, beginning in its 2008 report, Education Week changed the way it analyzes school finances. It created a school finance analysis indicator that looks at spending and equity. While not directly comparable, the spending indicator, which looks at adjusted per-pupil expenditures, students funded at or above the national average, spending index, and the percent of total taxable resources spent on education, is similar to the adequacy indicator. Education Week continued using its equity indicator but did make a slight change to how it was calculated by adding an additional component called “restricted range”. The restricted range indicator looks at the gap between the highest and lowest spending districts.

| Year | Adequacy Rating | Equity Rating | Spending Rating | Overall School Finance Analysis Rating |
|------|-----------------|---------------|-----------------|--|
| 1998 | F | C- | | |
| 1999 | B- | C- | | |
| 2000 | C+ | C | | |
| 2001 | C+ | B- | | |
| 2002 | C | C+ | | |
| 2003 | C | B- | | |
| 2004 | C- | B | | |
| 2005 | | C+ | | |
| 2006 | | B- | | |
| 2007 | | | | |
| 2008 | | A- | C- | C |
| 2009 | | A- | D- | C |
| 2010 | | A- | F | C |
| 2011 | | B+ | F | C |
| 2012 | | B+ | F | C |
| 2013 | | B+ | F | C |
| 2014 | | B+ | D- | C |
| 2015 | | B+ | F | C- |
| 2016 | | B+ | F | C- |
| 2017 | | B | F | C- |
| 2018 | | B+ | F | C- |

Source: Education Week, “Quality Counts”, 1998-2018.

Note: No rating in school finance was given in 2007. The methodology for calculating the equity scores changed in 2008. The school finance analysis rating encompasses the spending and equity ratings.

ADDITIONAL STUDENT ACHIEVEMENT MEASURES

ADVANCED PLACEMENT

Under A.C.A. § 6-16-1204, Arkansas school districts must provide high school students the opportunity to enroll in at least one Advanced Placement (AP) course in English, math, science, and social studies. This law was created under Act 102 of the 2nd Extraordinary Session of 2003 and the requirement was phased in over four years beginning in 2005-06. According to ADE Rules for AP, AP test fees can be covered by the state, contingent upon legislative appropriation and availability of funding (which have continued to be funded).⁸ Additionally, the Arkansas AP and International Baccalaureate (IB) Diploma Incentive Program provides schools with up to \$50 for each score of three or higher on the AP test or equivalent on the IB Program Exam. AP courses are designed to prepare students for the rigors of college coursework, and students may earn college credit by scoring high enough on the AP exam.

AP Scores, 2016-17

| Score | Arkansas | | United States | |
|--------------------|---------------|---------|------------------|---------|
| | Total Exams | Percent | Total Exams | Percent |
| 5 | 2,257 | 4.70% | 614,792 | 12.80% |
| 4 | 4,947 | 10.20% | 930,023 | 19.40% |
| 3 | 9,641 | 19.90% | 1,217,483 | 25.30% |
| 2 | 14,445 | 29.80% | 1,145,105 | 23.80% |
| 1 | 17,135 | 35.40% | 896,019 | 18.70% |
| Total Exams | 48,425 | | 4,803,422 | |
| Avg. Score | 2.19 | | 2.84 | |

Data Source: The College Board.

Note: The number of total exams includes exams in any subject. A student taking more than one AP exam is counted more than once.

The previous table shows the number of exams taken and the percentage of test takers who scored at each level on the AP exam in 2016-17 compared to the country. The range is from 1 being the lowest to 5 being the highest. In 2017, 34.8% of the exams taken received a passing grade (3 or higher), which is up from 32.6% in 2015. In Arkansas, the number of AP exams taken has more than doubled since 2005 when 23,140 exams were taken. This may be due to Act 102 requiring districts to begin offering four AP courses in English, math, science, and social studies by 2008-09. The number of AP exams taken nationwide also increased from 2,065,045 exams taken in 2005 to 4,803,422 taken in 2017.

⁸ Arkansas Department of Education. Rules for Advanced Placement and International Baccalaureate Diploma Incentive Program And Rules Governing Advanced Placement Courses in the Four Core Areas in Arkansas High Schools with Guidelines for Endorsed Concurrent Enrollment Courses – August 2007, Retrieved from: http://www.arkansased.gov/public/userfiles/Legal/Legal-Current%20Rules/ade_260_apcore_0807_current.pdf

Section 4: State Funding and Disbursements

STATE FUNDING FOR THE DEPARTMENT OF EDUCATION

The following table shows the state funding that has been made available to ADE from FY2004-05 through FY2017-18 for K-12 education.

| Fiscal Year | Dept. of Education Public School Fund Account | General Education Fund-Dept. of Education Fund Account | Educational Excellence Trust Fund | | Educational Facilities Partnership Fund Account and Dept. of Public School Academic Facilities & Transp. Fund Account | Educational Adequacy Fund | Total All Selected Funds |
|-------------|---|--|---|---------------------------------|---|---------------------------|--------------------------|
| | | | Dept. of Education Public School Fund Account | Dept. of Education Fund Account | | | |
| 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 |
| 2015 | \$2,072,170,259 | \$16,587,878 | \$199,766,427 | \$978,685 | \$51,071,087 | \$460,221,761 | \$2,800,796,097 |
| 2016 | \$2,113,356,522 | \$16,162,434 | \$202,031,412 | \$989,781 | \$98,785,465 | \$477,029,412 | \$2,908,355,026 |
| 2017 | \$2,136,234,690 | \$16,162,434 | \$210,504,218 | \$1,031,291 | \$59,633,327 | \$488,716,784 | \$2,912,282,744 |
| 2018 | \$2,110,560,691 | \$16,162,434 | \$215,134,282 | \$1,053,974 | \$150,579,640 | \$504,750,501 | \$2,998,241,522 |

The **Public School Fund Account** (PSF) is the primary account used to distribute state funds to school districts and charter schools. The primary sources of funding for the PSF are state general revenue, the Educational Excellence Trust Fund and transfers from the Educational Adequacy Fund.

The **Educational Excellence Trust Fund** (EETF) is funded with an “off-the-top” deduction from gross general revenues, and the amount distributed to EETF is 14.14% of prior year sales and use tax collections. The EETF was created in 1991 to provide additional funding for teacher salaries; and to support other programs of educational opportunity. The PSF receives 67.16% of the total funding available to the EETF, and these funds are used by ADE to provide a portion of the State Foundation Funding Aid distributed to districts and are to be used for teacher salaries.

The **Educational Adequacy Fund** (EAF) derives its funding from:

- A 7/8th cent sales tax increase
- The expansion of sales taxes to some services
- An increase in vending machine decal fees
- An increased minimum corporate franchise tax and tax rate, and
- A portion of the six-cent per gallon dyed diesel tax.

A.C.A. § 19-5-1227(c)(1) provides that the EAF is to be used to provide funds to the Department of Education PSF and the Department of Education Fund Account “to fulfill the financial obligation of the state to provide an adequate educational system as authorized by law”.

The **Department of Education Fund Account** is primarily used for the operations of ADE. The primary sources of funding for the **Department of Education Fund Account** are state general revenue and transfers from the EAF and the EETF.

The **Educational Facilities Partnership Fund Account** is the account used to distribute school district funding for facilities construction. The primary funding sources for the **Educational Facilities Partnership Fund Account** are state general revenue and unexpended balances of funds allocated in the Public School Fund for the Bonded Debt Assistance Program as required in A.C.A. § 6-20-2503(b)(3)(B). The Educational Facilities Partnership Fund Account has also received funding through one-time transfers from the General Improvement Fund and from state surplus funds held in the General Revenue Allotment Reserve Fund.

There was a net increase of \$85.96 million in funding for these selected funds in FY2018 over the prior year. The amount of funding allocated to the Public School Fund was reduced by \$25.7 million primarily due to a transfer of \$30 million to the Educational Facilities Partnership Fund Account to provide funding for Partnership Program projects approved for the 2017-19 biennium (see Section 8 for more information about the Partnership Program). The funding available to the Educational Facilities Partnership Fund Account increased \$90.95 million in FY2018 to provide funding for the approved 2017-19 Partnership Projects, \$30 million of which was provided by fund transfers from the PSF and \$60 million from the Rainy Day Fund. The funding for the EETF and the estimated funding for EAF also increased in FY2018, by \$4.6 million and \$16 million, respectively.

STATE DISBURSEMENTS TO LOCAL SCHOOL DISTRICTS

During the March 26, 2018, adequacy study meeting, Arkansas Legislative Audit presented its annual report, *Department of Education Grants Summarized by Arkansas Legislative Audit, for the Year Ended June 30, 2017*. This report provides the amount of grant funds disbursed to school districts, open enrollment charter schools, and other entities. The table below illustrates the total amount of grant funding disbursed to school districts and open enrollment charter schools by fund source in FY2016-17.

| 2016-17 Department of Education Grant Payments to School Districts and Open Enrollment Charter Schools | |
|--|-----------------|
| Fund | Grant Payments |
| Public School Fund | \$2,573,965,300 |
| Educational Facilities Partnership Fund | \$73,151,351 |
| 90th Session General Improvement Fund | \$20,000 |
| Federal Funds | \$498,106,797 |
| Miscellaneous Funds | \$15,456,746 |
| Total Grant Payments | \$3,160,680,194 |

The report shows that ADE distributed \$2.29 billion in State Foundation Funding Aid and categorical funding to school districts and open enrollment charter schools, which is almost 89% of the total amount of grants disbursed from the Public School Fund. (See Sections 10 and 11 for more information on foundation funding and categorical funding.) These grant payments to school districts are not inclusive of the proceeds that school districts receive from the 25 mills, referred to as URT, levied on the assessed value of all taxable real, personal, and utility property for maintenance and operation of schools. In FY2018, proceeds from the URT provided districts over \$1.1 billion. In total, ADE distributed \$3.2 billion dollars in grants to school districts and charters in 2016-17.

The Department disbursed a total of \$498.1 million in federal grant funds to school districts for a variety of purposes, including programs for English language learners, national school breakfast and lunch,

special education and programs through the federal Title I program for students most at-risk of failing. In addition, the Department distributed \$15.5 million in grants from miscellaneous funds, most of which are cash funds. Examples include the cash fund for the Alternative Certification Program, which is funded by registration fees paid by participants in the program, and the cash fund for the Professional Licensure Standards Board, which receives its funding from licensure fees, fines and penalties.

FUND BALANCES

The fund balances in the PSF and in the EAF have grown significantly in recent years. The balances in the PSF grew from \$59.1 million in FY2012 to \$119.7 million in FY2017, an increase of 102%.

Ninety-nine percent of the PSF balances are unrestricted and are available to be allocated as ADE determines they are needed within the limits of the appropriation authority available to ADE.

Due to the unusually small amount of increase in general revenue funding allocated to the PSF, \$5.4 million, or .3%, and the \$30 million transfer from the PSF to the Educational Facilities Partnership Fund in FY2018, ADE ended FY2018 with a reduced fund balance of \$64.3 million, or a reduction of 43%.

The EAF balances grew from \$6.6 million in FY2012 to \$119.5 million in FY2017, an increase of 1,723%, and the balances grew an additional 78% in FY2018 with a year-ending balance of \$212.4 million.

PUBLIC SCHOOL FUND BALANCES

One factor contributing to these growing balances is the variance between the funding available and budgeted for PSF appropriations and the actual amount spent. In fact, the PSF-funded budget amounts exceeded the actual expenditures by an average of \$65.5 million between FY2012 and FY2018. The table below illustrates the variance between the budget and actual expenditures.

| Public School Fund Remaining Budget Balance FY2012-FY2018 | | | |
|--|--------------------------------|----------------------------|--------------------------|
| Fiscal Year | Budgeted /Funded Amount | Actual Expenditures | Balance Remaining |
| FY2012 | 2,654,292,067 | 2,592,550,441 | 61,741,626 |
| FY2013 | 2,704,563,952 | 2,673,254,870 | 31,309,082 |
| FY2014 | 2,825,931,402 | 2,776,163,665 | 49,767,737 |
| FY2015 | 2,864,514,611 | 2,813,919,443 | 50,595,168 |
| FY2016 | 2,895,360,084 | 2,823,280,723 | 72,079,361 |
| FY2017 | 2,921,299,522 | 2,861,424,217 | 59,875,305 |
| FY2018 | 3,008,225,853 | 2,875,208,369 | 133,017,484 |
| Source: Arkansas Department of Education Finance | | | |

These balances have grown, in part, due to the fact that funded appropriations exceeded actual expenditures, and the PSF is authorized by law to retain all unexpended fund balances that remain at the close of each fiscal year. The PSF budget has had several appropriations for which the funded budget exceeded the actual expenditures by more than \$1 million, and five of these appropriations had unexpended funding allocations exceeding \$1 million for at least five of the seven years reviewed. These appropriations include the Arkansas Public School Computer Network (APSCN), Assessment/End of Course Testing, National School Lunch Funding, State Foundation Funding Aid, and 98% URT Actual Collection adjustment.

For FY2017, the funding made available for State Foundation Funding Aid (SFF) exceeded the actual expenditures by over \$36 million, and the amount the funded budget exceeded the actual expenditures grew to \$65.7 million in FY2018. Funding allocations and budgets for SFF are based on projections of ADM and of local assessments values upon which URT is calculated. If the projections for students are too high or the projections for local assessment values too low, then it results in a higher funding allocation than is needed and therefore excess funds.

In FY2016, FY2017, and FY2018, ADM projections used in calculating the funding needed for SFF were higher than the actual ADM counts, which contributed to excess funding amounts of \$6 million in FY2016, \$36.4 million in FY2017, and \$65.7 million in FY2018. According to ADE, ADM projections for FY2014 and FY2015 were too low, causing ADE to increase its ADM projections for FY2016, FY2017, and FY2018. These estimates proved to be too high, resulting in higher funding allocations than were actually needed for SFF. ADE has indicated it will be adjusting ADM projections in its upcoming biennial budget request for 2019-21, in an attempt to reduce these imbalances between the funded budget and actual expenditures for SFF.

EDUCATIONAL ADEQUACY FUND BALANCES

The growth in the EAF balance, is largely due to the fact that, at least for the period under review, FY2012 – FY2018, the amount of funding deposited into EAF has exceeded the transfers out to the PSF. In fact, the amount of transfers to the PSF from the EAF remained flat at \$434 million for the period FY2012 – FY2016, and the amount of funding deposited into EAF grew each of those years from \$438 million in FY2012 to \$477 million in FY2016.

Beginning in FY2017, ADE increased the amount it transferred into the PSF to \$453.3 million, an increase of \$19.3 million, but the amount of funding deposited into the EAF fund was \$488.7 million. Thus, the amount of fund balances in the EAF continued to grow. While ADE initially budgeted in FY2018 to transfer \$478.1 million, or an increase of \$24.8 million over the transfer made in FY2017, it actually transferred \$408.1 million from EAF to the PSF, or a decrease of \$45.2 million. With \$504.8 million deposited into EAF in FY2018, and only \$408.1 million transferred to the PSF, the EAF balance increased again to \$212.4 million or an increase of 78% over FY2017. This fund balance could be reduced in FY2019 due to ADE's plans to transfer \$529.5 million from the EAF to the PSF, which exceeds the actual projected funding for the EAF of \$514.6 million.

Section 5: Federal and State Accountability Programs

EVERY STUDENT SUCCEEDS ACT

In December 2015, Congress passed the Every Student Succeeds Act (ESSA), a reauthorization of the Elementary and Secondary Education Act (ESEA) replacing the No Child Left Behind Act. Under ESSA, states are required to produce a plan that describes how the legislation will be implemented in the state. ADE submitted Arkansas's ESSA plan to the U.S. Department of Education (US DOE) on September 18, 2017. The US DOE approved Arkansas's ESSA plan on January 16, 2018. The Arkansas ESSA plan will be implemented beginning in the 2018-19 school year.

In the process of writing the Arkansas ESSA plan, ADE used a steering committee, community listening forums, ambassador-led community listening forum, regularly scheduled planning meetings, social media, and online surveys to engage stakeholders in the process. This section of the adequacy report describes the requirements of ESSA, followed by the state's planned actions to fulfill the federal requirements.

Academic Standards and Assessment

Similar to the requirements of No Child Left Behind (NCLB), ESSA requires annual state assessments in English language arts (ELA) and math in grades 3 to 8 and once in high school, as well as science assessments once in each grade band (3-5, 6-9, and 10-12).

Like NCLB, ESSA requires a 95% test participation rate of all students and subgroups. Subgroups include African-American students, Hispanic students, economically disadvantaged students, English learners, and students with disabilities.

Accountability

ESSA continued the No Child Left Behind requirement that states meaningfully differentiate all public schools on an annual basis, also ESSA's methodology for differentiating is substantially different. ESSA requires states to include at least five indicators for success: 1) achievement; 2) student growth (elementary and middle schools only); 3) English learner progress toward English language proficiency; 4) graduation rate (high schools only); and 5) school quality and student success. States determine how to weigh the indicators to create an ESSA School Index. The School Index is used to create a performance score for each school annually. Progress to English language proficiency is a required indicator under ESSA.

School Support and Improvement

Under ESSA, at least once every three years, states must identify the bottom 5% of lowest performing schools, high schools with a graduation rate of less than 67%, and schools with underperforming subgroups that do not improve after a certain number of years. These identifications are to influence school and district improvement plans as well as the level of support districts receive from the state or other resources in planning for and implementing improvement strategies.

Teacher Effectiveness

ESSA requires that each state define an ineffective educator. In addition, districts must report on ineffective, out-of-field, and inexperienced teachers and principals. Arkansas's ESSA plan defines effective and ineffective teachers and school leaders, using performance ratings within the state-supported evaluation system.

ARKANSAS EDUCATION SUPPORT AND ACCOUNTABILITY PROGRAM

Act 930 of 2017 – The Arkansas Education Support and Accountability Act (AESAA) – provides the state with its newest educational accountability system and also parallels the state's plan to conform to the federal requirements under ESSA.

Act 930 repeals the former, 18-year-old accountability system (the Arkansas Comprehensive Testing, Assessment and Accountability Program, or ACTAAP) and replaces it with AESAA. As the legislature asserted in the new law, the Support and Accountability Act would be valuable when schools were facing the burden of students performing below expectations because “[a]n accountability system that provides increasing levels of state assistance would help the local government or the local public school district board of directors to meet this burden, while allowing state intervention to occur if the local government chronically fails to meet the burden in spite of the state assistance.” (A.C.A. §§ 6-15-2901 et seq.).

The state’s courts have said it is important for Arkansas to have a viable educational accountability system. The Court, in its 2007 Lake View opinion, holding that Arkansas had “taken the required and necessary legislative steps to assure that the school children of this state are provided an adequate education and a substantially equal educational opportunity,” referred to ACTAAP as “[a] critical component of this undertaking.”⁹

AESAA ushers in a new era in which school districts will enjoy more autonomy. The law describes the relationship the ADE is to have with school districts as more of collaborator and supporter than the previously emphasized role of regulator. What’s more, the new system introduces a statewide transition to student-focused learning.

The law touches on all areas relating to an education system, from the curriculum and teachers to test scores and school ratings.

STATEWIDE STUDENT ASSESSMENT SYSTEM

Statewide testing is a key component of the state’s educational accountability system as this has traditionally been the most common means of measuring individual student progress and making determinations about school and school district performance. Act 930 requires the following assessments for all public school students in Arkansas:

- K-2 literacy and mathematics assessments that are developmentally appropriate.
- Assessments to measure achievement levels in mathematics, ELA and science as identified by the State Board of Education (SBOE). Grade levels are not specified in the law. Arkansas will continue its use of the ACT Aspire in grades 3-10.
- English language proficiency exams for all English learners.
- College- and career-readiness assessment, such as the ACT, during grades 10-12. School districts may pay for additional college- and career-readiness assessments for their students.
- Additional assessments at additional grade levels and/or in additional subjects (civics, government or science) can be administered at the direction of the SBOE.
- National Assessment of Education Progress (NAEP), a national exam administered to a sample of students in each state.

Since the 2015-16 school year, Arkansas students have taken the ACT Aspire exams for accountability purposes. The exams are administered to students in grades 3-10 in English, writing, reading, mathematics and science.

⁹ Supreme Court of Arkansas: Lake View School District No. 25 of Phillips County, Arkansas, et al, (Now Barton Lexa), Appellants/Appellees v. Mike Huckabee, Governor of the State of Arkansas et al., Appellees/Appellants; decided May 31, 2007.

ESSA SCHOOL INDEX / SCHOOL RATING SYSTEM

Both the state's and the federal government's accountability systems call for the use of multiple indicators to measure academic performance. ESSA allowed each state to devise its own system – within certain guidelines. As such, ADE created the ESSA School Index. In addition to being used to identify low-performing schools as required by ESSA, the ESSA School Index will also form the backbone of the state's school rating system. That system, codified in A.C.A. §§ 6-15-2101 et seq., is used as a means of public reporting of the performance of student subgroups and overall school performance annually.

The ESSA School Index, as included in the approved version of the state's ESSA plan, incorporates indicators measuring weighted academic achievement, growth (both academic content and English language proficiency), graduation rates and school quality and student success indicators.

Weighted Academic Achievement: Students' individual performance on the ACT Aspire will fall into one of four student performance levels: In Need of Improvement, Close, Ready or Exceeding. Schools will receive points for each student corresponding to their score category, with additional points potentially rewarded for students in the top tier. The system is referred to as weighted because it is designed to reward schools for higher performance across the board.

Student Growth: A value-added model uses students' past performances on exams to predict current year performances. When students score higher on the exam than their predicted scores, schools are credited for producing growth at higher-than-expected levels. The converse is true when students score below their predicted performance.

In addition, ESSA, as does Act 744 of 2017, calls for progress in English language proficiency by English learners to be part of the differentiated accountability formula. Arkansas's plan includes a value-added model to be used with English learners, all of whom will be assessed with the English Language Proficiency Assessment 21st Century (ELPA21). This measure is new to Arkansas's accountability system. The final Student Growth calculation includes this growth score in English language proficiency.

Graduation Rates: Arkansas's index includes two graduation rates, the traditional four-year rate and a new five-year graduation rate. While more value is awarded for students graduating in four years, the five-year graduation rate recognizes that some students need more time to master content. This indicator applies only to high schools.

School Quality and Student Success Indicators (SQSS): Again, these measures are new to Arkansas's accountability system. Each of the following indicators are assigned per-student points specific to each measure. The indicators and the grades they apply to will be:

| Indicators | Grades |
|--|--------|
| Student Engagement (based on chronic absenteeism) | K-11 |
| Science Achievement | 3-10 |
| Science Growth | 4-10 |
| Reading at Grade Level | 3-10 |
| ACT/WorkKeys | 12 |
| Bonus for ACT Readiness Benchmark | 12 |
| GPA 2.9 or Better on a 4.0 Scale | 12 |
| Community Service Learning Credits Earned | 12 |
| On-time Credits | 9-11 |
| Computer Science Course Credits Earned | 12 |
| AP / International Baccalaureate / Concurrent Credit Courses | 12 |

To combine the above measures into the final ESSA School Index, the weights applied to the indicators vary by school level. This chart indicates how much each indicator will contribute to the final rating:

| Component | Weight of indicator Grade Spans K-5 and 6-8 | Weight of indicator Grade Span 9-12 |
|----------------------------------|---|-------------------------------------|
| Weighted Achievement | 35% | 35% |
| Student Growth | 50% | 35% |
| Graduation Rate | | 15% total |
| 4-year adjusted cohort | NA | 10% |
| 5-year adjusted cohort | | 5% |
| School Quality & Student Success | 15% | 15% |

For the state’s purposes of rating schools, the ESSA School Index score is converted to an A-F scale. Each school receives a letter grade for its combined performance on the multiple indicators.

SCHOOL-LEVEL ACCOUNTABILITY UNDER ESSA

ESSA calls for states to identify several categories of low performing schools. The first group to be identified — Comprehensive Support and Improvement Schools — are the lowest performing 5% of schools based on the ESSA School Index score or any high school with a graduation rate lower than 66.667%. Then, starting in the 2020-21 school year, schools with consistently underperforming student subgroup populations will be identified as Targeted Support and Improvement Schools. Still another category the federal law calls for the state to identify are schools in need of Additional Targeted Support and Improvement. Those are schools in which a subgroup of its students has an ESSA School Index score equivalent to the ESSA School Index score of the all-student group of the bottom 5% of schools.

State law does not designate consequences or support for Comprehensive or Targeted Support Schools, though it does indicate that Comprehensive or Targeted Support schools can be considered when the department is determining the level of support a school district needs. One of the big shifts under Act 930 of 2017 is to have the state support school districts, often through a collaborative process, and then for school districts to determine how best to support their schools. Therefore, while ESSA requires ADE to identify the lowest-performing schools, Act 930 places the school district at the forefront of working with those schools to improve student achievement levels.

DISTRICT-LEVEL ACCOUNTABILITY

Under the state’s accountability system, school districts will receive one of five levels of support prescribed by Act 930, ranging from “general” to “intensive” support. Department staff will work with school districts to determine the level of support needed, though districts will not necessarily be publicly identified by their level of support. Act 930 directs the SBOE to promulgate rules to establish levels of differentiated support and improvement for school districts using the following categories:

- Level 1 – General
- Level 2 – Collaborative
- Level 3 – Coordinated
- Level 4 – Directed
- Level 5 – Intensive

Act 930 does not specify the criteria for identifying districts’ level of support. ADE’s rules, however, specify that the Department will work with districts “through a process of communication and consultation with the district to identify areas where support is requested or required for school improvement.” The rules further stipulate that beginning in the 2018-19 school year, “the Department shall review data for all students and defined subgroup populations to determine the level of support the Department will recommend to address the district’s needs.”

ADE staff have indicated that school districts needing Level 5 – Intensive Support are those that don't have the capacity to resolve issues that are leading to poor academic performance or other negative indicators. According to the state's ESSA plan, these school districts are recommended to the SBOE for state interventions and supports – and some of these school districts could be recommended for state control. This notification to the State Board would be the first official identification of a school district as being in any support level, according to department staff.¹⁰ Act 930 further stipulates that school districts that do not comply with the requirements placed on them by the State Board regarding district support will be considered in violation of the Accreditation Standards.

As part of the transition between the two accountability systems, school districts that were in Academic Distress (an ACTAAP designation for underperforming schools and districts repealed by Act 930) and under state control were to transition to being Level 5 – Intensive school districts. As such, during the July 2017 SBOE meeting, the State Board voted to keep two school districts – Little Rock and Dollarway – under state control by classifying them as in need of Level 5 – Intensive support.

The process for classifying future school districts in need of Level 5 – Intensive support that could potentially come under state control are detailed in the rules promulgated in summer 2018. While the rules do not specify any criteria qualifying districts for each level, they do spell out the process ADE must follow in notifying districts and allow districts to appeal the classification to the State Board. Once a school district is classified by the State Board as being in Level 5, students may transfer to another school district not classified as needing Level 5 – Intensive support. Furthermore, the law gives the SBOE and the Department of Education a great deal of authority over districts classified as in need of Level 5 – Intensive support, much akin to what happened under ACTAAP with schools and school districts in Academic Distress. The rules call for ADE to develop a district improvement/exit plan in collaboration with the governing body of the district. If, after five years, sufficient progress has not been made by the school district, the law requires the SBOE to annex, consolidate or reconstitute the district. If the SBOE returns a school district to local control, it must do so through the appointment or election of a new school board.

SCHOOL RECOGNITION PROGRAM

The Arkansas School Recognition program provides financial rewards to public schools with high student performance and high student growth based on state-mandated assessments. In addition to the original measures of student achievement, growth and graduation rates, Act 744 of 2017 allows other achievement measures to be used. This allows for the measure in the recognition program to parallel the rating system used under ESSA.

According to the ADE's rules approved by the SBOE in June 2018, performance will be measured using the weighted achievement measure in the ESSA School Index, and growth will be measured using the value-added scores in the ESSA School Index. Graduation rates will be included for schools with a 12th grade. For schools with no test score data (schools that do not include the tested grades of 3-10), data from a school with a "feeder" relationship will be used.

If funds are available, a public school will receive \$100 per student enrolled if it is in the top 5% when ranked by the final measures and \$50 per student if ranked in the top 6% - 10%. If less funding is available than needed, the state may disburse the money on a pro rata basis.

SCHOOL IMPROVEMENT PLANNING

Act 930 of 2017 replaced the Arkansas Comprehensive School Improvement Planning process with a new process. The legislation spells out a process for school improvement planning that provides schools and school districts more autonomy and flexibility than they have experienced in the last 15 years. This mirrors the federal effort to provide those same qualities to schools, districts and states under ESSA.

¹⁰ July 18, 2017, meeting with ADE staff.

ADE's rules for the new accountability and school planning systems were approved by the SBOE in summer 2018.

The new school improvement process described in Act 930 requires schools to develop school improvement plans each May 1 with the plans being posted on the district's website with other state-required information by the following Aug. 1.

As described in the statute and fleshed out by school improvement personnel at ADE, planning for school improvement will begin in the school building. School personnel are to incorporate a "Cycle of Inquiry" or "plan-do-check" approach, which entails the following steps:

- Performing a needs assessment informed by analysis of student performance data
- Identifying resources needed to address the determined needs
- Setting interim and long-term goals by which to monitor progress and make necessary adjustments along the way
- Evaluating the effectiveness of the strategy or strategies annually
- Starting the cycle again by assessing progress and identifying current needs

As opposed to previous years when all schools were to use a single online tool to develop and report their plans (most recently Indistar), the new approach offers more flexibility. For instance, schools may continue using Indistar to develop improvement plans, or they may use a vendor's plan or one that they are preparing for another state initiative, such as the Arkansas Leadership Academy or as a participant in the School of Innovation initiative.

According to ADE's rules, districts determined to be receiving Level 1 support are not required to submit a district plan, and those receiving Level 2 support have to submit their plans to ADE only upon request by the Commissioner. Districts determined to be receiving Level 2 – Collaborative support, Level 3 – Coordinated support, Level 4 – Directed support or Level 5 – Intensive support have until Sept. 1 of each year to finalize a school district support plan. Districts receiving support at Levels 4 or 5 will be required to work with ADE in the development of their support plans.

Under Act 930, ADE's role throughout this process is more supportive than regulative, though the agency will continue to monitor school- and district-level data to see if there are instances in which they should engage with a district to assist in the district's support of its schools.

In 2018, ADE combined its school improvement unit, which previously had 22 employees, with its standards monitoring unit, which most recently employed seven monitors, to form a new unit with 18 employees. These staff members will fill the role of first point of contact, answering school districts' questions and monitoring data to see when ADE assistance could be beneficial or required. These staffers also determine if additional help is needed and where that help might be obtained.

ARKANSAS'S EDUCATIONAL STANDARDS

As part of the adequacy process, the Education Committees have biennially reviewed the academic standards (referred to as "curriculum frameworks" before legislation passed in 2017) developed by ADE. What and how students should learn has long been a legislative concern in Arkansas.

STANDARDS FOR ACCREDITATION

Since 1984, Arkansas schools and school districts – and now public charter schools – have had to meet Arkansas's Standards for Accreditation or risk losing accreditation and facing the associated consequences. The Accreditation Standards provide the basic requirements that schools and school districts must adhere to, including certain staffing requirements, the academic subjects that must be offered, the requirements for graduation, the number of school days in a year and fiscal governance requirements. In 2018, the Accreditation Standards were substantially revised, and the following sections describe some of the changes.

ARKANSAS ACADEMIC STANDARDS

Act 930 of 2017 directs ADE to continue to develop academic standards (previously known as curriculum frameworks) “that define what students shall know and be able to do in each content area.” According to ADE, the state will continue to use the Arkansas Academic Standards, a state-revised version of the former Common Core State Standards in ELA and mathematics and the Next Generation Science Standards for science.

Act 930 provides that instruction in all of the state’s public schools is to be based on these standards to “prepare students to demonstrate the skills and competencies necessary for successful academic growth and high school graduation.” The academic standards are to be reviewed and revised periodically.

ADE’s new Accreditation Standards direct schools to adopt and implement curriculum aligned to the Arkansas Academic Standards. Furthermore, the rules state that students in grades K-4 and in grades 5-8 shall receive instruction annually based on the Arkansas Academic Standards in each of the following content areas:

| Content Area | Grade Span(s) |
|----------------------------------|--|
| English Language Arts | K-4, 5-8 |
| Mathematics | K-4, 5-8 |
| Social Studies | K-4, 5-8 |
| Science | K-4, 5-8 |
| Health/Safety/Physical Education | K-4, 5-8 |
| Career and Technical Education | 5-8 |
| Arkansas History | A unit at each elementary grade with emphasis in grades 4 and 5; one full semester to all students at grade 7, 8, 9, 10, 11 or 12. |

When it comes to high school, the revised standards say that schools must offer 38 courses within the following content areas: ELA, mathematics, social studies, science, physical education and health, fine arts, foreign language, career education and computer science. However, unlike prior versions of the Standards for Accreditation, specific courses that must be offered in each content area are not listed. Instead, the new rules say that schools must offer the 38 courses approved by the State Board and posted as a separate document on ADE’s website. The courses approved in summer 2018 for the 2018-19 school year are somewhat different from the specific high school courses listed in the previous Accreditation Standards (last approved in 2015) – notably physics and journalism are no longer required to be offered as part of the 38.

While the Standards for Accreditation have been tweaked numerous times throughout the years, the 38 units districts must teach each year remained much the same for many years. However, Act 853 of 2015 allowed a high school to *not teach* one of the required 38 units if it could show that it had offered the course(s) but that no one had signed up for – or remained enrolled in – the course(s). For the first time in a decade, a school’s accreditation status would not automatically be marred because it didn’t teach one of the required 38 units.

GRADUATION REQUIREMENTS / SMART CORE

The new Accreditation Standards continue to require students to earn 22 credits to graduate. Schools may require more credits for graduation than what the state requires. As with the “required 38,” the courses required for graduation that were once detailed within the Standards for Accreditation are now noted in the separate document the State Board will approve at least annually.

The state specifies two 22-credit pathways to graduation – Core and Smart Core. Smart Core has been an option since the late 1990s and became the default curriculum for all high school students beginning with the graduating class of 2013 (those who entered ninth grade in 2009). Students who did not want to take the Smart Core could request a waiver and pursue the Core curriculum instead.

Overall, students with reported Smart Core waivers accounted for only 5.1% of Arkansas’s 7th-12th graders in 2016-17.

ADVANCED EDUCATIONAL COURSES

A.C.A. § 6-16-1204 requires each high school in Arkansas to offer a minimum of four AP courses, with one each in English, math, science and social studies. State statute allows districts to offer International Baccalaureate (IB) courses instead of AP courses.

Though the law required only that four AP courses be *offered* in the core academic areas, 75% of Arkansas’s traditional high schools – representing all but two school districts, Kirby and Palestine-Wheatley – taught at least one AP course during the 2016-17 school year. Twelve of 18 charter high schools did. Offerings ranged from one AP course at eight traditional high schools to 41 different courses at Central High School in the Little Rock School District. All of the charter high schools with AP courses taught at least four of them, with Haas Hall Academy teaching the most at 16.

In addition, A.C.A. § 6-16-1204 provides that schools may offer concurrent enrollment courses (in which students earn both high school credit and college-level credit) if they do so through an Arkansas institution of higher education. The concurrent credit courses may be offered at reduced rates of tuition. In 2017, Act 1118 added that students qualifying for free or reduced-price lunches do not have to pay the costs of qualifying concurrent credit courses for up to six credit hours.

COMPUTER SCIENCE REQUIREMENTS

Act 187 of 2015 required each public high school and public charter high school to offer a course “of high quality” in computer science. In December of 2017, Governor Hutchinson announced that he was directing \$500,000 in state funding to provide stipends of up to \$2,000 for elementary and middle school computer science teachers to take training on higher-level computer science concepts and on how to assist other teachers with embedding computer science standards into their teaching of other subjects.¹¹

As shown in the following chart, enrollment in computer science courses was higher in 2016-17 than in the previous year:

Enrollment Levels in Computer Science Courses by Type

| | 2015-16 | | 2016-17 | |
|-----------------------|---------------|-------------|--------------|-------------|
| | Classroom | Digital | Classroom | Digital |
| Traditional HS | 1,468 (52.9%) | 1,404 (47%) | 3,119 (77.1) | 926 (22.3%) |
| Charter HS | 127 (42.7%) | 170 (57.2%) | 341 (80.4) | 83 (19.6%) |

Enrollment counts may not reflect the exact number of students as some students may be enrolled in more than one computer science course at a time.

STUDENT-FOCUSED LEARNING

Under Act 930 of 2017, beginning with the 2017-18 school year, the Department of Education was to collaborate with school districts as they transitioned to a system of student-focused learning with the goal of supporting success for all students. In the student-focused learning model, educators use multiple academic measures to determine whether a student needs additional support or is able to work at an accelerated pace. The idea is that time becomes the variable, while content mastery becomes the constant. ADE says Arkansas is at the beginning stages of transitioning to such a system, and it will be several years before all of the state’s schools move to a true competency-based system of teaching and learning.

¹¹ “Teacher stipends set for computer science” by Cynthia Howell, Arkansas Democrat-Gazette, Dec. 6, 2017.

However, recent legislation that has paved the way includes Act 872 of 2017, which allows school districts to submit plans to the department for awarding credit for high school courses based on subject matter mastery rather than completing a certain number of hours of classroom instruction. In addition, Act 867 of 2017 allows a student's attendance to be recorded without being physically present in the classroom.

Starting with the 2018-19 school year, districts will be required to develop a student success plan mapped out for each student by the end of 8th grade. The plan will be developed collaboratively by school personnel, the student and the student's parents. At a minimum, it is to:

- Guide students along pathways to graduation
- Address accelerated learning opportunities
- Address academic deficits and interventions
- Include planning for college and career

DISTRESS PROGRAMS

School districts are locally operated, but the state shoulders the responsibility for ensuring students receive an adequate education. To uphold that obligation the state has historically had three programs to identify struggling districts, provide corrective guidance and sanction those that continue to perform poorly: 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. While Act 930 replaced the Academic Distress program with a separate support program (see "District-Level Accountability" within Section 5), the two other accountability programs remain: Fiscal Distress and Facilities Distress.

FISCAL DISTRESS

Fiscal Distress is the state classification used to identify and correct school districts struggling to maintain fiscal stability. Fiscal Distress was originally established in statute by Act 915 of 1995. In 2013, the General Assembly passed Act 600, which extended the time districts can remain in Fiscal Distress from two consecutive years to five.

Since 1996, there have been a total of 76 school districts classified in Fiscal Distress. As of June 2018, there were two districts in Fiscal Distress, Dollarway and Earle. In August 2018, the SBOE voted to classify the Pine Bluff School District in Fiscal Distress and placed the district under state control.

Classifying Districts in Fiscal Distress

A.C.A. § 6-20-1904 lists the indicators of Fiscal Distress:

- Declining balance determined to jeopardize the fiscal integrity of the district. Act 741 of 2007 specifies that capital outlay expenditures for academic facilities—which result in a declining balance—cannot be used alone to place a district in Fiscal Distress.
- An act or violation determined to jeopardize the fiscal integrity of the district.
- Any other fiscal condition of a school district deemed to have a detrimental impact on the continuation of educational services by the district.

While ADE *identifies* districts in distress, the SBOE must vote to *classify* the district in distress.

Possible Sanctions/Corrective Actions

A district that has been classified in Fiscal Distress must file an improvement plan with ADE, adhere to recommendations from ADE to improve staffing and fiscal policy practices and obtain written permission from ADE before incurring additional debt. State law also gives ADE and the Commissioner of Education authority to take additional measures against the school district, including:

- Removing and replacing the superintendent
- Suspending or removing the local school board
- Appointing a community advisory board (with approval of SBOE)
- Requiring fiscal training for the district staff or local board
- Petitioning to the SBOE to annex, consolidate, or reconstitute the district
- Imposing additional reporting requirements on the district

Early Warning

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. Districts in early warning as of June 2018 were Bauxite, Cleveland County, Clinton, Huntsville, Lee County, Marvell-Elaine, and Pine Bluff.

Removal

To be removed from Fiscal Distress, a school district must demonstrate that all causes of Fiscal Distress have been corrected. The SBOE must vote to remove a district from distress. 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

Act 1426 of 2005 established the Academic Facilities Distress Program to provide the state with a mechanism to intervene when districts are not providing adequate academic facilities or complying with facilities rules. **Facilities Distress** is used to identify, correct, or sanction a district or school that has failed to properly maintain its academic facilities. Although schools or districts placed in Facilities Distress are given opportunities to address facilities issues, the Facilities Distress program allows the state to exert control over a noncompliant school or district by enforcing statutes regarding construction, health, safety, and other standards.

The Arkansas Division of Public School Academic Facilities and Transportation also uses findings from its routine inspections and maintenance management system for an early intervention program, created by Act 798 of 2009. The program was designed to identify early indications of Facilities Distress, known as nonmaterial failures. A *nonmaterial failure* is an activity or condition that, if left unresolved, may lead to a more serious infraction. Districts with two or more nonmaterial failures must be notified by the Division no later than August 31st each year [A.C.A. § 6-21-811 (c)(1)(2)]. Superintendents are also required by statute to notify the Division of any early Facilities Distress indicators.

In 2016-17, the Division used the early intervention program to notify six districts with two or more nonmaterial failures. All of the districts' facilities issues were corrected and no further action was required.

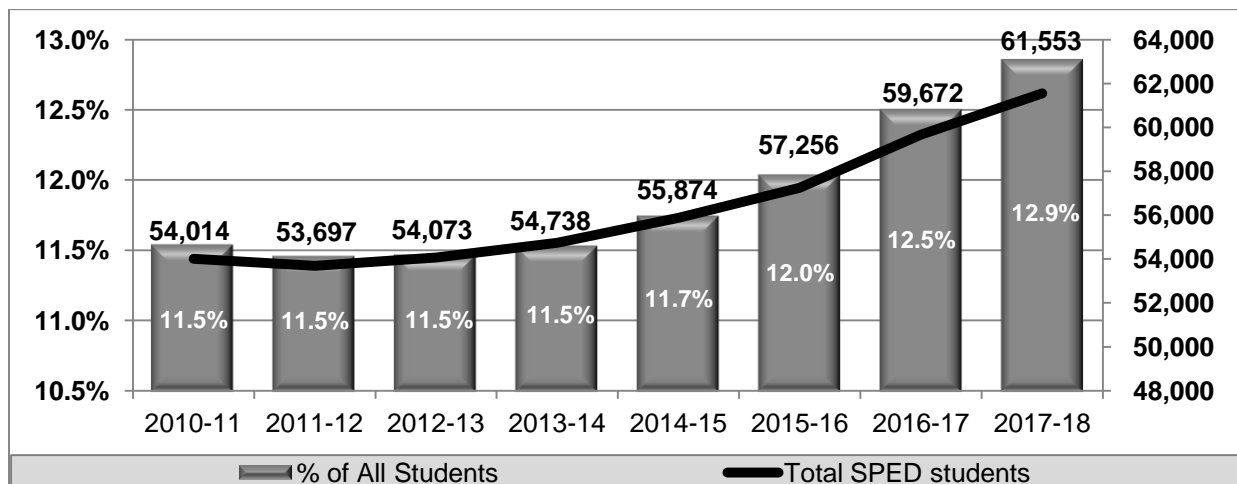
When a nonmaterial failure remains unresolved, it may become a material failure. A *material failure* is an act or condition so significant that it can endanger the health and safety of the academic facility. The Division may identify a school or district with two or more material failures to be classified as being in Facilities Distress by the Commission for Arkansas Public School Academic Facilities and Transportation. No individual schools have been placed in Facilities Distress, and, to date, only one school district has received that designation. In 2008, Hermitage School District was put in Facilities Distress due to building code and procurement law violations. After correction of the violations, Hermitage was removed from Facilities Distress in 2009.

Section 6: Special Education

The federal Individuals with Disabilities Education Act (IDEA) and A.C.A. § 6-41-202 guarantee a free, appropriate public education (FAPE) to each child with a disability in Arkansas. Every IDEA eligible student with a disability has an individualized education program (IEP) that serves as the student’s plan for specialized instruction. The IEP is a plan or program developed to ensure that every child with a disability identified under the law attending an elementary or secondary educational institution receives specialized instruction and related services. The IEP is designed to meet a student’s needs, be aligned with grade-level standards (academic and functional), and outline what the child should demonstrate in a period of time. It also includes the special education programming and related services to be provided to meet each student’s unique needs.

STUDENT COUNT

In the 2017-18 school year, there were 61,553 students with disabilities aged 5-21 in Arkansas public schools or 12.9% of total student enrollment in the state. This is up from 55,874 students (11.7% of total student enrollment) in 2014-15.



Source: ADE, Annual December 1 Child Count and Annual Oct. 1 Enrollment Data. Data does not include Arkansas School for the Deaf, Arkansas School for the Blind, Conway Human Development Center, the Division of Youth Services, or the Arkansas Department of Correction.

A comparison of state student counts with the national average is only possible using federally collected data. The US DOE uses data provided by ADE but counts students with disabilities and the total student enrollment slightly differently from the calculation used in the chart above. According to data reported by the ADE to the US DOE, Arkansas students with disabilities comprised 12.6% of the total student body among children aged 6-21 in 2014-15, compared with the national average of 13.3%.¹²

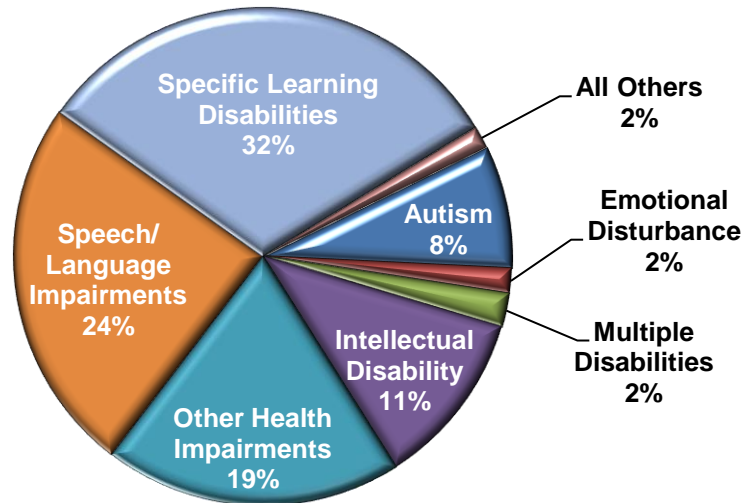
In Arkansas, there are 12 categories of disabilities used to determine students’ eligibility for special education:

1. Autism
2. Deaf-blindness
3. Hearing impairment (including deafness)
4. Emotional disturbance
5. Intellectual disability (formerly known as mental retardation)
6. Multiple disabilities
7. Orthopedic Impairment
8. Specific learning disability
9. Speech or language impairment
10. Traumatic brain injury
11. Visual impairment (including blindness)
12. Other health impairment

¹² U.S. Department of Education, Office of Special Education Programs, Part B Data Display: Arkansas, Publication Year 2017, Retrieved at: <https://osep.grads360.org/#report/apr/2015B/publicView?state=AR&ispublic=true>

The following chart provides a breakdown of the types of disabilities affecting Arkansas students with disabilities. Specific learning disabilities – which include perceptual disabilities, brain injury, minimal brain dysfunction, and dyslexia¹³ – are the most prevalent impairments among students with disabilities, affecting about 32% of the state’s students with disabilities, or 4.1% of all students. Speech and language impairments are the second most common disability, affecting 24% of students with disabilities, or 3.2% of all students.

Students in Special Education by Disability 2017-18



Source: ADE.

Note: The category of “all others” includes deaf-blindness, deaf/hearing impairment, orthopedic impairment, traumatic brain injury, and visual impairment.

The number of students in special education with a specific learning disability increased from 18,158 in 2015 to 19,385 in 2018. This may be related to new screenings districts are required to conduct. Act 1294 of 2013 established the requirement that districts shall screen for dyslexia each student in K-2 and others required by ADE (e.g., a student in grade 3 or higher if a dyslexia marker has been noted by the student’s classroom teacher). Since the new dyslexia screening requirement first went into effect for a full school year in 2014-15, there has been an increase in the number of students receiving therapy for dyslexia, which can qualify as a specific learning disability. In 2014-15, 89 districts and one charter reported dyslexia screening results. The districts and charter schools reported that 3,197 students were evaluated, and 957 received therapy for dyslexia. In 2016-17, 243 districts and charters reported that 39,040 students were evaluated and 13,685 were currently receiving therapy for dyslexia, including some identified in previous years. Students identified with characteristics of dyslexia may be identified for intervention services, but they may not necessarily be identified for special education.

For a national comparison, 2014-15 is the most recent year for which data is available. The following table shows the percentage of students with disabilities for each of the 12 categories of disabilities. The numbers in **bold** indicate categories in which Arkansas exceeds the national average.

Percentage of Children With Disabilities By Disability Category, Ages 6-21

| 2014-15 Disability | % of Students with Disabilities | | % of All Students | |
|--------------------------|---------------------------------|--------|-------------------|--------|
| | Arkansas | Nation | Arkansas | Nation |
| 1. Autism | 7.40% | 9.30% | 0.93% | 1.21% |
| 2. Deaf-Blindness | 0% | 0% | 0% | 0% |
| 3. Emotional Disturbance | 1.50% | 5.90% | 0.19% | 0.76% |
| 4. Hearing Impaired | 0.80% | 1.10% | 0.10% | 0.15% |

¹³ ADE, Special Education and Related Services 6.00 Evaluation-Eligibility Criteria, 6.09.8

| 2014-15 Disability | % of Students with Disabilities | | % of All Students | |
|-----------------------------------|---------------------------------|--------|-------------------|--------|
| | Arkansas | Nation | Arkansas | Nation |
| 5. Multiple Disabilities | 2.50% | 2.10% | 0.32% | 0.27% |
| 6. Intellectual Disabilities | 10.90% | 7.10% | 1.37% | 0.92% |
| 7. Orthopedic Impairment | 0.30% | 0.70% | 0.04% | 0.09% |
| 8. Speech or Language Impairments | 22.70% | 17.70% | 2.87% | 2.29% |
| 9. Specific Learning Disabilities | 33.40% | 39.80% | 4.22% | 5.15% |
| 10. Traumatic Brain Injury | 0.30% | 0.40% | 0.03% | 0.06% |
| 11. Vision Impairment | 0.40% | 0.40% | 0.05% | 0.05% |
| 12. Other Health Impairments | 19.80% | 15.40% | 2.50% | 1.99% |

Source: Part B Data Display: Publication Year 2017.

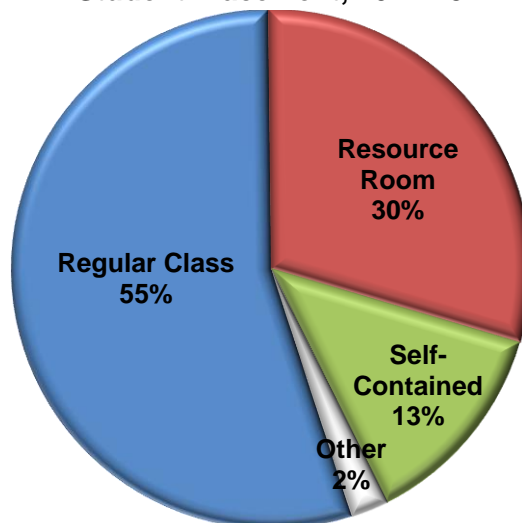
STUDENT PLACEMENT

Under IDEA, students with disabilities are to be educated in the “least restrictive environment.” According to the law, students with disabilities should be educated with children who are not disabled “to the maximum extent appropriate”. Education provided outside the regular educational environment should occur “only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.”¹⁴

The chart below shows the educational placement of students in school districts and charter schools. Each placement category is defined as follows¹⁵:

- Regular class with special education: Students who are in the regular classroom 80% or more of the school day.
- Resource room: Students who are in the regular classroom between 40%-79% of the school day.
- Self-contained: Students who are in the regular classroom 40% or less of the school day.
- Other: Students with disabilities who are in publicly funded facilities, private day schools, hospitals, private or public residential facilities, etc.

Student Placement, 2017-18



Source: ADE.

Note: The chart above includes only students for whom school districts and charter schools are responsible and does not include students in the Arkansas School for the Deaf, Arkansas School for the Blind, Conway Human Development Center, the Division of Youth Services, or the Arkansas Department of Correction.

¹⁴ 20 U.S.C. §1412(a)(5)(A)

¹⁵ ADE, Special Education School Age Dictionary,

https://arksped.k12.ar.us/documents/data_research/DataDictionaries/dataDictionary_SchoolAge.pdf

As part of its responsibilities under IDEA, Arkansas is required to provide data on students with disabilities by their educational environment. The table below shows the percentage of students for each placement description in Arkansas compared to the national average.

Percentage of Time Spent in Regular Classroom, 2014-15

| % of Day Spent in Regular Classroom | State | Nation |
|--|--------------|---------------|
| 0-40% | 13.6% | 13.4% |
| 40-79% | 30.7% | 18.7% |
| 80%-100% | 52.7% | 62.7% |
| Separate Residential Facility | 1.8% | 3.2% |

Source: Part B Data Display: Publication Year 2017.

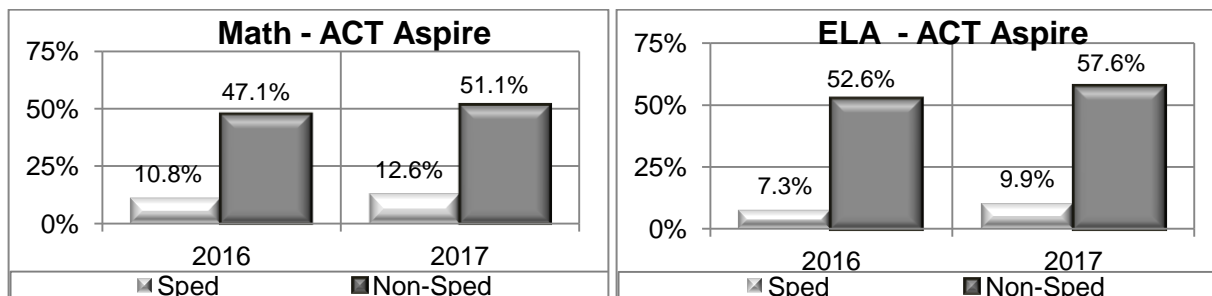
STUDENT ACHIEVEMENT

STATE ASSESSMENTS

Students with disabilities are required to participate in state assessments. Students’ IEP teams must decide whether each special education student will take the regular state assessment, the assessment with accommodations, or, for a very small percentage of students with significant cognitive disabilities, an alternate assessment, called the multi-state alternate assessment (MSAA). For each subject tested using the alternate assessment (math, ELA, or science), the total number of students taking it cannot exceed 1% of the total number of students in the state being assessed in that subject (34 CFR §200.6(c)(2)).

About 30,000 students with disabilities take the state assessments each year, according to ADE data. The following charts show how performance has varied on the ACT Aspire between 2016 and 2017 and among students with disabilities and students without disabilities. In 2017, 9.9% of students with disabilities tested ready or exceeding in ELA on the ACT Aspire compared to 57.6% of students without disabilities. In math, 12.6% of students with disabilities tested ready or exceeding on the ACT Aspire, compared to 51.1% of students without disabilities. On the MSAA, 54.7% of students with disabilities scored at “meets expectations” in ELA, and 56.6% scored at “meets expectations” in math.¹⁶

Percentage of Students Scoring Ready or Exceeding



Source: ADE.

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

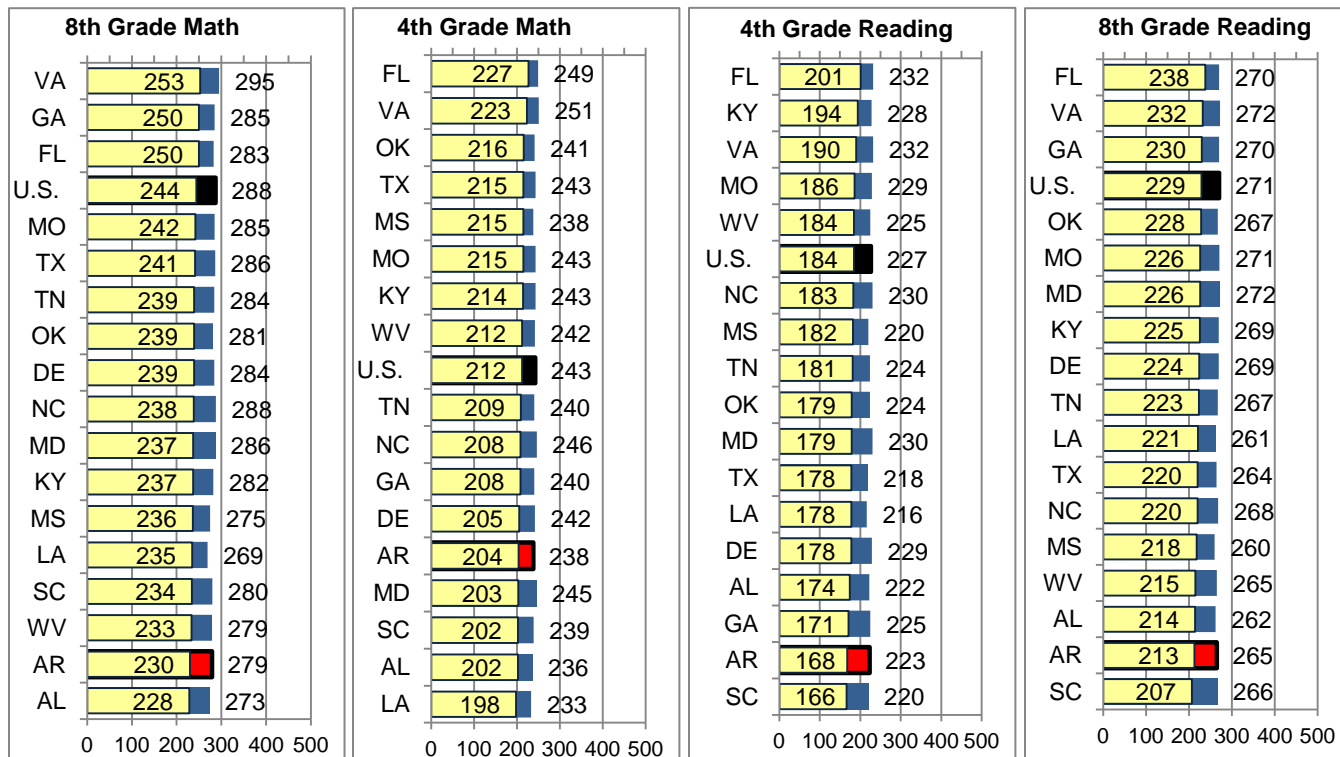
The best way to compare the student achievement of students with disabilities in Arkansas with those in other states is with the NAEP assessment. However, these scores are based on a random sample of students in each state, instead of the entire state student population. States also may apply federal guidelines a little differently when classifying children with disabilities, so caution must be used in making state-to-state NAEP comparisons.

¹⁶ The MSAA does not use “Ready” or “Exceeding”. Instead the MSAA uses “Level 3” and “Level 4”. Level 3 and 4 are considered “Meets Expectations”.

The following charts show how the average scale score for Arkansas's students with disabilities (excluding those with 504 plans¹⁷) compares with the average scale scores in surrounding states and SREB states. With the exception of 4th graders in math, Arkansas's 4th and 8th graders with disabilities had the lowest NAEP scale scores among surrounding states.

2017 NAEP Reading and Math in Surrounding and SREB states

■ Without disability ■ With disability



STATE ASSESSMENT OF IDEA

The US DOE annually assesses whether each state meets the requirements of Part B of the IDEA. In 2014, the US DOE changed its methodology for evaluating states' special education programs. Prior to 2014, states were evaluated based on compliance measures, like students being evaluated in a timely manner. The new methodology, Results Driven Accountability, focuses more on educational results and functional outcomes of children with disabilities.

In 2013, Arkansas was one of 38 states considered to have met all requirements of IDEA Part B for federal fiscal year 2011. In each year since the methodology change in 2014, Arkansas has been deemed in need of assistance in implementing the requirements. Arkansas continues to score 20 out of 20 on the compliance portion of the evaluation but lags behind in the results driven portion. In 2017, Arkansas scored 12 out of 24.

¹⁷ Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against individuals with disabilities in any entity that receives federal funds, including public schools. Like IDEA it prohibits discrimination based on disability in public schools and requires schools to provide a FAPE to every student with disability. However, Section 504 does not provide any funding as IDEA does. Additionally, Section 504's definition of a disability is much broader than under IDEA, and accommodations provided for students with a 504 plan can include allowing a student extra time to finish an assignment, allowing a child to chew gum in class, or using large-print text for handouts.

SUCCEED SCHOLARSHIPS

In 2015, the General Assembly passed Act 1178, which created the Succeed Scholarship Program. The program provides scholarships up to the amount of the foundation funding rate to students with an IEP attending a private school. Payments are made in monthly installments directly to the student's parent or guardian. Scholarship funds do not come from the Public School Fund or any county, city, or district tax revenue.

The first scholarships were awarded in 2016-17. The Reform Alliance, a nonprofit organization "dedicated to supporting school choice opportunities for all students"¹⁸ in Arkansas, is responsible for administering the program. The General Assembly appropriated \$800,000 to ADE for the 2016-17 school year, but only \$664,600 was funded. ADE granted this money to The Reform Alliance, which is responsible for disbursing the scholarship payments. During that school year, 27 students received a total amount of \$121,526 in Succeed Scholarships. The remaining \$543,074 was carried over into the 2017-18 school year. An additional \$600,000 was funded for the 2017-18 school year. Combined with the \$543,074 carried over from the previous year, the total funded amount was \$1,143,074. As of March 2018, 168 students had received a Succeed Scholarship for the 2017-18 school year. Of those students, 29 received a scholarship for only the spring 2018 semester.

Act 894 of 2017 allowed for up to 20 students in foster care, living in a group foster home or facility, to be eligible for the scholarship, regardless of whether they had an IEP. The law went into effect April 5, 2017. One foster student received the scholarship in the 2016-17 school year, and 20 did in 2017-18.

For the 2018-19 school year, the Reform Alliance expects the number of scholarships to increase by 30% to 228 scholarships. Due to this expected growth, \$1,542,677 was authorized from the rainy day fund to be used for the Succeed Scholarship. This is combined with \$40,000 taken from the remaining balance of ADE's operating account. However, the total funded amount for 2018-19 will depend on the final amount of scholarships paid out for 2017-18.

SPECIAL EDUCATION FUNDING

FOUNDATION FUNDING

The major state funding school districts and charter schools receive for special education comes as part of their per-student foundation funding. The foundation funding rate includes money to pay for 2.9 special education teachers for every 500 students, or \$372.34 per student in 2016-17. (For more information about foundation funding, see Section 10.)

CATASTROPHIC FUNDING

State statute defines special education catastrophic occurrences as "individual cases in which special education and related services required by the individualized education program of a particular student with disabilities are unduly expensive, extraordinary, or beyond the routine and normal costs associated with special education and related services provided by a school district" (A.C.A. § 6-20-2303). Districts qualify for 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. The maximum amount of reimbursement a district/charter can receive is 100% of the first \$15,000, 80% of the amount between \$15,000 and \$50,000, and 50% of the costs between \$50,000 and \$100,000. No catastrophic occurrence is eligible for more than \$100,000 each year.

¹⁸ The Reform Alliance. (2017). Retrieved from: <https://thereformalliance.org/about-us/>

Catastrophic Funding for Special Education

| | Number of Students | Number of Districts/ Charters | Funding Per Student | Total Eligible Amount | Maximum Amount of Reimbursement | Total Funding Provided | Percent of Approved Funds Received | Total Eligible Amt. Not Funded |
|------|--------------------|-------------------------------|---------------------|-----------------------|---------------------------------|------------------------|------------------------------------|--------------------------------|
| 2015 | 1,005 | 153 | \$10,816 | \$30.4 million | \$22.7million | \$10.9 million | 47.894% | \$19.5 million |
| 2016 | 1,142 | 159 | \$9,632 | \$29.2 million | \$26.7million | \$11 million | 41.1917% | \$18.2 million |
| 2017 | 1,303 | 164 | \$8,442 | \$32.5 million | \$29.9million | \$11 million | 36.8183% | \$21.5 million |

*The maximum amount of reimbursement is the amount as calculated using the formula (\$15,000+80% of the amount between \$15,000 and \$50,000+50% of any additional costs).

As seen in the previous table, in 2017, districts and charters requested just over \$32.5 million in catastrophic funds. Of these funds, \$29.9 million was calculated as the maximum amount of expenditures eligible for reimbursement, and only \$11 million was actually funded. The number of students for whom catastrophic funds were requested more than doubled from 599 in 2013 to 1,303 in 2017, and the number of districts/charters requesting these funds increased from 135 to 164. According to ADE, the spike resulted from a change in the rubric the Department uses to identify students whose expenses qualify as catastrophic. The previous rubric focused on students with significant disabilities who needed extensive occupational, physical, and speech therapy. It did not adequately adjust for students with autism or other disabilities that may have average or above cognitive ability and good mobility skills, but still require extensive services. Until recently, the General Assembly has funded roughly \$11 million in Catastrophic funding each year since 2008. The appropriation increased to \$13 million in 2017-18 and up to \$13.02 million in 2018-19.

SPECIAL EDUCATION EXPENDITURES

In 2016-17, districts spent \$436.8 million on special education services, or about \$7,481 per student with a disability. Charters spent \$5.8 million on special education services, or about \$4,523 per student with a disability. Those figures should not be mistaken for the total cost of educating students with disabilities, because they do not include expenditures that districts make on behalf of all students, such as the cost of principal salaries or utilities. These figures represent only the expenditures that are specific to special education services or students.

According to expenditures reported in APSCN, districts used state and local funds to cover 69% of their special education costs, and federal funds covered the remaining 31%. Charter schools used state and local funds to cover 55% of special education costs and federal funds to cover the remaining 45%.

SPECIAL EDUCATION TEACHERS

According to ADE, as of March 2018, there are 23 different types of special education licenses (excluding the dyslexia endorsement) and 11,921 special education licenses that are current. However, some individuals may hold multiple licenses or are not currently teaching. Based on numbers in APSCN, there were nearly 3,610 full-time employees (FTEs) working as special education teachers in Arkansas school districts in 2016-17.

One issue districts have faced in providing special education is an inadequate supply of appropriately licensed special education teachers. If it is an undue hardship for a district or charter school to fill a vacant position with a qualified individual, the district or charter can apply for an exception from that requirement under A.C.A. § 6-15-1004. The exceptions include additional licensure plans (ALP) for teachers or long-term substitute teachers (LTS). In 2017-18, 154 districts requested 401 ALPs for special education. In fall 2017, 46 districts requested 77 LTSs, and in spring 2018, 29 districts requested a total of 36 LTSs for special education.

In an effort to increase the number of people certified to teach special education and to reduce the number of waivers districts need, ADE recently changed the special education licensure creating more pathways to becoming certified. Still, the overall number of special education licenses has decreased over the last four years, despite many teachers taking advantage of the new licensure pathways.

Section 7: Educator Employment, Compensation and Evaluation

TEACHER COMPENSATION

TEACHER SALARIES

A.C.A. § 10-3-2102(a)(5) requires the Education Committees to “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”. In addition, A.C.A. § 10-3-2102(g)(1) calls for a comparison of teacher salaries as adjusted by a cost of living index or a comparative wage index and a review of the minimum teacher compensation salary schedule. Finally A.C.A. § 10-3-2102(h)(2) calls for the Committees to review disparities in teacher salaries.

Minimum Salary

The state minimum teacher compensation schedule authorized in A.C.A. § 6-17-2403 remained flat between 2008-09 and 2014-15, with a minimum salary of \$29,244 for bachelor degree-prepared teachers with no experience. In 2015-16 and each subsequent year through 2018-19, the minimum schedule has been increased. The minimum teacher salary increased \$2,556, or 8.74% between 2008-09 and 2018-19.

Arkansas’s 2016-17 and 2017-18 minimum salary ranked 9th both years among SREB states. When the states’ minimum teacher salaries are adjusted for the cost of living (COLA), Arkansas’s minimum salary ranking rises to 8th for 2016-17 and 7th for 2017-18.

Arkansas’s minimum salary ranked 4th among the surrounding states for both 2016-17 and 2017-18, and improved to the rank of 3rd in 2017-18 for its COLA-adjusted salary. Missouri, the only state surrounding Arkansas that is not an SREB state, has a minimum teacher salary that was lower than Arkansas’s in both 2016-17 and 2017-18.

| SREB States' Minimum Salary Ranking 2016-17 and 2017-18 | | | | | | |
|---|--------------------------------------|-----------------|--|------------------------|--------------------------------------|-----------------|
| SREB State | 2016-17 Minimum Teacher Salary | 2016-17 Rank | | SREB State | 2017-18 Minimum Teacher Salary | 2017-18 Rank |
| Maryland ¹ | \$42,126 | 1 | | Maryland ¹ | \$42,370 | 1 |
| Delaware | \$41,009 | 2 | | Delaware | \$41,009 | 2 |
| Alabama | \$38,342 | 3 | | Alabama | \$38,342 | 3 |
| North Carolina | \$35,000 | 4 | | North Carolina | \$35,000 | 4 |
| Mississippi | \$34,390 | 5 | | Mississippi | \$34,390 | 5 |
| Georgia | \$33,424 | 6 | | Georgia | \$34,092 | 6 |
| Tennessee | \$32,445 | 7 | | Tennessee | \$33,745 | 7 |
| Oklahoma | \$31,600 | 8 | | Oklahoma | \$31,600 | 8 |
| Arkansas | \$31,000 | 9 | | Arkansas | \$31,400 | 9 |
| Florida ¹ | \$30,900 | 10 | | Florida ¹ | \$31,400 | 9 |
| Virginia ¹ | \$30,500 | 11 | | Virginia ¹ | \$30,863 | 11 |
| West Virginia | \$30,315 | 12 | | West Virginia | \$30,315 | 12 |
| Kentucky | \$29,804 | 13 | | Kentucky | \$29,804 | 13 |
| South Carolina | \$28,190 | 14 | | South Carolina | \$28,190 | 14 |
| Texas | \$28,080 | 15 | | Texas | \$28,080 | 15 |
| Louisiana ² | -- | -- | | Louisiana ² | -- | -- |

¹The state does not mandate a minimum salary amount. This minimum is the lowest minimum established by districts.

² No minimum salary amount could be obtained for Louisiana (LA). LA does not mandate a minimum salary amount, and we were unsuccessful in securing a minimum salary by parish after multiple attempts.

Data Source: Various State Departments’ of Education websites and telephone interviews with relevant staff at various State Departments of Education.

| SREB States' COLA Adjusted Minimum Salary Ranking 2016-17 and 2017-18 | | | | | |
|---|-------------------------------|------------------------|------------------------|-------------------------------|------------------------|
| SREB State | 2016-17 Min. Salary COLA Adj. | 2016-17 COLA Adj. Rank | SREB State | 2017-18 Min. Salary COLA Adj. | 2017-18 COLA Adj. Rank |
| Alabama | \$37,280 | 1 | Alabama | \$37,280 | 1 |
| Mississippi | \$35,481 | 2 | Mississippi | \$35,481 | 2 |
| Delaware | \$34,991 | 3 | Delaware | \$34,991 | 3 |
| North Carolina | \$32,484 | 4 | Tennessee | \$32,993 | 4 |
| Georgia | \$32,320 | 5 | Georgia | \$32,966 | 5 |
| Tennessee | \$31,722 | 6 | North Carolina | \$32,484 | 6 |
| Oklahoma | \$31,104 | 7 | Arkansas | \$31,400 | 7 |
| Arkansas | \$31,000 | 8 | Oklahoma | \$31,104 | 8 |
| Maryland ¹ | \$28,739 | 9 | Maryland ¹ | \$28,905 | 9 |
| Kentucky | \$27,927 | 10 | Kentucky | \$27,927 | 10 |
| West Virginia | \$27,755 | 11 | Florida ¹ | \$27,764 | 11 |
| Florida ¹ | \$27,321 | 12 | West Virginia | \$27,755 | 12 |
| Texas | \$27,033 | 13 | Texas | \$27,033 | 13 |
| Virginia ¹ | \$26,203 | 14 | Virginia ¹ | \$26,514 | 14 |
| South Carolina | \$24,875 | 15 | South Carolina | \$24,875 | 15 |
| Louisiana ² | -- | -- | Louisiana ² | -- | -- |

School District Minimum Teacher Salaries

There are significant differences between the minimum salary amounts adopted by Arkansas’s individual school districts. In 2017-18, Springdale School District adopted a minimum salary of \$47,266, and 30 school districts adopted the state mandated minimum of \$31,400 as their minimum salary. The variance between the highest and lowest minimum salaries is \$15,866.

The table below provides the highest and lowest minimum salaries adopted by Arkansas school districts between 2008-09 and 2017-18. As the state mandated minimum salary has risen in recent years, the variance between the highest and lowest district-level minimum salary has declined.

| Year | Highest Minimum Salary | Lowest Minimum Salary | Gap Between Highest and Lowest High – Low = |
|---------|------------------------|-----------------------|---|
| 2009-10 | 43,007 | 29,244 | 13,763 |
| 2010-11 | 43,222 | 29,244 | 13,978 |
| 2011-12 | 43,320 | 29,244 | 14,076 |
| 2012-13 | 44,570 | 29,244 | 15,326 |
| 2013-14 | 45,820 | 29,244 | 16,576 |
| 2014-15 | 46,500 | 29,244 | 17,256 |
| 2015-16 | 46,816 | 30,122 | 16,694 |
| 2016-17 | 47,016 | 31,000 | 16,016 |
| 2017-18 | 47,266 | 31,400 | 15,866 |

Open Enrollment Charter Schools Minimum Salaries

Open-Enrollment Charter Schools’ minimum teacher salaries, range from \$30,000 at Little Rock Preparatory Academy and Exalt Academy of Southwest Little Rock to \$40,000 at Haas Hall Academy, Haas Hall Academy Bentonville, and the Northwest Arkansas Classical Academy. There is less of a gap between the highest and lowest minimum salaries for charters than for traditional public schools. This difference from traditional public schools could be due to 20 of the 24 charters receiving a waiver from the minimum teacher compensation schedule requirements found in A.C.A. § 6-17-2403.

Average Salary

Arkansas's 2017 average teacher salary as reported by the National Education Association (NEA) for state-to-state comparisons was \$48,304, which ranked 12th among the 16 SREB states, but rose to 7th when a cost of living adjustment was applied to the salaries. Arkansas's 2017 salary ranking fell one place, to 12th, from the prior year's ranking of 11th, and the COLA-adjusted average salary ranking fell as well, from 5th to 7th. The table below provides the average salary and rank for each SREB state for 2016 and 2017. Among the surrounding states, Arkansas's 2017 average salary ranked 5th, and this ranking rose to 3rd after applying a cost of living adjustment to the salaries. (Missouri is the only surrounding state that is not in the SREB. Its average teacher salary was lower than Arkansas's in 2016-17 and higher than Arkansas's in 2017-18.)

| SREB States' NEA Average Salary Ranking 2016 and 2017 | | | | | |
|---|----------------------|-----------|-----------------|----------------------|-----------|
| SREB State | 2016 NEA Avg. Salary | 2016 Rank | SREB State | 2017 NEA Avg. Salary | 2017 Rank |
| Maryland | \$66,456 | 1 | Maryland | \$68,357 | 1 |
| Delaware | \$59,960 | 2 | Delaware | \$60,214 | 2 |
| Georgia | \$54,190 | 3 | Georgia | \$55,532 | 3 |
| Kentucky | \$52,134 | 4 | Texas | \$52,575 | 4 |
| Texas | \$51,890 | 5 | Kentucky | \$52,338 | 5 |
| Louisiana | \$49,745 | 6 | Virginia | \$51,049 | 6 |
| Virginia | \$49,690 | 7 | Alabama | \$50,391 | 7 |
| Tennessee | \$48,817 | 8 | Tennessee | \$50,099 | 8 |
| S. Carolina | \$48,769 | 9 | Louisiana | \$50,000 | 9 |
| Alabama | \$48,518 | 10 | S. Carolina | \$50,000 | 9 |
| Arkansas | \$48,218 | 11 | N. Carolina | \$49,970 | 11 |
| N. Carolina | \$47,941 | 12 | Arkansas | \$48,304 | 12 |
| Florida | \$46,612 | 13 | Florida | \$47,267 | 13 |
| W. Virginia | \$45,622 | 14 | W. Virginia | \$45,555 | 14 |
| Oklahoma | \$45,276 | 15 | Oklahoma | \$45,292 | 15 |
| Mississippi | \$42,744 | 16 | Mississippi | \$42,925 | 16 |

| SREB States' COLA Adjusted Average Salary Ranking 2016 and 2017 | | | | | |
|---|---------------------------|------------------------------|-----------------|---------------------------|------------------------------|
| SREB State | 2016 NEA COLA Adj. Salary | 2016 Rank (With COLA Adjust) | SREB State | 2017 NEA COLA Adj. Salary | 2017 Rank (With COLA Adjust) |
| Georgia | \$52,471 | 1 | Georgia | \$53,697 | 1 |
| Delaware | \$51,720 | 2 | Delaware | \$51,378 | 2 |
| Kentucky | \$50,813 | 3 | Texas | \$50,615 | 3 |
| Texas | \$50,631 | 4 | Kentucky | \$49,042 | 4 |
| Arkansas | \$48,218 | 5 | Alabama | \$48,996 | 5 |
| Tennessee | \$48,110 | 6 | Tennessee | \$48,983 | 6 |
| Alabama | \$47,082 | 7 | Arkansas | \$48,304 | 7 |
| Maryland | \$47,051 | 8 | Maryland | \$46,634 | 8 |
| Louisiana | \$46,636 | 9 | Louisiana | \$46,504 | 9 |
| Oklahoma | \$45,225 | 10 | N. Carolina | \$46,378 | 10 |
| N. Carolina | \$45,040 | 11 | Oklahoma | \$44,581 | 11 |
| Mississippi | \$43,987 | 12 | Mississippi | \$44,287 | 12 |
| Virginia | \$43,888 | 13 | S. Carolina | \$44,121 | 13 |
| South Carolina | \$42,946 | 14 | Virginia | \$43,856 | 14 |
| West Virginia | \$42,190 | 15 | Florida | \$41,793 | 15 |
| Florida | \$41,668 | 16 | W. Virginia | \$41,707 | 16 |

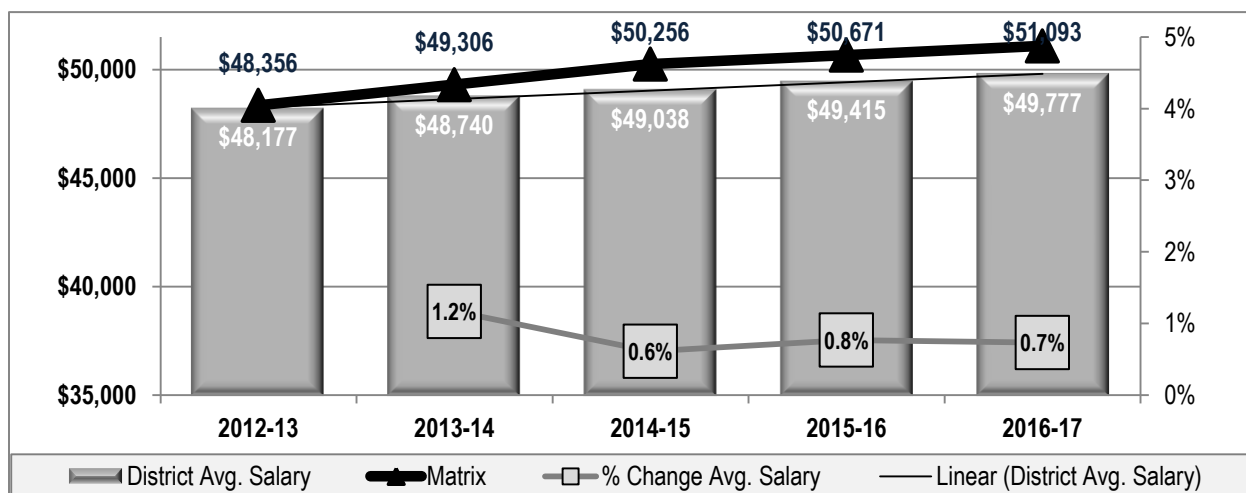
Source of Average Teacher Salaries: NEA's *Rankings of the States 2017 and Estimates of School Statistics 2018*, April 2018, Table B-6 Average Salary of Teachers. Source of COLA Adjustment: Missouri 2016 and 2017 Annual Average Cost of Living Index, https://www.missourieconomy.org/indicators/cost_of_living/.

State Average Teacher Salaries

The NEA average salary amounts that are used to compare average salaries between states, are not available at the school district level. To examine intra-state salaries, the BLR has historically used the average salary for non-federal licensed classroom FTEs found in ADE’s Annual Statistical Report (ASR) to analyze district-level average salaries, but consistent errors in ASR data entered by school districts, has hindered the district-level analysis. For the 2018 Teacher Salary Report, the BLR developed an alternative methodology for calculating both the total number of FTEs and the average salary for each district using a detailed analysis of primary teacher salary data.

The chart below illustrates that average teacher salaries grew from \$48,177 in 2012-13 to \$49,777 in 2016-17, an increase of \$1,600, or 3.3%. The increase in the state mandated minimum salary for the same time period increased \$1,756, or 6%.

Statewide District Average Teacher Salary - 2012-13 through 2016-17



There is a consistent variance between the overall statewide average salary paid and the teacher salary amounts used in the matrix to calculate foundation funding. (For more information on foundation funding and the matrix, see Section 10.) The table below shows the matrix salary amounts exceeded the actual average salary amounts paid each year for the period 2012-13 through 2016-17. Not only did the matrix salary amounts continue to exceed the average salary amount, but the amount of difference continued to grow each year. While the matrix teacher salary amount increased \$2,737, or 5.7% between 2012-13 and 2016-17, the actual average teacher salary amount increased only \$1,600, or 3.3%.

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-----------------------|----------|----------|----------|----------|----------|
| Matrix Salary | \$48,356 | \$49,306 | \$50,256 | \$50,671 | \$51,093 |
| Average Salary | \$48,177 | \$48,740 | \$49,038 | \$49,415 | \$49,777 |
| Difference | \$179 | \$566 | \$1,218 | \$1,256 | \$1,316 |

District Average Teacher Salaries

There is a large variance between the highest and the lowest average salaries paid by individual school districts. Springdale School District paid the highest average salary in 2016-17 of \$59,814, and Bradford School District paid the lowest average salary of \$37,965, or a variance of \$21,850. One hundred sixty-five districts’ 2016-17 average salaries fell below Springdale’s 2016-17 minimum salary of \$47,016.

The next table provides the highest and lowest average salaries paid by Arkansas school districts between 2012-13 and 2016-17. The variance between the highest and lowest average district-level salary declined in 2016-17 by \$960, but there is still a significant variance of \$21,850.

| Year | Highest | Lowest | Gap Between |
|---------|----------------|----------------|--------------------|
| | Average Salary | Average Salary | Highest and Lowest |
| | Salary | Salary | High - Low = |
| 2012-13 | \$58,135 | \$36,818 | \$21,318 |
| 2013-14 | \$58,621 | \$37,664 | \$20,956 |
| 2014-15 | \$58,982 | \$36,617 | \$22,366 |
| 2015-16 | \$59,176 | \$36,367 | \$22,810 |
| 2016-17 | \$59,814 | \$37,965 | \$21,850 |

Data Source: BLR analysis of ADE – APSCN Data.

Charter Average Salaries

Charter average salaries ranged from \$39,997 in 2012-13 to \$42,300 in 2016-17, an increase of \$2,303, or 5.8%. Like traditional school districts, average salaries fell below the matrix salary amount used in calculating foundation funding, and the variance grew from \$8,359 in 2012-13 to \$8,793 in 2016-17.

District Minimum and Average Salaries’ Relationship to Selected District Characteristics

The following tables examine the relationship of the following school district characteristics to district minimum and average salaries divided into salary quartiles:

- Number of FTEs
- FTE/student ratio
- Average and total average daily membership (ADM)
- Average % eligible for free or reduced price lunch (FRPL)
- Student achievement - average % of students “Ready” or “Exceeding” on ACT Aspire assessment in math and ELA

For both minimum and average salaries, districts in the two lowest quartiles had lower average FTEs, lower average student/FTE ratios, lower average and total ADM, higher average FRPL percentages, and lower average percentages of students scoring proficient in ELA and math than those districts in the highest two quartiles.

| 2017-18 District Minimum Salary and Selected District Characteristics | | | | | | | |
|---|----------------|-------------------|------------------------|------------------|-------------------|--------------------|--------------------------|
| 2017-18 Minimum Salary Quartiles | # of Districts | 2016-17 Avg. FTEs | Avg. Student/FTE Ratio | 2016-17 Avg. ADM | 2016-17 Total ADM | 2016-17 Avg. FRPL% | 2016-17 Avg. Achievement |
| 1 - \$31,400.00 - \$32,000.00 | 70 | 56.7 | 12.4 | 700 | 48,996 | 72.3% | 46.1% |
| 2 - \$32,000.01 - \$33,000.00 | 48 | 72.7 | 13.5 | 972 | 46,651 | 67.3% | 45.3% |
| 3 - \$33,000.01 - \$36,138.00 | 59 | 152.1 | 13.6 | 2,054 | 121,165 | 66.3% | 46.4% |
| 4 - \$36,138.01 - \$47,266.00 | 58 | 278.9 | 15.1 | 4,193 | 243,198 | 57.4% | 51.4% |
| Overall Total / Average | 235 | 138.8 | 14.2 | 1,957 | 460,010 | 66.1% | 47.3% |

| 2016-17 District Average Salary and Selected District Characteristics | | | | | | | |
|---|----------------|-------------------|------------------------|------------------|-------------------|--------------------|--------------------------|
| 2016-17 Average Salary Quartiles | # of Districts | 2016-17 Avg. FTEs | Avg. Student/FTE Ratio | 2015-16 Avg. ADM | 2015-16 Total ADM | 2015-16 Avg. FRPL% | 2016-17 Avg. Achievement |
| 1 - \$37,964.72-\$42,907.82 | 59 | 60.7 | 12.5 | 763 | 45,002 | 72.1% | 44.7% |
| 2 - \$42,907.83-\$44,547.27 | 59 | 71.6 | 12.9 | 929 | 54,826 | 68.5% | 46.0% |
| 3 - \$44,547.28-\$48,515.80 | 58 | 100.3 | 13.9 | 1,387 | 80,454 | 65.8% | 47.7% |
| 4 - \$48,515.81-\$59,814.45 | 59 | 321.8 | 14.9 | 4,740 | 279,636 | 58.7% | 50.9% |
| Total / Average | 235 | 138.8 | 14.2 | 1,957 | 459,917 | 66.3% | 47.3% |

Source: BLR Analysis of ADE - APSCN Data, ADE - State Aid Notices, Child Nutrition Unit Audited Free and Reduced Price Lunch, and Office of Innovation for Education.

The following tables examine the relationship between district characteristics relating to teacher preparation and experience and minimum and average salaries divided into salary quartiles:

- % of FTEs who are National Board Certified (NBCT)
- Average years of experience
- % of teachers with a bachelor’s degree
- % of teachers with an advanced degree

Those districts in the two lowest salary quartiles for minimum and average salaries had a lower percentage of NBCTs, higher percentages of bachelor degree prepared teachers, and lower percentages of advanced degree prepared teachers.

| 2017-18 Minimum Salary and Teacher Experience and Preparation | | | | |
|--|--|---|--|--|
| 2017-18 Minimum Salary Quartiles | 2016-17 Avg. NBCT % of Total FTEs | 2016-17 Avg. Years of Experience | Avg. % of Teachers with a Bachelor Degree | Avg. % of Teachers with Advanced Degree |
| 1 - \$31,400.00 - \$32,000.00 | 5.1% | 12.8 | 59.8% | 40.0% |
| 2 - \$32,000.01 - \$33,000.00 | 5.7% | 13.6 | 60.2% | 39.6% |
| 3 - \$33,000.01 - \$36,138.00 | 7.0% | 13.5 | 58.7% | 41.2% |
| 4 - \$36,138.01 - \$47,266.00 | 9.5% | 13.7 | 55.9% | 44.1% |
| Overall Average | 7.9% | 13.4 | 58.7% | 41.2% |

| 2016-17 Average Salary and Teacher Experience and Preparation | | | | |
|--|--|---|--|--|
| 2016-17 Average Salary Quartiles | 2016-17 Avg. NBCT % of Total FTEs | 2016-17 Avg. Years of Experience | Avg. % of Teachers with a Bachelor Degree | Avg. % of Teachers with Advanced Degree |
| 1 - \$37,964.72-\$42,907.82 | 4.4% | 12.4 | 62.2% | 37.8% |
| 2 - \$42,907.83-\$44,547.27 | 3.7% | 13.5 | 60.9% | 38.9% |
| 3 - \$44,547.28-\$48,515.80 | 6.7% | 13.6 | 56.0% | 44.0% |
| 4 - \$48,515.81-\$59,814.45 | 9.8% | 14.0 | 55.6% | 44.4% |
| Total / Average | 7.9% | 13.4 | 58.7% | 41.2% |

Source: ADE, Teacher Salary Analysis Reports, ADE Educator Effectiveness and Licensure and BLR Analysis of Department of Education APSCN Data.

HEALTH INSURANCE

Health insurance has been cited by superintendents as an increasingly significant barrier in districts’ efforts to recruit and retain teachers. This section of the report provides information about the changes in the state’s health insurance plan and its impact on districts and teachers over time.

The Public School Employee Health Insurance Plan has long been funded by three sources:

- A premium payment employees pay each month
- A monthly contribution paid by each district for each employee participating in the health insurance plan
- Annual lump sum payments the ADE pays the health plan administrator, Employee Benefits Division (EBD), from funding appropriated for that purpose.

The following table provides the funding ADE paid directly to EBD for the public school Employee Health Insurance program. These figures include funding for employees in other educational organizations beyond the school districts and charter schools, including the education service cooperatives and secondary area vocational centers. The state funding paid directly to EBD for public school employees’ health insurance increased by about 142% between 2008 and 2017.

| Fiscal Year | Total ADE Payments to EBD |
|-------------|---------------------------|
| 2008 | \$38,141,436 |
| 2009 | \$38,145,368 |
| 2010 | \$53,445,881 |
| 2011 | \$53,445,553 |
| 2012 | \$53,400,152 |
| 2013 | \$53,504,008 |
| 2014 | \$96,657,764 |
| 2015 | \$89,938,675 |
| 2016 | \$91,794,218 |
| 2017 | \$92,127,882 |

Data Source: AASIS

Districts' expenditures also have increased in recent years, although not nearly as dramatically as the direct funding to EBD. Districts and charter school health insurance expenditures increased from about \$93 million in FY2013 to nearly \$101 million in FY17, according to expenditure data districts recorded in APSCN.

While state statute requires districts and charter schools to pay a minimum monthly amount for each employee participating in the health plan (\$155.93 in CY2017), districts and charter schools are free to pay more than the statutory minimum. Districts and charter schools appear to be increasingly paying more than the required minimum amount. However, the vast majority of districts and charter schools participating in the plan (86%) contributed \$175 per month or less in 2016-17. However, the average percentage of school district and charter school employees participating in the health insurance plan has remained fairly stable at 70%-71% over the last few years.

| Calendar Year | Districts/Charters Paying the Minimum Contribution Only | Districts/Charters Paying More Than the Minimum | Total Insured Employees By Districts/Charters | Range |
|---------------|---|---|---|-------------------|
| 2014 | 180 | 75 | 45,165 | \$150-\$417 |
| 2015 | 187 | 68 | 43,689 | \$153-\$416.66 |
| 2016 | 158 | 99 | 43,665 | \$154.48-\$418.14 |
| 2017 | 123 | 134 | 44,199 | \$155.93-\$416.66 |

Data Source: Employee Benefits Division. Data above do not include insured employees of education service cooperatives, vocational centers, or the Arkansas School for the Deaf/Blind.

One question to examine is whether districts use their health insurance contributions to balance or boost their teacher compensation. In other words, do districts with higher salaries also have higher contribution levels? Or do districts that pay lower salaries attempt to make up for lower compensation with more generous benefits? The following table finds no significant relationship between the starting salaries in school districts (not including open enrollment charter schools) and the size of the contribution that each district makes towards its staff's health insurance.

| 2016-17 District Minimum Salary Quartiles | 2016-17 Average Monthly District Contribution |
|---|---|
| Quartile 1: \$31,000-\$31,611 | \$158.04 |
| Quartile 2: \$31,620-\$32,820 | \$164.29 |
| Quartile 3: \$32,900-\$36,000 | \$170.68 |
| Quartile 4: \$36,067-\$47,016 | \$167.03 |

Data Source: ADE, Teacher Salary Schedule Analysis, http://www.arkansased.gov/public/userfiles/Fiscal_and_Admin_Services/Publication%20and%20reports/Salary%20Reports/Teacher_Salary_Schedule_Analysis_20162017_revised_3_20_17.pdf and Howlett, C., Employee Benefits Division, Minimum Contributions by District, June 18, 2018 email.

TEACHER RETIREMENT

For many years, districts have been required to contribute 14% of every school employee's salary to the Arkansas Teacher Retirement System (ATRS). Act 1446 of 2013 gave ATRS the authority to increase the employer contribution percentage to 15%, and in November 2017, the ATRS Board of Trustees voted to increase the percentage beginning in 2019-20. The employer contribution will increase a quarter of a percentage point each year over a four-year period.

TEACHER RECRUITMENT AND RETENTION

As part of the 2018 adequacy study, BLR and ADE were asked to examine teacher recruitment and retention issues, in addition to the statutorily required analysis of teacher salaries.

TEACHER SUPPLY

According to ADE, there are 60,317 people in Arkansas with an active teaching license of any type as of 2017-18, and 33,228 individuals were employed as certified teachers in Arkansas's schools (this figure does not include 28,460 classified and 8,711 administrators). From 2004-05 to 2017-18, the total number of certified teachers employed in Arkansas schools grew by 3.8% while the total number of students grew by 5.2% during the same time period.¹⁹

| Year | Total # Certified Teachers | Total # Students |
|---------|----------------------------|------------------|
| 2004-05 | 32,006 | 455,515 |
| 2017-18 | 33,228 | 479,258 |

Pursuant to A.C.A. § 6-81-601 et seq., ADE designated the following areas as critical licensure and endorsement shortages, which were approved by the US DOE. Teachers who teach in these critical shortage areas may qualify for grants or student loan forgiveness programs administered by ADHE.

Critical Licensure and Endorsement Shortages

| Area | 2017-18 | 2018-19 |
|----------------------------|---------|---------|
| Art | X | X |
| Chemistry | X | X |
| Computer Science | X | X |
| English/Language Arts | | X |
| Family & Consumer Science | X | X |
| French | | X |
| Journalism | X | X |
| Library Media | X | X |
| Mathematics | X | X |
| Middle Childhood Education | | X |
| Music | X | X |
| Physics | X | X |
| Social Studies | X | X |
| Spanish | X | X |
| Special Education | X | X |

ADE identified these shortage areas based on the numbers of teachers preparing for Arkansas educator licenses, the number of teachers receiving Arkansas licenses for the first time, the number of vacancies or long-term substitutes in public school classrooms, the number of licensure exceptions granted to teachers teaching out of their area of licensure, and potential losses in the teacher workforce due to attrition and retirement. ADE may grant waivers to both public and private schools that demonstrate they are not able to hire licensed teachers to teach classes in these shortage areas.

¹⁹ ADE Data Center: <https://adedata.arkansas.gov/statewide>. Note: These figures include teachers and students at the Arkansas School for the Blind, the Arkansas School for the Deaf, and schools operated by the Arkansas Department of Human Services' Division of Youth Services (DYS).

In 2017-18, ADE granted a total of 1,380 ALPs (licensure exceptions) statewide for licensed teachers who were teaching out of area. The following chart lists the most popular ALPs granted in 2017-18.

Total Licensure Waivers Requested (2017-18)

| Area | # | % |
|-------------------------------------|-----|-------|
| Special Education | 391 | 28.33 |
| Gifted and Talented | 78 | 5.65% |
| Guidance and Counseling | 76 | 5.51% |
| Library Media Specialist | 58 | 4.20% |
| Elementary | 55 | 3.99% |
| Middle School Social Studies | 51 | 3.70% |
| Building Level Administrator (P-12) | 50 | 3.62% |
| Career Development | 50 | 3.62% |
| Middle School English | 48 | 3.48% |
| Middle School Science | 46 | 3.33% |

TEACHER PREPARATION PROGRAMS

The Educator Preparation Provider Quality Report (EPPQR) contains information from ADE, ADHE, and Arkansas’s higher education institutions on the number of enrollees and graduates and the demographics of teachers produced in educator preparation programs in Arkansas. According to the most recent Educator Preparation Provider Quality Report, the total number of students enrolled in teacher preparation programs (both traditional and alternative route) declined from 6,161 in 2013 to 3,563 in 2018, or 42% fewer teacher candidates in the teaching pipeline. Alternative-route teacher preparation enrollment has remained relatively steady, while the number of students enrolled in traditional teacher preparation programs declined 50.4% from 2013 to 2018.

In addition, the number of students preparing for licenses in critical shortage subject areas is equivalent to only 81% of the number of those positions available statewide (classes currently being taught by teachers on waivers, substitute teachers, or teachers preparing for retirement).

| | Shortage Areas for 2018-19 | Non-Shortage Areas for 2018-19 |
|--|----------------------------|--------------------------------|
| # Enrolled in educator preparation programs | 2,621 | 2,835 |
| Teaching positions available (sum of vacancies, waivers, and veterans) | 3,247 | 2,065 |
| Ratio of potential educators to positions available | 81% | 137% |

TEACHER DISTRIBUTION

In 2014, the US DOE began its Excellent Educators for All Initiative, which required states to assess students’ access to quality educators and develop a plan to ensure students in high poverty and high minority districts have the same access to high quality teachers as students in low poverty and low minority districts. The Initiative required states to analyze their educator data to ensure that poor and minority students are not disproportionately taught by inexperienced, unqualified or out-of-field teachers. In September 2015, the US DOE approved the first round of teacher equity plans for 17 states, including Arkansas. In 2016, ADE submitted the 2016 supplement to the state’s Equitable Access to Effective Educators Plan.

Under ADE’s “Equitable Access to Excellent Educators Plan”, ADE will determine the rate at which low-income minority students enrolled in Arkansas’s Title I, Part A schools are disproportionately taught by educators who are ineffective, inexperienced, or teaching a subject for which they are not currently licensed. If there is disproportionality, the state will evaluate and publicly report progress in addressing the disproportionality.

ADE defines high-poverty and high-minority schools as those in the highest 25% of all schools ranked by the percentage of students eligible for FRPL or non-white students, respectively. Similarly, low-poverty and low-minority schools are those in the lowest 25% based on the percentages of FRPL and non-white students.

Data analyses of Arkansas high-poverty and high-minority Title I, Part A schools show equity gaps in students' access to experienced teachers who are licensed to teach in their field of preparation. Data analyses also show a higher rate of ineffective teachers and teacher attrition and a lower rate of stability in high poverty and high minority schools compared with the state average.

| | All Schools | High Poverty | Low Poverty | High Minority | Low Minority |
|-----------------------------|-------------|--------------|-------------|---------------|--------------|
| Total # Students | 479,258 | 102,726 | 153,804 | 132,892 | 97,830 |
| Total # Teachers | 33,228 | 9,078 | 12,508 | 10,170 | 10,125 |
| Student: Teacher Ratio | 14.3:1 | 11.3:1 | 12.3:1 | 13.1:1 | 9.7:1 |
| Average Years Experience | 9.5 | 9.1 | 9.5 | 9.6 | 8.9 |
| % Beginning Teachers | 8.8% | 9.7% | 8.3% | 13.7% | 4.7% |
| % with 0-3 Years Experience | 17.0% | 19.2% | 15.5% | 23.2% | 11.8% |
| % with Master's Degree | 36.0% | 31.4% | 39.2% | 35.7% | 32.3% |
| % Out-of-Field Teachers | 2.8% | 3.4% | 2.1% | 3.2% | 2.6% |
| Teacher Attrition | 17.6% | 22.2% | 14.6% | 23.8% | 15.1% |

BEGINNING TEACHER ATTRITION

Arkansas public schools employ between 2,000 and 3,000 new teachers each year. The chart below summarizes ADE's data on trends in the attrition of beginning teachers (those first-year teachers who then taught for five or fewer years). Since 2008-09, an average of approximately 10% of new teachers did not return to the classroom after their first year of teaching; 24% did not return after three years, and 31% did not return after five years.

| | Beginning Teachers | Retention after 1 year | % | Retention after 3 years | % | Retention after 5 years | % |
|---------|----------------------------------|------------------------------|----------|------------------------------|----------|------------------------------|----------|
| 2008-09 | 1,966 | 1,791 | 91.1% | 1,561 | 79.4% | 1,420 | 72.2% |
| 2009-10 | 2,164 | 1,998 | 92.3% | 1,670 | 77.2% | 1,493 | 69.0% |
| 2010-11 | 2,296 | 2,047 | 89.2% | 1,724 | 75.1% | 1,529 | 66.6% |
| 2011-12 | 2,282 | 2,062 | 90.4% | 1,708 | 74.8% | 1,515 | 66.4% |
| 2012-13 | 2,681 | 2,389 | 89.1% | 2,003 | 74.7% | 1,919 | 71.6% |
| 2013-14 | 3,037 | 2,731 | 89.9% | 2,320 | 76.4% | | |
| 2014-15 | 3,111 | 2,772 | 89.1% | 2,382 | 76.6% | | |
| 2015-16 | 2,887 | 2,648 | 91.7% | | | | |
| 2016-17 | 2,924 | 2,643 | 90.4% | | | | |
| 2017-18 | 3,372 | | | | | | |
| | Avg. # Beginning Teachers | Avg. 1 year Retention | % | Avg. 3 year Retention | % | Avg. 5 year Retention | % |
| 2008-17 | 2,594 | 2,342 | 90.3% | | | | |
| 2008-15 | 2,505 | | | 1,910 | 76.3% | | |
| 2008-13 | 2,278 | | | | | 1,575 | 69.2% |

EDUCATOR SURVEYS

As part of the 2018 adequacy study, BLR surveyed teachers and interviewed principals in a random sample of schools across the state between October 2017 and January 2018. BLR also distributed surveys to all 235 superintendents and 24 directors of open-enrollment charter schools. To elicit the most candid responses, district and school staff and teachers were assured their responses would be confidential and anonymous.

Superintendent Survey

All 235 superintendents and 24 directors of open-enrollment charter schools responded to BLR's district survey, for a response rate of 100%. The top factor cited by superintendents as a barrier to both teacher recruitment and retention was difficulty in offering competitive salaries. Other significant barriers to recruitment were scarcity of appropriately licensed teachers, the cost of health insurance, and the location of the district or school. Barriers to retention also included high demand for teachers with certain credentials and the cost of health insurance.

Principal Interviews During Site Visits

The BLR visited a total of 73 schools and interviewed the principals of those schools. The site visits included a question asking if the principals had anything else they would like the General Assembly to know. Eighteen principals mentioned a teacher recruitment or retention issue. The principals frequently mentioned salary as an issue of concern.

Teacher Survey

A total of 1,199 out of 2,875 eligible teachers in BLR's sample of schools participated in the online survey (a response rate of 41.7%). The majority of teachers (57.6%) responding to the survey cited location as the primary reason they chose to teach at their current school, followed by proximity to family (36.4%). Roughly a quarter of teachers said their school's rating or reputation (27.9%) or salaries (21.0%) also played a role in their decision, while approximately one-fifth (19.9%) said that school leadership figured into their decision.

When asked if they would be willing to relocate to teach at a school in a high-poverty or remote rural community, 42.5% of teachers indicated that they already teach in a high-poverty or remote rural community. Around a third (35.0%) of teachers indicated they would be willing to relocate for a higher salary. Around a quarter (24.3%) responded that they would not be willing to relocate.

Around one fifth (20.3%) of teachers indicated that they were considering transferring to another school or district. Of those teachers, almost half (47.9%) indicated that higher pay was one of the reasons. Other top reasons included stress/workload and location.

Around one quarter (25.7%) of teachers indicated that they were considering quitting the teaching profession. The primary reasons included stress/workload (65.1%), paperwork and bureaucratic issues (54.3%), and lack of respect for the profession (43.4%).

PROGRAMS TO ADDRESS RECRUITMENT AND RETENTION

In response to teacher shortages in certain subjects or geographic regions of the state, Arkansas policymakers have enacted a number of teacher recruitment and retention initiatives over the years. The following chart summarizes state expenditures for the major programs in state statute in FY 2017. While some funding goes directly to individual teachers, other funding is distributed to programs that support them.

Expenditures on Teacher Recruitment and Retention Programs, FY 2017

| | TOTAL | # Teachers Benefiting |
|---|--------------|-----------------------|
| High-Priority District Teacher Recruitment and Retention | \$2,099,997 | 909 |
| National Board of Professional Teaching Standards | \$12,285,234 | 2,410 (bonuses only) |
| Teacher Opportunity Program | \$1,499,851 | 1,014 |
| State Teacher Education Program | \$1,319,259 | 426 |
| AR Geographical Critical Needs Minority Teacher Scholarship Program | \$86,625 | 59 |
| Non-Traditional Licensure Grants | \$22,000 | 44 |

Data Sources: Arkansas Legislative Audit, Department of Education Grants for the Year Ended June 30, 2017 and ADHE, Financial Aid Report, Fiscal Year 2016-17

TEACHER AND LEADER EVALUATION SYSTEMS

This section of the adequacy report summarizes the evaluation systems currently required under state statute: the Teacher Evaluation and Support System (TESS) and the Leader Excellence and Development System (LEADS).

TEACHER EVALUATION AND SUPPORT SYSTEM

Act 1209 of 2011 required ADE to develop and all districts to implement the TESS system. The system is used to observe, evaluate, and support licensed and non-licensed K-12 classroom and specialty teachers (gifted and talented coordinators, instructional specialists, library media specialists, school counselors, school psychologists, and speech language pathologists).

TESS is based on Charlotte Danielson's *Framework for Teaching*, measuring teachers' effectiveness in the four domains listed below.

1. Planning and preparation;
2. Classroom environment;
3. Instruction; and
4. Professional responsibilities

Through TESS, every teacher who is not a novice (a teacher with less than three years of experience in public school classroom teaching) must receive at least one summative evaluation every four years. According to ADE, teachers with at least three years of public school teaching experience are known as career summative teachers. However, districts and schools can choose to conduct summative evaluations more frequently.

The evaluation is based on multiple sources of evidence that include direct observation, indirect observation, artifacts, and data. The evidence is chosen by the teacher, evaluator, or both. The evaluator and teacher discuss the evidence used, and the evaluator provides the teacher with feedback based on the framework to improve his/her teaching and student learning. The evaluator gives the teacher a written evaluation determination for a teacher's performance on all of the evaluation domains as a whole (planning and preparation, classroom environment, professional responsibilities, and instruction). The evaluator will use an evaluation rubric and evidence that is appropriate to the teacher's specific role. A teacher can receive a rating of distinguished, proficient, basic, and unsatisfactory.

An evaluator can place a teacher in intensive support status if the teacher receives low performance ratings on a summative evaluation. If a teacher is placed in intensive support status, the evaluator will work with the teacher to develop clear goals and tasks to support the teacher's progress and provide ongoing support to the teacher. At the end of a specified time period, the evaluator will determine if the teacher met the goals and completed the tasks. If the teacher failed, the superintendent, after reviewing and approving the evaluator's documentation, may recommend termination or nonrenewal of the teacher's contract.

LEADER EXCELLENCE AND DEVELOPMENT SYSTEM

Act 709 of 2013 authorized (but did not require) the ADE to develop and implement an evaluation system for school administrators known as LEADS (A.C.A. § 6-17-2809). The General Assembly then passed Act 295 of 2017 *requiring* ADE to design a system of administrator leadership support.

Currently, the LEADS framework is based on the Interstate School Leaders' Licensure Consortium (ISLLC) Standards adopted by the National Policy Board for Educational Administration (NPBEA). However, these standards are being updated to the Professional Standards for Educational Leaders (PSEL) by the NPBEA. These new standards have been adopted by the SBOE. They will be piloted in

2018-19 and implemented statewide in 2019-20.²⁰ According to the ADE, the change was intended to simplify and more reasonably set standards for school leadership. The process will continue in the same way but with a different rubric. The rubric format will be reworked to mirror the TESS rubric with domains and components.

The LEADS system requires each administrator to be evaluated in writing by the superintendent or his/her designee. This includes administrators who are not principals but have a leadership role, like a gifted and talented coordinator. Districts are not required to use LEADS to evaluate superintendents, assistant superintendents, or individuals in an equivalent role; however, a district can choose to perform a summative evaluation on them.

According to ADE, similar to teachers, administrators with at least three years of experience (career summative leaders) will be required to have a summative evaluation once every four years. Administrators with less than three years of experience in their position, or beginning administrators, will not be required to have a summative evaluation but instead will receive support. As with teacher evaluations, the district or charter school can still choose to conduct an evaluation at any time. Administrators can receive a rating of exemplary, proficient, progressing, or not meeting standards.

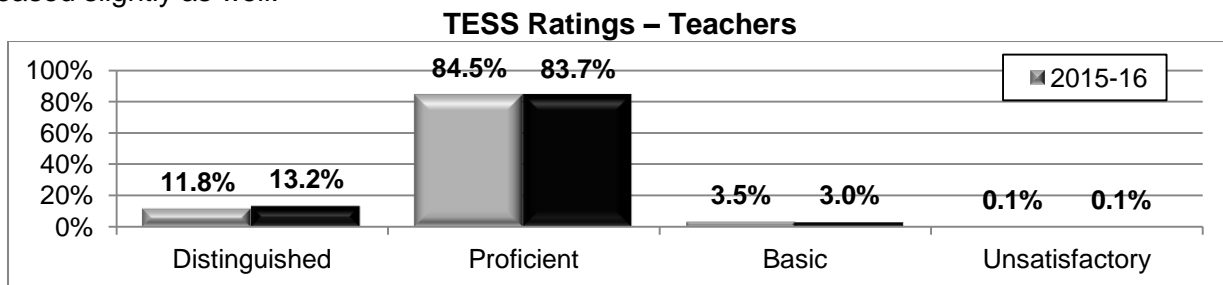
Administrators can also be placed in intensive support status if they demonstrate a pattern of ineffective leadership practices that are evidenced by low performance ratings on the evaluation rubric. Intensive support status for administrators is similar to that for teachers.

TESS AND LEADS RATINGS

The 2015-16 school year is the first year in which TESS and LEADS ratings are available. Data provided by ADE for the 2015-16 and 2016-17 school years are not broken down by whether the ratings were based on summative evaluations or non-summative evaluations (interim ratings provided at the discretion of the evaluator based on select domains and/or categories due to focused guidance during the educators’ formative years). The 2015-16 and 2016-17 data include ratings from novice teachers and beginning administrators in addition to ratings from career summative educators.

Due to ESSA, there is another change impacting educator evaluation data. Under ESSA, “the state shall determine the rate at which low-income and minority students are disproportionately taught by educators who are ineffective, inexperienced, or teaching a subject for which they are not currently licensed. If there is disproportionality, the state will evaluate and publicly report the progress in addressing the disproportionality” (ADE Rule 8.02). This information regarding unequal access to effective educators for districts and schools will be available on the ADE website beginning in the 2018-19 school year.

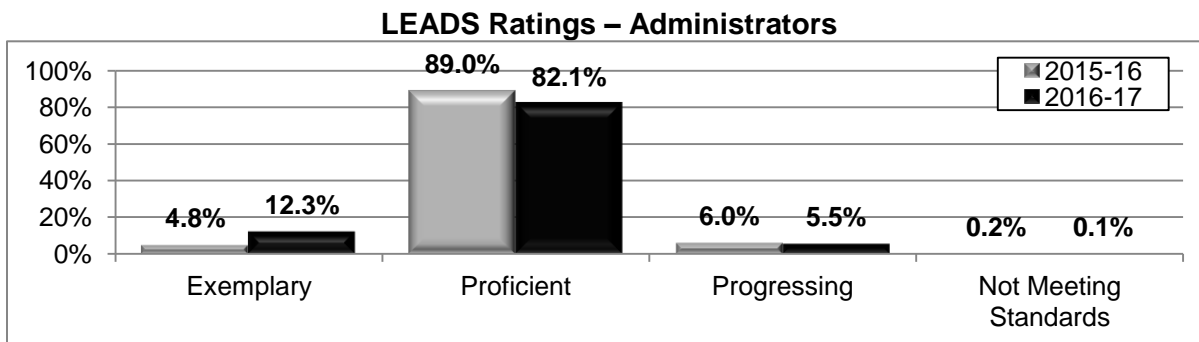
In 2017, nearly 25,000 teachers received either a summative or non-summative evaluation rating. Nearly 97% of those teachers scored either “proficient” or “distinguished”. The percentage of teachers scoring “proficient” dropped slightly in 2016-17, but the percentage of teachers scoring distinguished increased slightly as well.



Note: Data may include a small number of preschool teachers.

²⁰ ADE. TESS & LEADS Update from ADE Educator Support. March 29, 2018. Retrieved from: <http://www.arkansased.gov/divisions/educator%20effectiveness/educator-support-development/teacher-excellence-and-support-system-tess>

In 2017, about 1,500 administrators received either a summative or non-summative evaluation rating. In 2017, about 94% of these administrators scored either “proficient” or “exemplary”. The percentage of administrators scoring “proficient” dropped nearly seven percentage points, but the percentage scoring “exemplary” increased by about eight percentage points.

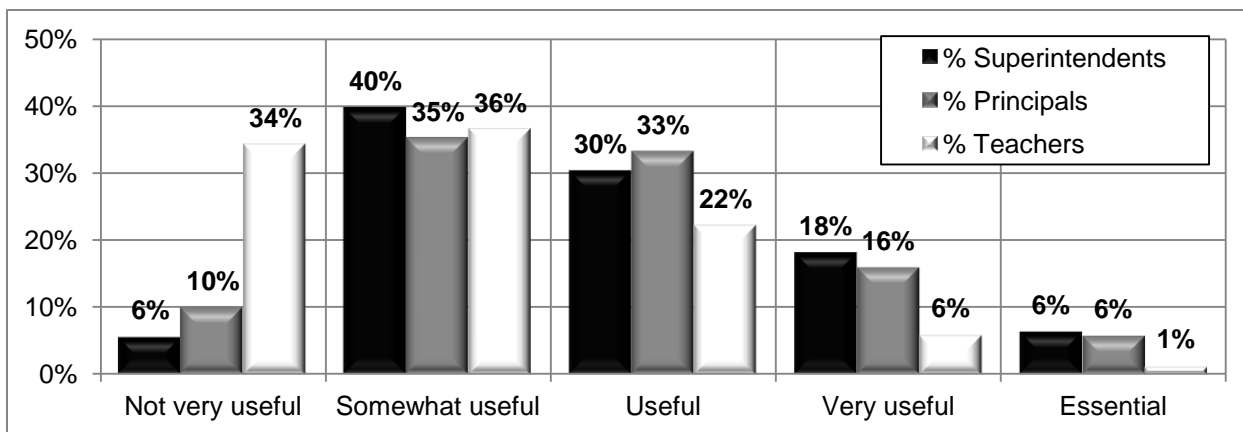


SURVEY RESULTS

BLR distributed online surveys to all superintendents, with a 100% response rate, and to all principals with a 52% response rate. Additionally, BLR visited 73 randomly selected schools to interview principals and distribute surveys to teachers in these schools. BLR distributed 2,875 teacher surveys with a 42% response rate.

When it comes to TESS, superintendents and principals found it to be more useful than teachers found it. About 55% of principals and superintendents found it to be “useful” to “essential”, whereas only about 29% of teachers did. Less than 10% of superintendents and principals found TESS to be “not very useful” compared to just over a third of teachers.

Usefulness of TESS among superintendents, principals, and teachers

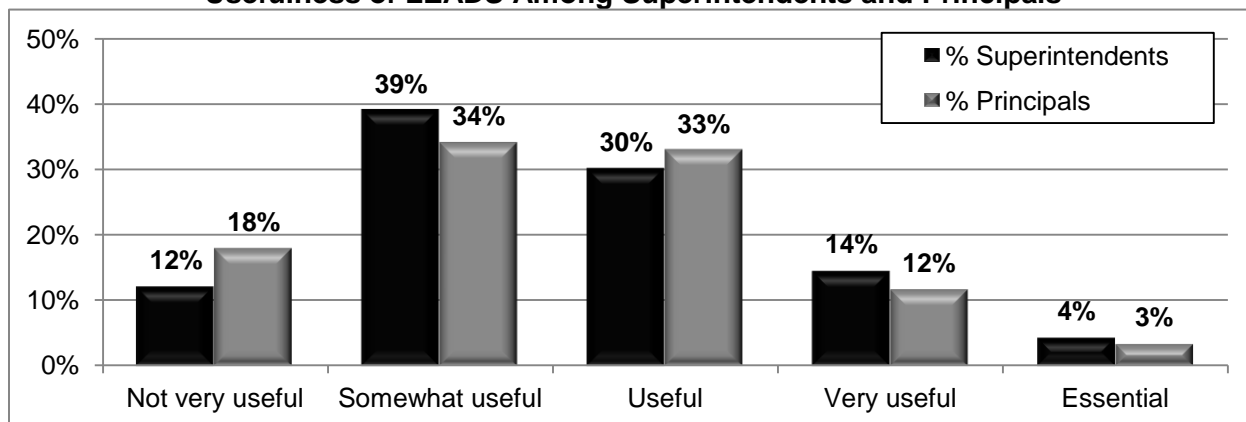


During the site visits with principals, the most common response regarding TESS was that it was time-consuming. Of the 73 principals interviewed, about 53% noted the system was time-consuming, even among some principals who considered TESS “useful”.

In the teacher survey, teachers were given the option to provide additional comments to the legislators. More than 130 teachers responded to this question, and 63% of these responses mentioned TESS or teacher evaluations. All of the TESS-related responses viewed TESS in a negative way. Many of the respondents viewed TESS as ineffective or as a “waste of time”. One of the biggest complaints was how time-consuming the program was and that it required an unnecessary amount of paperwork.

Principals and superintendents were also asked for their opinions about LEADS. About 48% of superintendents and principals considered LEADS to be “useful” to “essential”, but slightly higher percentages of superintendents than principals considered it “very useful” or “essential”.

Usefulness of LEADS Among Superintendents and Principals



When principals were interviewed about LEADS, the most common response among the interviewed was that it was a good system. Nearly 36% of interviewed principals considered it helpful. The other most common positive comments were that the program provided the opportunity for good conversations and reflection. Principals also noted clear expectations and a helpful rubric. The second most common response (about 26%) was that LEADS was time-consuming, even among some of those who viewed LEADS as useful and made other positive comments.

Section 8: Academic Facilities

State facilities funding has generally drawn from three funding sources:

1. General Revenue
2. Savings from older facilities funding programs being phased out
3. Fund transfers and balances

The following tables show the funding amounts provided to the Facilities Division for all facilities funding since the facilities programs were created. The state facilities programs have received an average of about \$102 million annually between 2006 and 2018.

| State Facilities Funding | | | | |
|--------------------------|-----------------|--|---------------------------------------|------------------------|
| Fiscal Year | General Revenue | Transfers from Savings in Predecessor Programs | Other Funding (or Funding Reductions) | Total Annual Funding |
| FY2005 | | | \$20,000,000 | \$20,000,000 |
| FY2006 | | | \$52,442,524 | \$52,442,524 |
| FY2007 | \$35,000,000 | \$5,211,326 | \$48,960,424 | \$89,171,750 |
| FY2008 | \$35,000,000 | \$10,534,873 | \$455,597,052 | \$501,131,925 |
| FY2009 | \$35,000,000 | \$14,140,709 | | \$49,140,709 |
| FY2010 | \$33,633,641 | \$18,163,282 | (\$17,301,487) | \$34,495,436 |
| FY2011 | \$34,828,951 | \$20,391,765 | | \$55,220,716 |
| FY2012 | \$35,345,364 | \$22,654,247 | (\$2,000,000) | \$55,999,611 |
| FY2013 | \$34,828,951 | \$25,144,317 | | \$59,973,268 |
| FY2014 | \$34,828,951 | \$27,477,005 | \$20,000,000 | \$82,305,956 |
| FY2015 | \$34,828,951 | \$13,690,010 | | \$48,518,961 |
| FY2016 | \$41,828,951 | \$14,447,258 | \$40,000,000 | \$96,276,209 |
| FY2017 | \$41,828,951 | \$15,295,120 | | \$57,124,071 |
| FY2018 | \$41,727,373 | \$16,343,011 | \$90,000,000 | \$148,070,384 |
| | | | | \$1,349,871,520 |

The following table shows total state expenditures for the facilities programs. This represents money the Facilities Division has spent. Between 2006 and 2017, the state has spent an average of about \$86.5 million annually.²¹

| State Facilities Expenditures | | | | | |
|-------------------------------|---------------------|----------------------------------|----------------------|--------------------|------------------------|
| Fiscal Year | Immediate Repair | Transitional Academic Facilities | Partnership | Catastrophic | Total |
| FY2005 | \$0 | \$0 | \$0 | \$0 | \$0 |
| FY2006 | \$14,823,794 | \$15,791,117 | \$0 | \$0 | \$30,614,912 |
| FY2007 | \$11,389,313 | \$54,035,149 | \$17,631,819 | \$0 | \$83,056,281 |
| FY2008 | \$1,866,846 | \$12,532,629 | \$90,460,859 | \$135,326 | \$104,995,661 |
| FY2009 | | \$3,641,105 | \$118,688,682 | \$216,327 | \$122,546,114 |
| FY2010 | | | \$111,508,049 | \$1,853,136 | \$113,361,185 |
| FY2011 | | | \$120,734,428 | \$77,425 | \$120,811,853 |
| FY2012 | | | \$93,302,830 | \$114,178 | \$93,417,008 |
| FY2013 | | | \$94,509,046 | \$146,364 | \$94,655,410 |
| FY2014 | | | \$56,219,864 | \$250,552 | \$56,470,416 |
| FY2015 | | | \$53,298,055 | \$43,610 | \$53,341,665 |
| FY2016 | | | \$90,671,609 | | \$90,671,609 |
| FY2017 | | | \$73,790,144 | | \$73,790,114 |
| Total | \$28,079,953 | \$86,000,000 | \$920,815,385 | \$2,836,918 | \$1,037,732,258 |

²¹ The total state expenditures include some state-level administrative costs of running the facilities funding programs. As a result, these numbers do not match exactly the amounts of funding provided to school districts for facilities projects.

As of August 2018, the Facilities Division has provided to districts or committed to providing them a total of \$1,369,836,658 in total facilities funding through FY19 (that figure includes the cost of consultants hired by the Division), and the Division has received or is expected to receive through FY19 a total of \$1,409,091,373 since the facilities programs inception. That leaves about \$39 million in excess funding to be used to fund future projects.

PARTNERSHIP PROGRAM

The **Academic Facilities Partnership Program** is the state’s main school facilities funding program for ongoing facilities construction needs. The state and the districts share the cost of school facilities construction based on the wealth of each school district. Under the program, the Facilities Division helps schools identify immediate and long-term building needs and distributes funding for a portion of the cost of necessary construction. The Partnership Program only pays for K-12 academic facilities. Administration buildings, pre-K buildings and education service cooperatives are not considered academic facilities. The Partnership Program funds new construction projects and major renovations, not general repair or maintenance. Every two years, districts apply for Partnership Program funding, and the Facilities Commission approves projects that qualify for funding, as it is available. The Partnership Program does not pay for anything that “could be classified as maintenance, repair, [or] renovation other than a total renovation project” (Rules governing the Academic Facilities Partnership Program, 3.19.1). Generally, only projects that cost more than \$300 per student or a total of at least \$150,000 qualify for funding. Open enrollment charter schools are not eligible for Partnership Program funding.²² The Partnership Program provides funding for districts to pay for the following types of facilities projects:

1. **New construction needed to ensure a warm, safe and dry environment:** There are two types of projects that qualify as warm, safe and dry: **systems** projects, which support facilities’ basic systems needs, such as fire alarms or replacement of a building’s roof, plumbing, HVAC, or electrical system, and **space replacement**, which include renovations or construction projects to replace an existing building or space that the Facilities Division determines does not provide a warm, safe and dry environment.
2. **New facilities:** New facilities are newly constructed buildings, not renovations of or additions to existing buildings. These projects are typically necessary due to enrollment growth in the district. If a non-growing district applies for funding under the “new facility” category and the district does not plan to build at least 50% more space than it is demolishing, the Division recategorizes the project as a WSD-Space Replacement project.
3. **Add-ons or conversions:** Academic areas that are added to an existing building or projects that convert space for another academic use.
 New facilities, add-ons and conversions are also collectively known as **space projects**.
4. Projects resulting from a **district consolidation or annexation:** A new building or addition that supports a voluntary consolidation or annexation.

Of the 235 currently operating districts, 17 had not received any Partnership Program payments as of November 2017.

| | | | |
|----------------|----------------------|-------------|--------------|
| Crossett | Rector | Calico Rock | Nevada |
| Gravette | West Side (Cleburne) | Ashdown | Russellville |
| Lead Hill | Fountain Lake | Armored | Little Rock |
| Eureka Springs | Cedar Ridge | Brinkley | Shirley |
| Fayetteville | | | |

²² Act 739 of 2015 created the Open-Enrollment Charter School Facilities Funding Aid Program and Act 735 of 2015 transferred \$5 million in money available from a charter school facilities loan fund for this program. Since then, about \$5 million has been provided for each of the last two years.

However, three of these districts (Crossett, Lead Hill and Ashdown) have approved and funded Partnership projects in the works for the 2015-17 or 2017-19 funding cycle. Six of these districts (Crossett, Lead Hill, Rector, Calico Rock, Brinkley, and Shirley) received funding from earlier facilities funding programs (Immediate Repair or Transitional). **Ten districts** (Gravette, Eureka Springs, West Side [Cleburne County], Fountain Lake, Cedar Ridge, Armorel, Nevada, Russellville, Little Rock and Fayetteville) **have never received state funding for facilities** (at least not through the four funding programs created in 2005) and had no approved and funded projects in process as of November 2017. **Nine of those ten districts have a Facilities Wealth Index above .90**, which means they would qualify for only a small percentage of project costs to be covered by the state. Some of these districts may have decided the small amount of state funding available was not worth the time and effort it takes to apply.

MILLAGES

To draw down the state share of Partnership funding, districts must contribute their share of local funding. There has long been concern that some districts would be unable to pass enough millage to raise the local share. This section of the report examines the variations in district millages and the extent to which the passage of millage elections affects districts' facilities expenditures.

Districts use debt service millage to generate revenue to pay the long-term cost of construction and renovation. According to the millages approved in 2016 (for collection in 2017), all districts but two (Salem and Gosnell) have passed some level of debt service mills. The number of debt service mills each district has ranges from 1.30 (Lee County) to 23.90 (Fouke). One district, Harrisburg, has two different millages. (In 2010, the Weiner school District was consolidated into Harrisburg, but voters there have never approved a unified millage.) The average number of debt service mills among Arkansas school districts is just over 12 mills.

Since 2005, elections seeking an increase in debt service mills fail, on average, about 42% of the time. Often when a district's millage attempt fails, the district attempts another millage in subsequent years. Many times a second or third try is successful, especially when a lower millage is requested. However, at least 19 school districts had millage elections between 2005 and 2017 to increase debt service mills, but have never been successful.

FACILITIES WEALTH INDEX

The amount of money the state pays for each Partnership project depends on the district's **Facilities Wealth Index**. The wealth index is calculated as a percentage, with wealthier districts having a higher percentage. 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%.

A school district's Facilities Wealth Index is determined by first calculating the value of one mill per student. For example, the value of one mill per student in a district with 500 students and a total assessment of \$100 million would be \$200.

Districts are then ranked by the value of one mill per student, and percentile values are assigned to each district where the first percentile contains the 1% of students with the lowest value of one mill per student, and the 100th percentile contains the 1% of students with the highest value per mill. Then, the value of 1 mill per student in each school district is divided by the value of one mill per student of the district at the 95th percentile. For 2017, Poyen School District had the lowest Wealth Index at .13293, meaning the state pays for about 87% of each approved project. Fifteen districts had the highest wealth index, .9950. The state pays 0.5% of each of their approved projects.

It's important to note that a district considered wealthy in terms of property wealth may not be a wealthy district in terms of students' family incomes. The table below shows the relationship statewide between

districts’ facility wealth index and their FRPL percentage. All districts were ranked based on their 2016-17 wealth index and placed in quartiles. For each wealth index quartile, an average was calculated of districts’ FRPL percentage. There is no significant relationship between districts’ wealth indexes and their FRPL percentages.

| | 2016-17 Wealth Index (District Share) | 2016-17 Avg. FRPL % |
|------------------|--|----------------------------|
| Poorer | Quartile 1: 13.3-36.4 | 64.11% |
| | Quartile 2: 36.6-48.0 | 66.13% |
| | Quartile 3: 48.0-64.9 | 68.13% |
| Wealthier | Quartile 4: 65.3-99.5 | 66.09% |

DECLINING ENROLLMENT AND HIGH GROWTH: IMPACT ON FACILITIES WEALTH INDEX

The Education Committees that formulated the original facilities wealth index had concerns about the measure’s impact on districts with rapid enrollment growth or declines, according to the final 2006 Adequacy Study report. The table below shows that declining enrollment can lead to a higher wealth index and districts bearing a greater share of the cost of construction. The table below shows the average wealth index of the 28 districts that lost at least 20% of their ADM between 2008 and 2017 (excluding districts that were part of a consolidation). The districts’ average wealth index increased by almost 17 percentage points. The opposite was true of growing districts. The average wealth index among the 14 districts that had enrollment increases of at least 20% decreased over time, meaning the state kicked in a larger share for those districts’ construction projects.

Districts Declining or Growing By at Least 20% Between 2008 and 2017

| | Average Wealth Index (District Share) | | |
|---------------------------------|--|-------------|-------------|
| | 2008 | 2012 | 2017 |
| Declining (28 districts) | 47.2 | 52.8 | 63.9 |
| Growing (14 districts) | 47.0 | 43.7 | 39.1 |

ADVISORY COMMITTEE RECOMMENDATIONS

Act 801 of 2017 tasked the Advisory Committee on Public School Academic Facilities with conducting a comprehensive review of the school facilities programs and advising the Facilities Division on recommended changes. The issues the study was required to review included the following:

1. Long-term viability of the program
2. Efficacy of the facilities wealth index
3. Project prioritization process
4. Program funding cycles
5. Enrollment projections
6. Cost factors used in the Partnership Program
7. Rules governing academic facilities programs
8. Degree to which school districts are complying with usage requirements for the statewide computerized maintenance management system.

The Advisory Committee began meeting in July 2017 and presented its final report to the Facilities Commission with its analysis on July 31, 2018. The Advisory Committee members also presented the Committee’s recommendations to the Academic Facilities Oversight Committee on August 21, 2018. The Advisory Committee made the following recommendations, which are provided here in slightly revised and abbreviated form:

- Facilities planning should transition from the current school district-led plan to a systematic statewide plan focused on prioritizing and addressing aggregate statewide needs.

- Beginning with the 2021-23 Partnership Program project funding cycle and the 2020 Master Plan, the Facilities Division will develop statewide needs priority lists to initiate the school districts' planning process.
- The Facilities Division will develop two Statewide Facility Needs Lists—for Space/Growth needs and for Warm, Safe and Dry needs.
- State Partnership Program funding should be an annual budgeted amount of \$90 million.
- Districts should be ranked in the Statewide Space/Growth Needs List on four equally weighted factors: actual enrollment growth percentage for the last 10 years, projected five-year enrollment percentage, projected five-year enrollment count and nominal school district suitability
- School campuses Warm, Safe and Dry Systems should be ranked in the Statewide Warm, Safe and Dry Needs List on three equally weighted factors: Campus value, district value, facility condition index, data from school districts' Master Plans will be used to determine system replacement costs in years 0-5 and years 6-10.
- Partnership Program funds should be distributed equally between Warm, Safe and Dry Systems projects and Space/Growth projects.
- Adjust the current facilities wealth index to include a factor for median income in the school district to account for poverty and calculate the value of the mill per student based on the greatest enrollment of the last 10 years to adjust for significant enrollment changes.
- Adopt the revised Academic Facilities Wealth Index during the 2019 Legislative Session and implement it to become effective for the 2021-23 project funding cycle.
- The three Partnership Program project categories should be changed to split Partnership Program funds into two "pots" – one pot for WSD systems projects and a second pot for Space/Growth projects.
- Space/Growth Projects should be limited to specified enrollment projections and space requirements based on demonstrated suitability per the Partnership Program rules.
- Warm, Safe and Dry Systems Projects should be limited to roofs, plumbing, electrical, fire and life safety, structural, security, and partial HVAC system replacements that are part of an energy savings contract. Projects should cost at least \$150,000 or \$300 per student to qualify for funding.
- Projects should be prioritized for funding in two lists using three ranking factors: statewide facilities needs lists, academic facilities wealth index, and facilities maintenance composite assessment
- The Facilities Division should publish actual cost factors based on its annual reviews of actual cost data.
- Partnership Program maximum cost factors for each of the 12 regions should be the lesser of the actual cost factors or \$200 per square foot.
- The Facilities Division should investigate opportunities for Partnership Program efficiencies in statewide procurement for design and construction services, such as with master contracts that could be negotiated on behalf of the smallest districts to reduce costs for local districts and the state share.
- The Facilities Division should establish Master Plan and Partnership Program project application timelines to ensure that all project applications receive an "early" review to ensure completeness and compliance and to ensure that the Master Plan remains the foundation of the State's and school districts' facilities programs. With processes to ensure "early" review of all Partnership Program project applications, Act 864 of 2017 can be repealed.

- The Facilities Division may wish to consider requiring schools to list their respective building fund balances in their Master Plans filed with the state, but the Advisory Committee makes no recommendation to restrict state share of funding based on building fund balances.
- The Division should establish a Facilities Maintenance Composite Assessment program to evaluate Arkansas school facilities conditions and appearances, and determine and verify the implementation of an effective maintenance management system. Among other functions, the Facilities Maintenance Composite Assessment should provide a statewide overview of public school facilities conditions and maintenance operations performance, gather and share best practices across the state, establish a baseline condition score of current facilities maintenance programs, and provide an additional ranking factor to be used for funding requests for the Partnership Program
- To ensure the Facilities Division is able to implement the Facilities Maintenance Composite Assessment program and to obtain high quality data about the current condition of the schools in a format amenable to analysis, the Division needs to bring its capacity for collecting and using data up to best practice standards.
- To improve the overall data quality the Facilities Division should have an audit of the Division's current data assets, map them and create a database structure, and develop and implement recommendations to gain better intelligence and decision support regarding school facilities in Arkansas.

Section 9: Special Topics

CAREER AND TECHNICAL EDUCATION

Arkansas law asserts that “A rigorous career and technical education program of study that links secondary education and postsecondary education and combines academic and technical education in a structured sequence of courses that progresses from broad foundation skills to occupationally specific courses shall be made available” (A.C.A. § 6-5-1002(b)(1)).

While the adequacy study statute (A.C.A. § 10-3-2102) does not specifically require analysis of career and technical education, the final report of the 2016 educational adequacy study tied CTE with educational adequacy by enhancing the definition of “adequacy” to include opportunities for career readiness. The first component of the House and Senate Education Committees’ current definition of educational adequacy was amended to include the italicized language below:

“The standards included in the state’s curriculum frameworks, which define what all Arkansas students are to be taught, including specific grade level curriculum, a mandatory thirty-eight (38) Carnegie units defined by the Arkansas Standards of Accreditation to be taught at the high school level, *and opportunities for students to develop career readiness skills.*”²³

CAREER AND TECHNICAL K-12 EDUCATION REQUIREMENTS

District/School Accreditation Requirements

While the Arkansas Department of Career Education (ARCareerEd) is the main regulatory agency for CTE education, the ADE and the SBOE are responsible for setting the state’s Accreditation Standards for schools, including the number of CTE courses schools must teach. Under ADE’s Rules Governing Standards for Accreditation of Arkansas Public Schools and School Districts, schools that serve students in grades 5 through 8 are required to annually provide instruction in career and technical education. Until 2018, the Accreditation Standards also required schools serving students in kindergarten through 4th grade to provide instruction each year in practical living skills and career exploration. Despite these requirements, neither ADE nor ARCareerEd had developed academic standards/curriculum frameworks to describe the career content schools are to teach in kindergarten through 6th grade. And in 2018, the Accreditation Standards were amended, eliminating the K-4 practical living skills and career exploration requirements altogether.

Most of the focus on CTE instruction occurs at the high school level. Schools that serve students in grades 9 through 12 are required to teach nine units of CTE. The nine CTE courses high schools are required to teach must represent at least three of 16 occupational areas, or career clusters.^{24, 25}

ADE monitors whether districts teach at least the required nine units of CTE courses, and ARCareerEd monitors whether the nine units provide programs of study in at least three occupational areas. Each career cluster is divided into career pathways and further into programs of study.

CTE PROGRAMS OF STUDY

Arkansas school districts collectively offered a total of 58 programs of study in 2016-17, though individual districts typically offer only a selection of those programs. There is significant variety in the number of programs of study offered in 2016-17 by each high school, ranging from three programs of study in seven of the state’s traditional high schools to 24 programs in one high school.

²³ Final Report on the Legislative Hearings for the 2016 Educational Adequacy Study, http://www.arkleg.state.ar.us/education/K12/AdequacyReportYears/2016HouseEducationalAdequacyReportVolume1_Feb2017_Revision.pdf and http://www.arkleg.state.ar.us/education/K12/AdequacyReportYears/2016_Adequacy-Report_Volume-I_2017-11-01%20SENATE%20Revision.pdf, p. 105.

²⁴ ADE, Rules Governing Standards for Accreditation of Arkansas Public Schools and School Districts, 9.03.4.11

²⁵ Arkansas Department of Career Education, <http://ace.arkansas.gov/cte/careerClusters/Pages/default.aspx>

GRADUATION REQUIREMENTS

Just as high schools are required to *teach* CTE courses, students are required to *take* career courses as a component of their graduation requirements. To graduate from high school, all students are required to take six Career Focus units. Career Focus credits and CTE courses are generally similar in concept. However, students can receive Career Focus credits toward their graduation requirement for courses that are not considered CTE courses. High school guidance counselors or other school staff work with students to create a “Career Development Portfolio.”²⁶ The portfolio typically contains a student’s résumé, transcript, ACT scores, career planning assessment, a list of non-family references and recommendation letters, and a list of courses needed in post-secondary level to complete the student’s desired degree. Courses that align with the student’s career plans can be counted as the student’s career focus units even if the classes are not generally considered CTE courses.

Additionally, a new graduation requirement was added during the General Assembly’s 2017 session, which can be fulfilled with certain selected CTE courses. Act 480 of 2017 requires students in 10th, 11th, or 12th grades to take a course containing personal finance standards before they graduate from high school. The requirement starts with the freshman class in 2017-18.

DELIVERY OF CTE INSTRUCTION

School districts can offer career and technical courses in two ways. They can offer the courses on their own campus, using their own teachers or online digital learning courses, or they can send students to the closest Secondary Area Career Center that serves multiple districts. Districts may offer some courses on their own campus and send students to Career Centers for others. Career Centers draw students from multiple high schools, allowing them to provide high-cost career and technical programs. However, sending students to a Career Center can take significant time from a student’s daily schedule simply for transportation to and from the Center. In addition to the time, transportation also may pose a significant cost to districts. Districts also offer some CTE courses on their own campus because some CTE courses do not require expensive equipment and can be taught easily in students’ home high schools.

SECONDARY AREA CAREER CENTERS

Called “secondary vocational centers” or “multidistrict vocational centers” in statute (and a variety of names in rule), Secondary Area Career Centers are typically sponsored by high schools or two-year colleges (although one center is sponsored by an education service cooperative with instruction delivered by two higher education institutions, while another center is sponsored by a technical institute). There are currently 25 Career Centers with 26 satellite locations designed to serve high school students within a defined geographical region. State law calls for the establishment of at least one area vocational center in each of the 15 education service cooperative service areas and one in Pulaski County.

In May 2016, the Career Education and Workforce Development Board approved two new pilot centers: the Black River Technical College in Pocahontas and Arkansas State University in Newport. In 2016-17, the pilot centers served a total of six school districts that previously did not have access to a Career Center. In 2017-18, the Pocahontas Career Center added four additional participating districts (Marmaduke, Rector, Lawrence County, and Maynard)²⁷, and the Newport center added one school district (Augusta). (McCrary was permitted to join the Newport center, but decided against it due to travel logistics.)²⁸

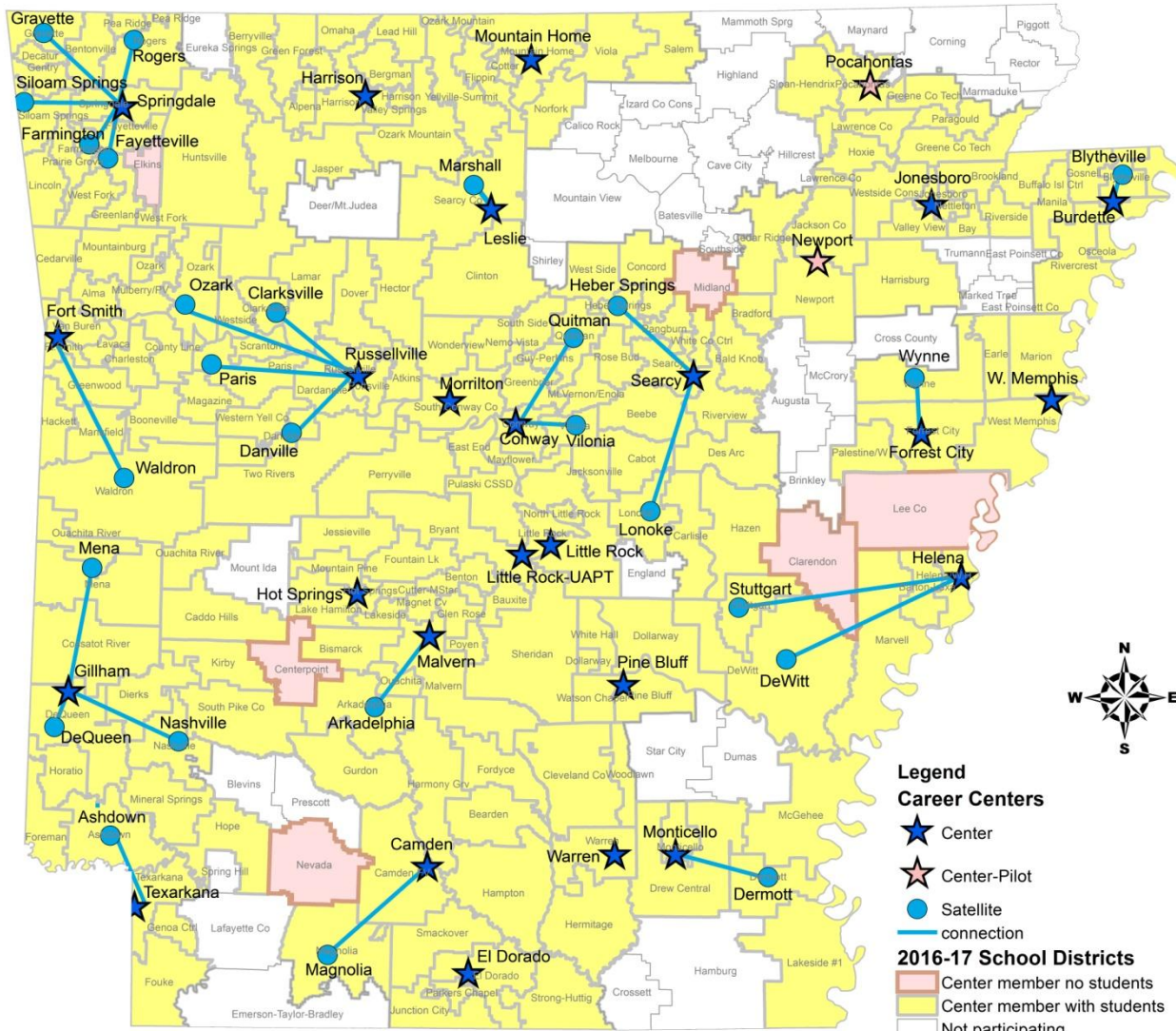
In total, 37 school districts were not members of any Career Center either because they did not have close enough access to a center or because they opted not to participate.

²⁶ Arkansas Department of Career Education, Program Policies and Procedures for Career and Technical Education, Secondary Programs Adult Skill Training, Section III, D.

²⁷ Taylor, S., Black River Technical College TOPPS, January 22, 2018 phone conversation

²⁸ Myers, T., ASU-Newport IGNITE Academy, January 22, 2018 phone conversation

The following map shows the locations of the Career Centers and their satellite locations in 2016-17. It also shows the school districts that were members of a Career Center that year and had students taking courses there; districts that were members of a Career Center, but didn't have students participating; and districts that were not members of any Career Center. Districts that were not members of a Career Center either may not have been close enough to a Career Center or they may have been close enough, but chose not to participate.



Map prepared by the Bureau of Legislative Research, Policy Analysis & Research Section School District Boundaries from the Ark. Geographical Informational Office (GEOSTOR) Data Source: Arkansas Department of Career Education

10 5 0 10 20 30 40 Miles

Career Center Students and Programs

In 2016-17, 187 school districts and one open enrollment charter school (KIPP) sent 18,622 students to Secondary Career Centers for courses.²⁹ That year 43 school districts and 23 open enrollment charter schools did not use a Career Center either because they elected not to or because they did not have access to a center in their area. (Some charter schools do not serve high school students.) Each center served between 135 and about 1,900 students and drew students from between three neighboring school districts and 18. Some school districts sent students to more than one center. Currently, the

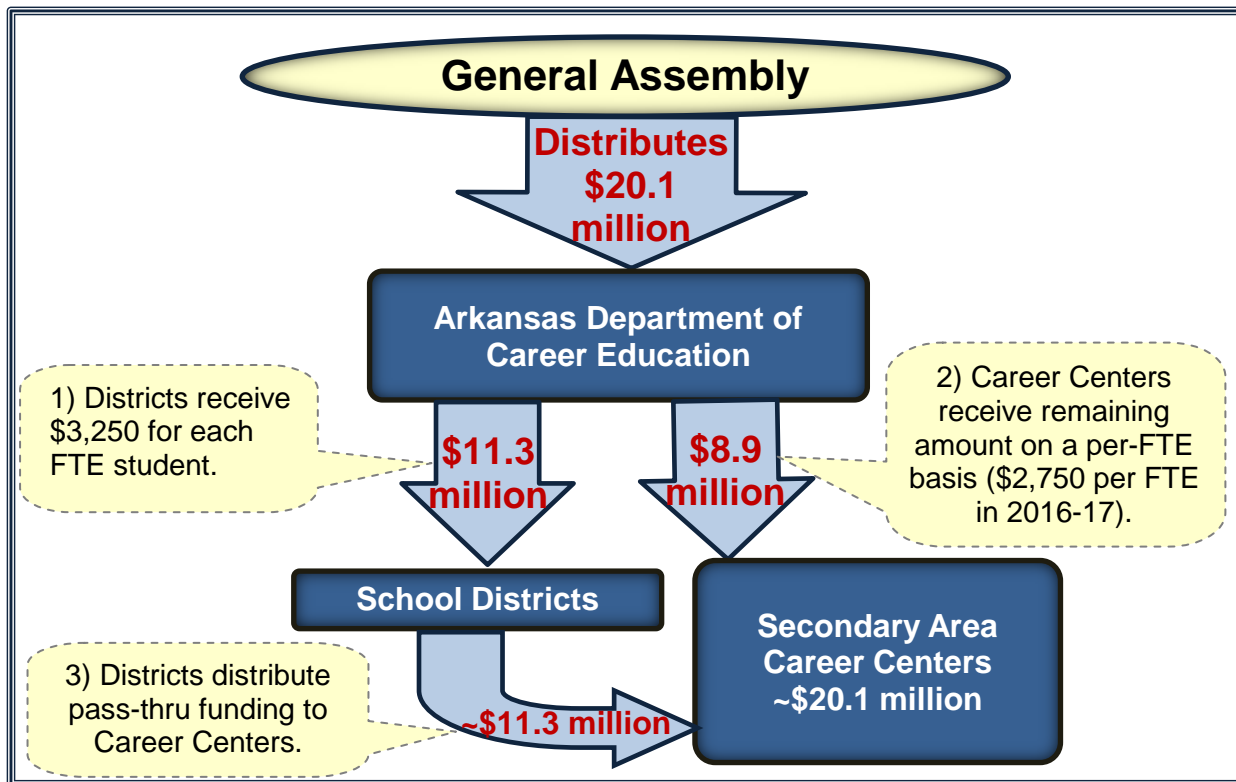
²⁹ Isaacs, S., Arkansas Department of Career Education, Oct. 31, 2017 email.

Career Centers collectively offer 34 different programs of study, though each Career Center and satellite offers between 3 and 12 programs of study. ARCareerEd’s policies require Secondary Career Centers to have at least six programs of study by the end of the center’s fourth year in operation, though five of the centers have fewer than the six required programs. ARCareerEd staff indicate that the policy manual is currently being updated to focus more on ensuring the Career Centers offer quality programs rather than a certain quantity of programs.

Career Center Funding

To support the Career Centers, the General Assembly provides about \$20.1 million to ARCareerEd. (The two pilot Career Centers are not paid through the this appropriation. Instead, ARCareerEd uses a total of about \$500,000 from its share of the Educational Excellence Trust Fund to pay these pilot centers.) The agency then distributes the \$20.1 million in two parts. The department provides school districts with \$3,250 per full-time equivalent student (FTE) based on each district’s prior-year enrollment in career education courses provided by the Career Centers. This per-student amount is specified in statute (in the same section of code that specifies other adequacy-related funding, including foundation and categorical funding) and it has remained unchanged since it was first established through Act 59 of 2003 (A.C.A. § 6-20-2305(b)(2)(B)). For the 2016-17 school year, a total of \$11,307,689 was provided to 176 districts for about 3,480 FTE students (based on prior year FTEs). This funding is considered pass-through funding because each year the Career Centers bill participating high schools for student training fees based on the school’s FTE count.

After these reimbursements are paid to districts, ARCareerEd sends the funds remaining from the original \$20.1 million directly to the Career Centers for program operation and administration expenses. This funding is distributed to each Career Center based on the current year FTE student count of each center. In 2016-17, this portion of the funding totaled \$8,944,860, or \$2,750 per student.³⁰ Ultimately, with this funding and the funding that passes through the school districts, Career Centers receive the entire \$20.1 million.



³⁰ Isaacs, S., Arkansas Department of Career Education, Oct. 31, 2017 email.

This vocational center aid funding has remained flat at about \$20.1 million for a number of years. However, the number of FTE students attending Career Centers has increased. This results in Career Centers receiving less funding each year per student. For example, in 2012-13, after ARCareerEd distributed \$3,250 per FTE to the districts, the remaining amount provided about \$3,600 per student for fewer than 3,000 FTE students served by the Career Centers. In 2015-16, the number of FTE students attending Career Center classes increased to more than 3,400 FTEs, leaving just \$2,700 per student for the Career Centers.³¹ That said, the number of FTEs dropped by about 200 students in 2016-17.

In 2016-17, Career Centers received about \$6,226 per FTE (based on 2016-17 FTE counts). Collectively the Career Centers spent \$22.76 million, or \$7,005 per FTE.³² The expenditures include Career Centers' spending of other types of funding they may receive, as well as fund balances retained from previous years.

TOTAL CTE EXPENDITURES

An unduplicated total for K-12 CTE expenditures in Arkansas is difficult to obtain because CTE instruction is provided in a variety of ways by different types of entities. Because many districts are paying other school districts or career centers to provide CTE instruction for their students through Secondary Career Centers, the expenditures for a single student may be double counted when tallying expenditures statewide. They may be counted once as an expenditure by the sending district when it pays the Career Center and again by the Career Center when it actually provides instruction.

Despite those issues, this report attempts to document the total CTE expenditures of districts and charter schools as recorded in APSCN. The following figures do not include the expenditures of Secondary Career Centers housed by two-year higher education institutions. Districts and charter schools typically spend about \$120 million annually on career and technical education.³³ District expenditures in 2016-17 equated to about \$254 per student statewide. The figures in the chart below show the expenditures of school districts only. In 2016-17, charter schools did not report any CTE expenditures, despite the fact that they did have students enrolled in CTE courses. Districts used foundation funding and other local funds to pay for the vast majority of those expenditures, as shown in the table below.

| District/Charter School Funding Used to Pay For CTE Expenditures | 2016-17 Total | Per K-12 Student |
|---|----------------------|------------------|
| Foundation Funding and Other Local Funds | \$101,615,535 | \$215 |
| Vocational Center Aid (Career Center Funding) | \$10,170,896 | \$22 |
| Perkins Funding | \$2,322,356 | \$5 |
| Vocational Start-Up Grants | \$1,800,953 | \$4 |
| Other (e.g., state National School Lunch categorical funding, state Majority to Minority revenue, etc.) | \$4,027,271 | \$9 |
| Total | \$119,937,010 | \$254 |

³¹ McGill, P., Arkansas Department of Career Education, June 30, 2016 emails.

³² These figures do not include expenditures or FTEs from ASU-Mountain Home Career Center because that center was funded with other resources in 2014-15.

³³ Arkansas Public School Computer Network, expenditures in function codes 1300-1399.

TRANSPORTATION

In the past five 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 (the final year for desegregation funding in FY18). In FY17, districts spent \$181 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—\$321.20 per student in 2017—the amount of money districts spent on student transportation varied widely from one district to the next. One district spent about \$165.72 per student on transportation (from all funding sources in 2016-17), while another spent about \$1,115.04 per student.

In March 2018, the BLR 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 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 transportation funding to eligible school districts. If the General Assembly decided to provide supplemental transportation funding for the next biennium, the amount of money distributed could be any size chosen by the Legislature.

SCHOOL AND DISTRICT WAIVERS FROM EDUCATIONAL REQUIREMENTS

Since 1995, the General Assembly has created various kinds of waivers to allow public schools – both charter and traditional – to be exempt from some of the rules and regulations governing education in Arkansas. What began with limited parameters, however, has grown significantly in the last few years. By the middle of the 2016-17 school year, in fact, Arkansas public school districts, public schools and charter school systems were operating under nearly 3,000 waivers from state laws and rules covering Arkansas's education system. Those schools and districts accounted for almost 35% of the state's enrollment in public schools that year.

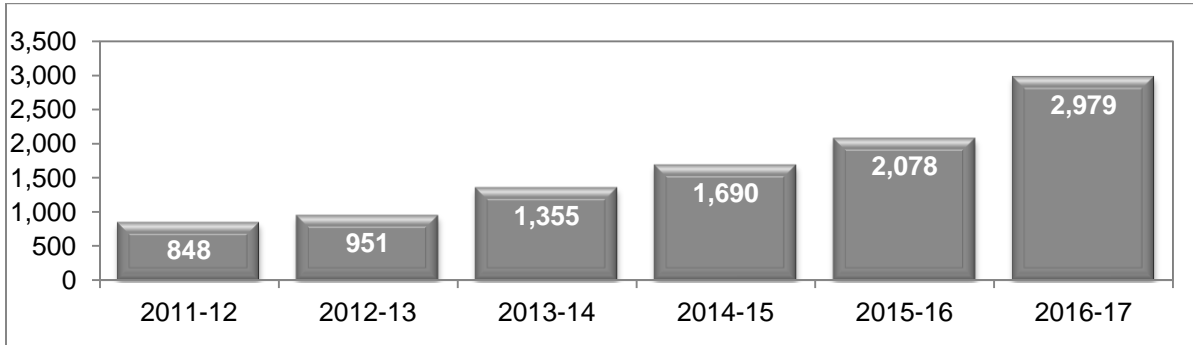
Currently, waivers are granted to school districts in five legal categories:

- Open-enrollment public charter schools
- Conversion charter schools
- Schools (and districts) of innovation
- "Act 1240" districts (districts that lose students to open-enrollment charter schools)
- Minimum school district waivers

School districts receive foundation funding for a variety of resources mandated in law or rule (e.g., certain staffing level requirements, such as teachers and librarians). However, districts are increasingly receiving waivers from these mandates.

CUMULATIVE PICTURE OF WAIVERS

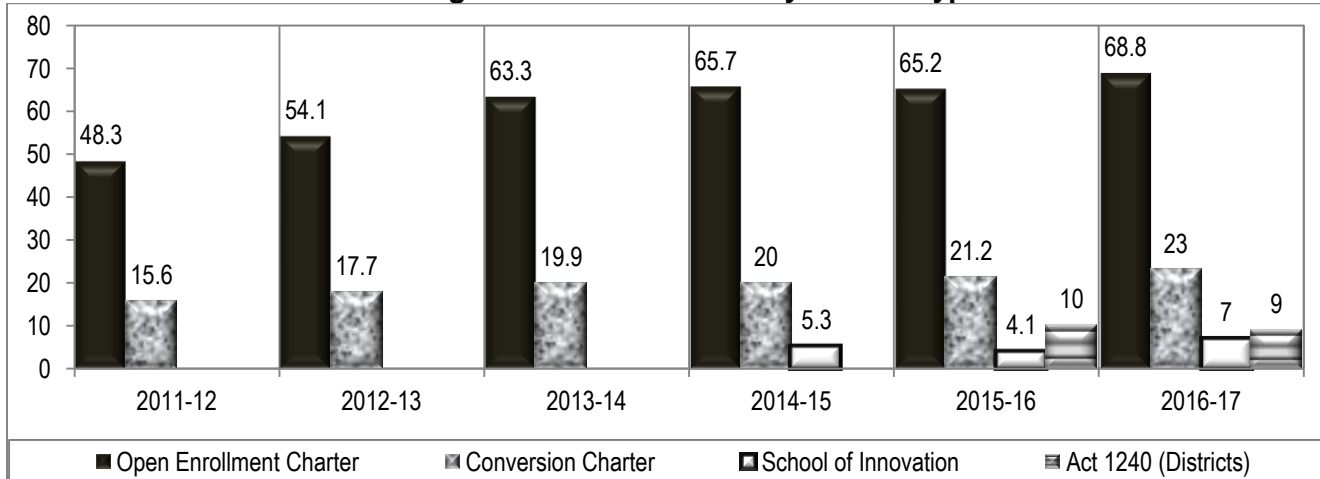
Over the course of six school years (2011-12 through the first half of 2016-17) the number of waivers has more than tripled, as the following chart illustrates:



*This chart does not include the waivers for minimum school district size.

By the 2016-17 school year, 55 schools and 81 districts (including the 24 open-enrollment charter systems) operated under waivers. (This does not include the two districts operating under minimum school district size waivers nor does it include public school districts employing teachers for whom individual waivers have been obtained.) Together, these 55 schools and 81 districts/charter systems educated 166,000 Arkansas students, or nearly 35% of overall enrollment that year. Open-enrollment charter schools, on average, operate under the highest number of waivers; schools of innovation, the least.

Average Number of Waivers by School Type



Section 10: Foundation Funding

Arkansas's K-12 education foundation funding formula, referred to as the matrix, is used to determine the per-pupil level of foundation funding disbursed to each school district. The matrix was not intended to reimburse schools for actual expenditures but rather to provide a methodology for determining an adequate level of funding to allow schools to meet the state's Accreditation Standards and adequately educate Arkansas students. This section of the report evaluates how closely today's schools' staffing and spending matches the matrix assumptions.

For each matrix line, this section of the report provides average staffing levels and expenditures for the 235 districts and 24 open-enrollment charter schools operating in 2016-17. This report also provides the districts' expenditures per student when grouped by district size (based on prior year ADM) and by the percentage of students who are eligible for FRPL.

FOUNDATION FUNDING OVERVIEW

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. Foundation funding is **unrestricted**, meaning the state does not specify what school districts may or may not purchase with it. This policy is intended to provide flexibility 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 | | |
|--------------------|-------------|-----------------|
| | Per Student | Total |
| 2012-13 | \$6,267 | \$2,912,966,526 |
| 2013-14 | \$6,393 | \$2,991,127,688 |
| 2014-15 | \$6,521 | \$3,072,903,260 |
| 2015-16 | \$6,584 | \$3,110,129,510 |
| 2016-17 | \$6,646 | \$3,141,094,992 |
| 2017-18 | \$6,713 | \$3,187,356,298 |

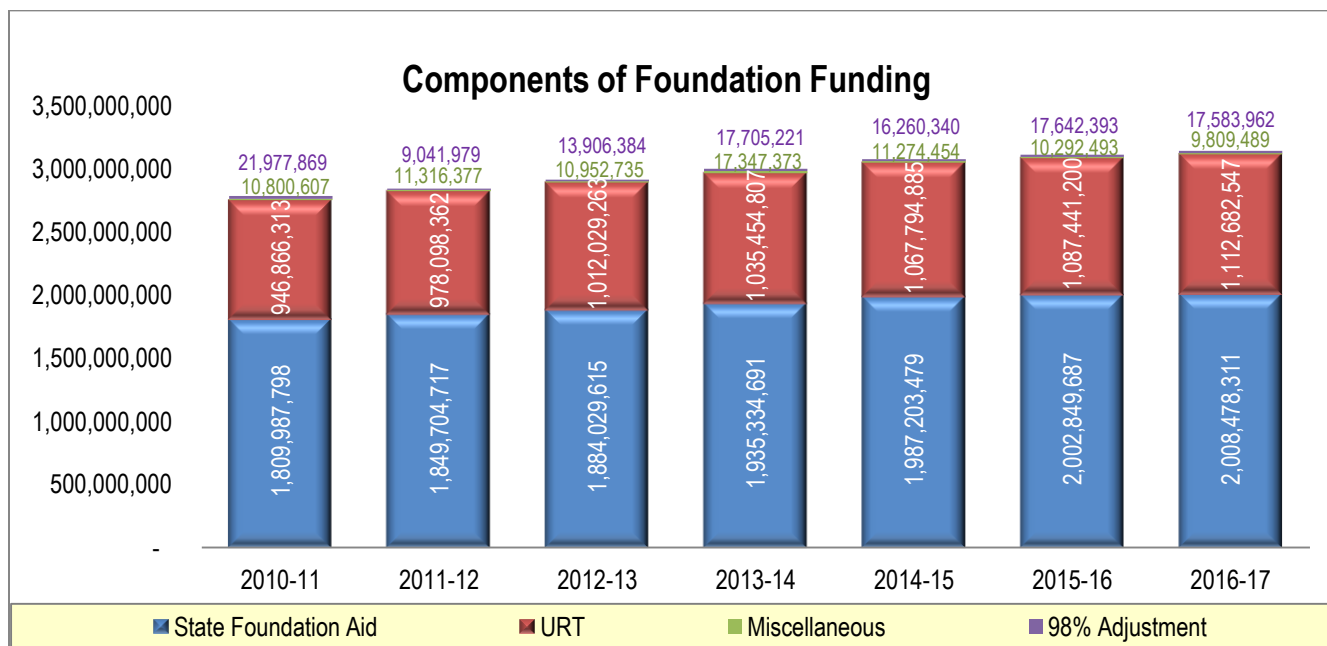
Foundation funding is made up of four types of funding. The two primary sources of funding are the **Uniform Rate of Tax (URT)** and **state foundation funding aid**. The URT is a constitutionally mandated minimum millage rate (or property tax rate) that school districts must levy at the local level. This rate is set at 25 mills, and the revenue generated is used specifically for school operations. State foundation funding aid is then provided to make up the difference between the amount of money raised through the URT (plus the two other smaller types of funding) and the funding level set by the Legislature. For example, if a district's URT generated \$2,646 per student in 2016-17, the district would have received an additional \$4,000 in state foundation funding aid, for a total of \$6,646. The two smaller components of foundation funding are the 98% URT Actual Collection Adjustment and other types of funding collectively considered "miscellaneous funds". The **98% URT Adjustment funding** is state money used to supplement districts where actual URT collections are less than 98% of what was anticipated based on assessments. This funding ensures that districts receive at least 98% of their total URT funding when the county is unable to collect the full amount from its citizens. **Miscellaneous funds** are monies school districts receive from "federal forest reserves, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, and severance taxes," that are "in lieu of taxes and local sales and use taxes dedicated to education" [A.C.A. § 6-20-2303(12)(A) and (B)].

Among districts statewide in 2016-17, URT made up about 35% of the total foundation funding, while state foundation funding aid covered about 64%. However, these percentages varied greatly among individual districts. For example, in the Poyen School District, state foundation aid covered 92% of the foundation funding, with URT paying just 8%. Eight districts in 2016-17 collected more than \$6,646 per

student in URT alone and therefore received no state foundation funding aid.³⁴ For charter schools, which have no tax base from which to collect funds, the entire foundation funding amount is covered by state foundation funding aid.

| Foundation Funding Components | District Total | % of Total | Charter Total | % of Total |
|-------------------------------|------------------------|------------|---------------------|------------|
| URT | \$1,112,682,647 | 36.3% | \$0 | 0% |
| State Foundation Funding Aid | \$1,924,159,757 | 62.8% | \$84,318,554 | 100% |
| 98% Adjustment | \$17,583,692 | 0.6% | \$0 | 0% |
| Miscellaneous | \$9,809,489 | 0.3% | \$0 | 0% |
| Total | \$3,064,235,755 | | \$84,318,554 | |

The following chart shows the changes over time to the four components making up foundation funding. Since 2011, state foundation aid has consistently made up 64-65% of foundation funding, while URT has made up 34-35%.



Foundation funding is distributed based on a school district’s **ADM**, which is the calculation representing 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. For example, the foundation funding rate was \$6,646 for the 2016-17 school year. A school district with 1,000 ADM would receive a total of \$6,646,000 in foundation funding.

THE MATRIX

Arkansas uses a specific formula, known as the **matrix**, to arrive at the per-student funding amount. The matrix calculates the per-student funding based on the cost of personnel and other resources needed to operate a prototypical school of 500 students. Legislators involved in the biennial 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 rate (\$6,646 for 2016-17), the matrix is not established in statute. Instead, it is used as a tool to set the foundation funding rate. The matrix is divided into two basic sections: 1.) the number of people needed for the prototypical school of 500 students, and 2.) the cost of all needed resources. The first section describes the 35.69 school-level personnel needed for the prototypical school.

³⁴ One of these districts was Quitman. While Quitman did not receive any State Foundation Aid, the district did qualify for \$76,495 in 98% URT Adjustment funding in 2016-17.

| | Matrix Item | 2017 FTE |
|----------------------------|----------------------------|-----------------|
| Classroom Teachers | Kindergarten | 2.00 |
| | Grades 1-3 | 5.00 |
| | Grades 4-12 | 13.80 |
| | Non-Core | 4.14 |
| | Subtotal | 24.94 |
| Pupil Support Staff | Special Education | 2.90 |
| | Instructional Facilitators | 2.50 |
| | Library Media Specialist | 0.85 |
| | Counselors & Nurses | 2.50 |
| | Subtotal | 8.75 |
| Administration | Principal | 1.00 |
| | Secretary | 1.00 |
| | Total | 35.69 |

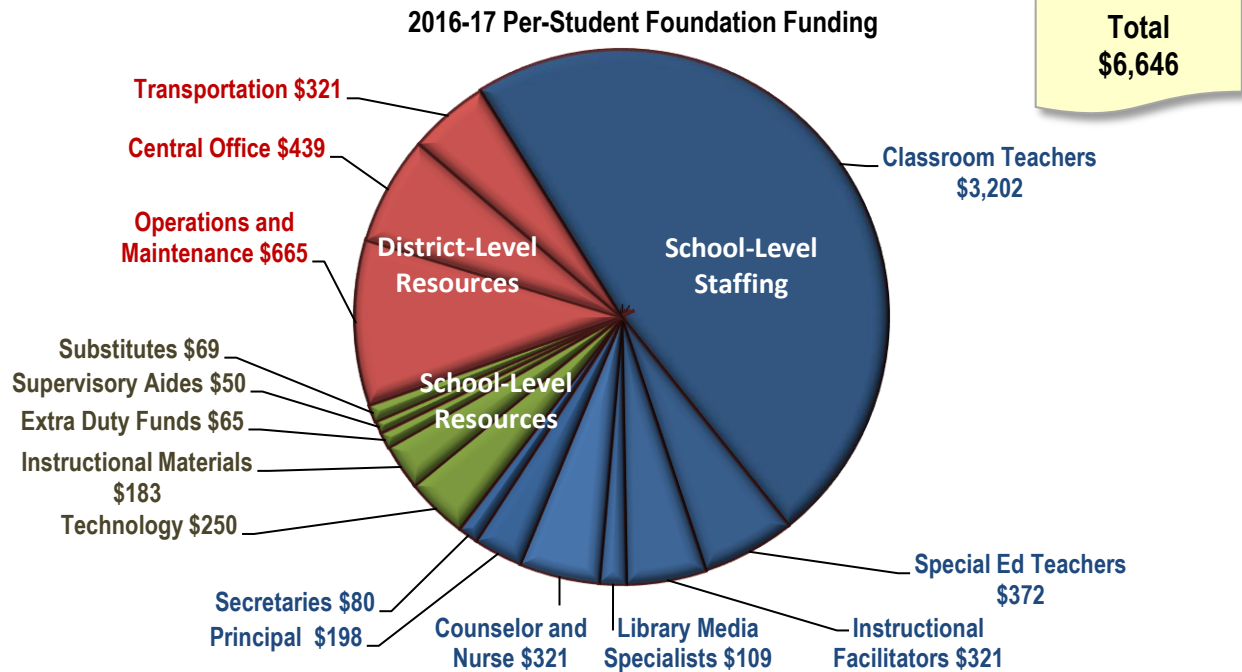
The second section of the matrix specifies the cost of the staff described in the first section of the matrix, as well as the cost of all other needed resources. The matrix is divided into three cost categories:³⁵

1. **School-level salaries** of teachers and other pupil support staff, a principal and a secretary. The matrix also identifies the salaries for the school-level staff and calculates the per-student cost of paying the identified salaries for the number of staff needed. For example, 24.94 classroom teachers at \$64,196 each costs a total of \$1,601,048. For a school of 500 students, that calculates to \$3,202.10 per student.
2. **School-level resources** including instructional materials and technology-related expenses.
3. **District-level resources**, which include funding for districts’ operations & maintenance, central office and transportation expenses.

| School-Level Staffing | Salary & Benefits | Per-Student Funding Amt. |
|------------------------------|------------------------------|---------------------------------|
| Classroom Teachers | \$64,196 | \$3,202.10 |
| Pupil Support Staff | \$64,196 | \$1,123.43 |
| Principal | \$99,012 | \$198.10 |
| Secretary | \$40,031 | 80.10 |

| School-Level Resources | Per-Student Funding Amt. |
|---------------------------------|---------------------------------|
| Technology | \$250.00 |
| Instructional Materials | \$183.10 |
| Extra Duty Funds | \$64.90 |
| Supervisory Aides | \$50.00 |
| Substitutes | \$69.00 |
| District-Level Resources | Per-Student Funding Amt. |
| Operations & Maintenance | \$664.90 |
| Central Office | \$438.80 |
| Transportation | \$321.20 |

³⁵ The individual per-student funding amounts total \$6,645.63, which was rounded up to \$6,646 per student for the total foundation funding rate.



SCHOOL-LEVEL STAFFING

The first component of the matrix is school-level staffing. This component is made up of 24.94 full-time classroom teachers and another 8.725 pupil support staff. This matrix component also includes one principal and one school-level secretary, for a total of 35.69 school-level full-time employees (FTEs). Unlike other parts of the matrix, the school-level staffing section is made up of the number of each type of staff and the salary and benefits for each of those employees. In 2016-17, the per-student funding amount was calculated using a salary of \$64,196 (including benefits) for the teachers and other pupil support staff (guidance counselor, librarian, instructional facilitators, nurses, etc.). The principal funding amount was calculated using a salary of \$99,012 (including benefits), and the school secretary funding amount used a salary of \$40,031 (including benefits). School-level staffing includes the following staff:

- **Classroom Teachers:** Classroom teachers are teachers who have direct daily interaction with students. The matrix funds 24.94 full-time classroom teachers. About 70% of the total 35.69 FTE school-level personnel funded in the matrix are classroom teachers.
- **Special Education Teachers:** The matrix provides funding for 2.9 special education teachers. These teachers are in addition to the 24.94 classroom teachers provided in the matrix.
- **Instructional Facilitators:** 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.” The instructional facilitator line of the matrix funds 2.5 employees for each school of 500 students. Those 2.5 positions allow for a half-time assistant principal (.5 FTE) and a half-time technology assistant (.5 FTE).
- **Library Media Specialists:** The school library media specialist is responsible for budgeting, purchasing and maintaining an appropriate library collection for each school. Library media specialists also ensure that access to records and resource databases are available for students. As licensed teachers, library media specialists also teach students special subject offerings. The matrix provides .85 FTE library media specialists for every 500 students.
- **Counselors, Nurses, and Other Pupil Support:** This line of the matrix provides funding for guidance counselors, nurses, and other pupil support staff, such as speech therapists, social

workers, psychologists, and family outreach workers. State statute requires all districts to develop and implement a plan describing how individual student services will be coordinated and provided (A.C.A. § 6-18-1004). The matrix establishes a staffing level of 2.5 FTEs for counselors, nurses and other pupil support. This includes 1.11 FTEs for a counselor, .67 FTEs for a nurse and .72 FTEs for other student services.

1. **Counselors:** A guidance counselor is a master’s-level certified staff member responsible for a wide variety of activities, including individual and group counseling, orientation programs for new students, and academic advisement for class selection. The matrix provides funding for 1.11 FTE guidance counselors for every 500 students.
 2. **Nurses:** School nurses assess the health of students, deliver emergency care, administer medication and vaccines, perform health care procedures, and provide required health screenings. The matrix provides funding for a .67 FTE nurse for every 500 students.
 3. **Other Pupil Support Services:** Other pupil support services include psychological services, social work services, speech pathology services and audiology services. The matrix provides 0.72 FTE positions within the 2.5 pupil support services staff for student services personnel described under the Public School Student Services Act (§ 6-18-1001 et seq.).
- **Principals:** Principals serve as the building-level leader, ensuring schools run smoothly and improve student achievement. A school principal provides not only administrative oversight for a school but also instructional leadership. The matrix provides funding for 1.0 FTE principal for every 500 students.
 - **School-Level Secretary:** School clerical personnel perform duties essential for the orderly administration of a school’s day-to-day operation, including record-keeping, answering phones, managing the office, and serving as a liaison to parents. The matrix provides funding for 1 school secretary for every 500 students.

OVERVIEW: FTEs AND AVERAGE SALARIES

The following table provides the amount of FTEs and the base salary provided by the matrix for each school-level staffing position. For comparison, the table also provides the number of FTEs per 500 students that districts and charter schools employed using foundation funding as well as the average salaries they paid (calculated using all funding sources).

| | Matrix FTEs | Actual Foundation Paid FTEs | Matrix Salary (excluding benefits) | Actual Average Salary |
|----------------------------|-------------|---|------------------------------------|---|
| Classroom teachers | 24.94 | 24.81 | \$51,093 | \$47,978 |
| Special education teachers | 2.90 | 2.94 | \$51,093 | \$49,278 |
| Instructional facilitators | 2.00 | 0.38 | \$51,093 | \$61,344 |
| Assistant principals | 0.50 | 0.73 | \$51,093 | \$73,865 |
| Librarian | 0.85 | 0.88 | \$51,093 | \$54,010 |
| Guidance counselor | 1.11 | 1.15 | \$51,093 | \$57,357 |
| Nurse | 0.67 | 0.48 | \$51,093 | \$35,601 |
| Other pupil support | 0.72 | 0.20 (does not include contracted pupil support) | \$51,093 | varies depending on position |
| Principal | 1.00 | 0.97 | \$79,631 | \$81,692 |
| Secretary | 1.00 | Not available at the school level | \$31,286 | \$27,028 (includes clerical staff at the central office) |

SCHOOL-LEVEL 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

Technology is a powerful tool that gives teachers, students and administrators new ways to access information and structure education. Technology has allowed students increased opportunities to customize education through virtual or distance learning and allowed new ways of presenting educational information and concepts.

Existing state statute and state Accreditation Standards establish only minimal technology requirements. State Accreditation Standards historically required a minimum of “one (1) computer per media center with multimedia/networking capacity for administrative purposes only” (16.02.4). However, newly approved Accreditation Standards eliminate this requirement.

To identify the issues that are the most significant obstacles to the use of technology in schools, the BLR surveyed superintendents, principals and teachers and asked them to rank the barriers their district/school faces to the use of technology in the classroom. The survey results indicate the superintendents, principals and teachers surveyed agreed that inadequate technology in students’ homes was the most significant barrier. A lack of technology and internet access is a particular problem for Arkansas families. The state ranks 46th among the 50 states and Washington D.C. in the percentage of households with a computer, including smart phones. The state ranks 50th in the percentage of households with internet access, ahead of only Mississippi.

Superintendents, principals, and teachers responding to the technology survey question also agreed the second most significant barrier (a distant second) was an inadequate number of technology support staff. Administrators and teachers differed however, in their ranking of technology equipment and internet access. Teachers ranked an inadequate supply of equipment (beyond computers) and inadequate bandwidth as more significant barriers than superintendents and principals did.

A similar question was asked of superintendents and teachers in the 2016 adequacy study, and the results in 2018 mirror most of the 2016 rankings. However, the issue of inadequate bandwidth diminished as an issue for superintendents. It ranked as the 3rd most significant barrier in 2016, falling to 7th in 2018. This change in the ranking may result from upgrades made to the broadband network connecting districts across the state. However, bandwidth as a barrier ranked as the 4th most significant barrier for the teachers surveyed in both years.

To gauge educators’ satisfaction with the quantity and quality of the technology in their district, the BLR survey asked superintendents, principals and teachers to rate the quantity and the quality of various technology resources in their districts. Superintendents responded that they are less satisfied than principals and teachers with the numbers of tech support staff and instructional staff with technology expertise, while teachers and principals more frequently than superintendents responded that their supply of software and computers fails to meet their school’s needs. A higher percentage of superintendents and principals than teachers rated their computers, software and tech support staff as being “mostly high quality,” but a higher percentage of teachers rated their instructional technology staff as “mostly high quality”.

To identify any issues schools might be having with broadband, superintendents, principals and teachers were asked on the BLR surveys about their satisfaction with bandwidth levels. Superintendents tended to be more satisfied with districts’ broadband than principals and teachers were. About 85% of superintendents said their broadband was sufficient all or most of the time, compared with 82% of principals and 76% of teachers. Superintendents, principals and teachers differed very little in their responses based on the rural or urban nature of their districts.

Distance Learning

A major change affecting districts' technology needs is the significant increase in the delivery of instruction through distance/digital learning. During the 2013 legislative session, the General Assembly passed Act 1280, which requires all school districts to provide at least one digital learning course beginning in the 2014-15 school year.³⁶ The law also requires students, beginning with the ninth grade class of 2014-15, to take at least one digital learning course to graduate from high school. Following the passage of Act 1280, the number of students enrolled in at least one digital learning course increased dramatically, from just over 8,000 students in 2013-14 to more than 34,000 in 2014-15 to nearly 52,500 in 2016-17.

Instructional Materials

Instructional materials are the books and other supplies needed for classes and educational research. Instructional materials include textbooks, workbooks, worksheets and other consumables, math manipulatives, science supplies, and library materials. 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 (A.C.A. § 6-21-403(a)).

The matrix funding was originally intended to cover textbooks, consumable supplies (e.g., workbooks) and pedagogical aides, library texts and electronic services, formative assessments (mid-year assessments designed to gauge students' progress and areas of for additional instruction) and funding for elementary teachers to purchase instructional materials. However, the Education Committees, however, decided against including funding for formative assessments, which are not required by statute or Accreditation Standards. The following sections of this report provide additional information about the components that comprise instructional materials expenditures.

Textbooks

State law specifies that districts may select their own textbooks, but any instructional materials purchased with state funds must be consistent with the state "curriculum and educational goals established by the State Board of Education" (A.C.A. § 6-21-403). In 2017, districts and charters spent \$53 per student from all funding sources on textbooks.

Through the BLR's online surveys, principals and teachers were asked to provide their opinion about the supply of textbooks in their classroom. About 84% of principals said their supply meets or exceeds their school's needs, compared with about 73% of teachers. Notably, more than a quarter of the teachers responding to the survey said the supply of textbooks in their classrooms fails to meet their students' needs.

Library Materials

Newly approved Accreditation Standards require districts to "annually budge[t] and expend sufficient resources to purchase and maintain an appropriate balance of print, non-print, and electronic media that is adequate in quality and quantity to meet the academic standards for all students" (Standard 2-D.1). In 2017, districts and charters spent \$10 per student from all funding sources on library materials. The overall spending on these library materials declined about 25% between 2011 and 2017.

The BLR asked Arkansas principals and teachers how satisfied they are with the amount of library materials available to their students. About 88% of principals and 86% of teachers said the supply of

³⁶ State statute refers to both "distance learning" and "digital learning". For a number of years, distance learning typically referred to instruction delivered in one location and made available to classrooms across the state via compressed interactive video. As distance learning began to rely less on compressed video, the terminology shifted to "digital learning". State statute defines digital learning as "a digital technology or internet-based educational delivery model that does not rely exclusively on compressed interactive video" (§ 6-16-1403). ADE rules further specify that "digital learning may be a type of distance learning" (Rules Governing Distance and Digital Learning).

reading materials in their libraries either meets or exceeds their school's needs. About 8% of principals and 12% of teachers said their library's reading materials fail to meet the school's needs.

Teacher Purchase of Instructional Materials

Many teachers in Arkansas and across the country report spending their own money to pay for materials and supplies for their students. To help alleviate this issue, state law requires school districts to provide each pre-K through 6th grade teacher \$500 per class or \$20 per student to spend on materials for class activities—whichever is higher (A.C.A. § 6-21-303(b)). To determine the extent to which teachers are receiving those required funds, the BLR asked teachers the if their school/district provided them with money to purchase instructional materials for their classroom.

About 85% of the elementary teachers who responded to the survey said their school or district does provide money for supplies. However, 49% of the survey respondents said they receive less than the statutory amount or do not receive any money at all. Some schools provide this funding as an allocation. For example, they may allocate \$100 per teacher to make copies throughout the year and then allow teachers to spend the remaining \$400 on the instructional supplies of their choice. Some teachers who responded that they receive less than \$500 may be counting only the portion of the funding they control.

In 2017, the General Assembly passed Act 666 which allowed Arkansas public school teachers to claim a deduction on their annual state income tax filing for any classroom supplies they purchase using their own money. The legislation allowed teachers to claim up to \$250 for an individual teacher or up to \$500 for two married teachers filing jointly. The law was first effective for the 2017 tax year. For that year, 17,307 returns claimed the deduction, or about 45% of the state's public school teachers. Collectively those teachers claimed a total of \$4,359,756, or about \$252 per return, suggesting that these teachers spent as much or more than \$250 of their own money on supplies for their classrooms.³⁷

Extra Duty Funds

There are many extracurricular activities in all school levels, including sports, clubs, debate teams, school publications, student council, and other organizations and events. Schools use extra duty funds to pay stipends for teachers who coach athletics and those who supervise after-school clubs or other extracurricular activities, such as the newspaper or the yearbook.

Supervisory Aides

Supervisory aides are staff who help students on and off buses in the morning and afternoon and supervise lunch and recess periods. There are no statutory or regulatory requirements that schools employ supervisory aides. However, there are statutory limitations on districts' use of teachers for non-instructional supervisory duties. State law prohibits districts from assigning teachers to more than 60 minutes of "non-instructional duties" per week without providing them additional pay (A.C.A. § 6-17-117). Additionally state law requires school districts to provide teachers with at least a 30-minute uninterrupted lunch period free of supervisory duties (A.C.A. § 6-17-111).

Substitutes

When teachers are absent, schools must rely on substitute teachers to manage classes. State statute requires districts to provide teachers with one day of paid sick leave per contract month (A.C.A. § 6-17-1204), or a total of nine or ten days for most teachers. These leave days result in the need for districts and charter schools to employ substitute teachers.

State law requires substitute teachers to have a high school diploma or an equivalency certificate (GED). State law prohibits substitute teachers from teaching a class more than 30 consecutive school days unless the substitute has a bachelor's degree or is licensed by the state to teach (A.C.A. § 6-15-

³⁷ Gehring, P., Department of Finance and Administration, May 22, 2018 email. DFA provided the number of returns claiming the deduction and the total amount claimed.

1004(e)). To employ degreed substitutes longer than 30 days, districts and charter schools must request a waiver. Districts appear to be increasingly relying on long-term substitutes to fill teacher vacancies. In 2015-16, districts employed long term substitutes to fill 411 individual positions. By 2016-17, that number increased to 661, according to information presented to the SBOE during its July 2017 meeting.³⁸ According to a BLR analysis of ADE data on long-term substitutes, high poverty districts relied more heavily on long term subs than other districts in 2016-17.

DISTRICT-LEVEL RESOURCES

The district-level resources in the matrix include three general categories: operations and maintenance, central office resources, and transportation.

Operations and Maintenance

This line of the matrix includes the staff and other resources necessary to maintain school facilities and grounds and keep school buildings clean, heated, and cooled. State law requires districts to spend at least 9% of their foundation funding to pay for utilities, custodial services, maintenance, repair, and renovation activities. Districts that do not spend the required 9% must transfer unspent funds into an escrow account to be used for future O&M expenses (A.C.A. § 6-21-808(d)).

Central Office

The matrix provides funding for district-level administrative expenses including the salaries and benefits of the superintendent, administration personnel (legal, fiscal, human resources, communications, etc.), certain 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. The only central office position required by the state Accreditation Standards is the superintendent. Every school district with more than 300 students is required to employ one full-time superintendent. Because all school districts have at least 300 students, all districts are required to employ a superintendent.

Transportation

Transportation expenditures include school bus and district vehicle operations and maintenance, transportation personnel, insurance, equipment costs, and bus purchases. Transportation expenditures do not include expenditures for athletic or activity transportation. State law does not require school districts to provide general transportation to students, although all districts and some charter schools provide bussing services.

For FY16 and FY17,³⁹ the Education Committees recommended creating a separate, supplemental funding program for districts with high transportation costs. They recommended that the total funding amount should be established at the equivalent of 2% of the total funding provided for transportation in FY16 and FY17 (about \$3 million each year) and that the funding should be distributed by a method developed by the BLR. While the General Assembly appropriated an additional \$3 million for enhanced transportation in both FY16 and FY17,⁴⁰ a method of distributing the money to the districts was included in legislation only for FY17.⁴¹ That means ADE received \$3 million each year, but distributed the funding to districts only in FY17.

In the 2016 Adequacy Study, the House and Senate Education Committees again recommended no changes to the per-student funding in the matrix for transportation, but they again recommended supplementing foundation funding outside the matrix. Act 743 provided \$3 million in FY18 and \$3 million in FY19 for supplemental transportation in addition to the funding provided through the matrix.

³⁸ Pfeffer, I., ADE, Summary of Waivers, July 13, 2017, SBOE meeting

³⁹A Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy, Recommendations of the House and Senate Interim Committees on Education, November 1, 2014, <http://www.arkleg.state.ar.us/education/K12/AdequacyReportYears/2014%20Adequacy%20Report%20Volume%20I.%2014-001,%20Nov.%201,%202014.pdf>

⁴⁰ Act 987 of 2015 and Act 229 of 2016

⁴¹ Act 445 of 2017

DISTRICT COMPARISONS

The variety of needs for different districts and their individual student characteristics make it unlikely each matrix line item's funding will fit all schools equally well, which is why districts are not required to spend according to the levels established in the matrix. This study reviewed each line of the matrix in an effort to identify how districts are using these resources. Districts' actual foundation funding expenditures in 2016-17 tracked fairly closely with the intent of the matrix in some areas and less well in others. Average per-student spending in three areas closely matched the matrix amounts: special education teachers, principals, and transportation.

DISTRICTS AND OPEN-ENROLLMENT CHARTER SCHOOLS

The following table compares the way districts and charter schools use foundation funding to address the needs of their students. The table includes the matrix funding level for each resource and the actual per-student foundation funding expenditures of school districts and charter schools.

| | Matrix | School Districts | Charter Schools |
|----------------------------|----------------|------------------|-----------------|
| Classroom Teachers | \$3,202.10 | \$2,945.20 | \$2,503.79 |
| Special Education Teachers | \$372.34 | \$367.36 | \$142.90 |
| Instructional Facilitators | \$320.98 | \$184.25 | \$75.44 |
| Library Media Specialists | \$109.13 | \$121.03 | \$9.30 |
| Counselors and Nurses | \$320.98 | \$268.36 | \$209.44 |
| Principal | \$198.10 | \$199.46 | \$184.59 |
| School-level Secretary | \$80.10 | \$123.25 | \$183.90 |
| Technology | \$250.00 | \$95.01 | \$288.14 |
| Instructional Materials | \$183.10 | \$113.48 | \$556.55 |
| Extra Duty Funds | \$64.90 | \$202.73 | \$15.70 |
| Supervisory Aides | \$50.00 | \$15.13 | \$5.73 |
| Substitutes | \$69.00 | \$83.21 | \$57.90 |
| Operations & Maintenance | \$664.90 | \$842.02 | \$814.61 |
| Central Office | \$438.80 | \$370.13 | \$928.75 |
| Transportation | \$321.20 | \$311.80 | \$107.60 |
| Other Non-Matrix Items | \$0 | \$370.08 | \$474.76 |
| TOTAL | \$6,646 | | |

Districts generally spent less foundation funding than they received for classroom teachers, instructional facilitators (including assistant principals and technology assistants), school nurses, student support services, technology, supervisory aides, and central office. For most of those items, districts may have spent less foundation funding, in part, because they had other types of funding they could use to pay those salaries. However, when considering total spending from all funding sources, districts generally did not spend even the matrix level for supervisory aides.

Districts also tended to spend more foundation funding than they were provided on librarians, guidance counselors, school secretaries, extra duty stipends, substitutes, and operations and maintenance (O&M). The two areas in which districts spent the most foundation funding above what the matrix provided were O&M and extra duty funds.

Most of the school-level staffing in the 2016-17 matrix was based on a base salary of \$51,093. However, in practice some types of school-level staff are paid an average salary above that amount, while others are paid less. Districts paid school nurses about \$15,500 less than the salary funded in the matrix in 2016-17. Actual salaries for classroom teachers and special education teachers were also under the salary provided in the matrix by about \$3,100 and \$1,800, respectively. Actual average salaries for assistant principals and instructional facilitators were well above the funded level—\$22,800 and \$10,250 more than what the matrix provided. Actual salaries for guidance counselors and library media specialists also exceeded the salaries funded in the matrix—by \$6,250 and \$2,900, respectively.

The matrix funded principals in 2016-17 with a base salary of \$79,631, while the actual average salary of principals was about \$2,000 higher than that amount.

Charter schools spent less foundation funding than they were provided for every school staff component except school secretaries, where they spent 2.3 times more than the matrix amount. Charter schools also spent less than the matrix provided in extra duty funds, supervisory aides, substitutes, and transportation. Charter schools spent more foundation funding per student in areas that were generally less staff-related, including technology, instructional materials, operations and maintenance, and central office.

DISTRICT SIZE

The following table compares the way districts of various sizes use foundation funding to address the needs of their students. The table includes the matrix funding level for each resource and the actual per-student foundation funding expenditures of school districts of each size.

| | Matrix | Small (750 or less) | Medium (751 to 5000) | Large (over 5000) |
|----------------------------|----------------|------------------------|-------------------------|----------------------|
| Classroom Teachers | \$3,202.10 | \$2,841.57 | \$2,905.88 | \$3,023.99 |
| Special Education Teachers | \$372.34 | \$287.38 | \$345.55 | \$416.34 |
| Instructional Facilitators | \$320.98 | \$55.70 | \$155.97 | \$253.57 |
| Library Media Specialists | \$109.13 | \$142.04 | \$127.18 | \$107.58 |
| Counselors and Nurses | \$320.98 | \$228.41 | \$243.14 | \$312.71 |
| Principal | \$198.10 | \$272.15 | \$213.53 | \$162.92 |
| School-level Secretary | \$80.10 | \$113.75 | \$118.29 | \$132.35 |
| Technology | \$250.00 | \$82.83 | \$101.74 | \$88.54 |
| Instructional Materials | \$183.10 | 95.64 | 112.17 | 119.48 |
| Extra Duty Funds | \$64.90 | \$205.04 | \$241.49 | \$148.44 |
| Supervisory Aides | \$50.00 | \$7.49 | \$10.75 | \$23.00 |
| Substitutes | \$69.00 | \$90.23 | \$83.35 | \$81.38 |
| Operations & Maintenance | \$664.90 | \$919.03 | \$852.29 | \$809.74 |
| Central Office | \$438.80 | \$522.51 | \$393.67 | \$301.79 |
| Transportation | \$321.20 | \$343.43 | \$319.51 | \$293.71 |
| Other Non-Matrix Items | \$0 | \$366.39 | \$381.65 | \$354.90 |
| TOTAL | \$6,646 | | | |

Large districts spent more foundation funding per student than small districts on school-staff related items, including classroom teachers, special education teachers, instructional facilitators and assistant principals, counselors, and student support services. Small districts spent more foundation funding per student on administrative staff and district-level items including librarians, principals, extra duty, O&M, central office, and transportation.

POVERTY LEVEL

The following table compares the way districts of various poverty levels use foundation funding to address the needs of their students. The table includes the matrix funding level for each resource and the actual per-student foundation funding expenditures of school districts at each level of FRPL.

| | Matrix | Low (< 70%) | Medium (70%-90%) | High (90% or more) |
|----------------------------|------------|----------------|---------------------|-----------------------|
| Classroom Teachers | \$3,202.10 | \$2,996.26 | \$2,892.19 | \$2,418.03 |
| Special Education Teachers | \$372.34 | 380.58 | 351.70 | 281.46 |
| Instructional Facilitators | \$320.98 | 187.75 | 182.18 | 107.25 |
| Library Media Specialists | \$109.13 | 118.18 | 124.41 | 139.50 |
| Counselors and Nurses | \$320.98 | 275.62 | 261.69 | 171.44 |
| Principal | \$198.10 | 193.57 | 206.97 | 223.79 |

| | Matrix | Low (< 70%) | Medium (70%-90%) | High (90% or more) |
|--------------------------|----------------|-----------------------------|-------------------------------|---------------------------------|
| School-level Secretary | \$80.10 | 116.95 | 133.18 | 99.59 |
| Technology | \$250.00 | \$99.35 | \$88.23 | \$109.35 |
| Instructional Materials | \$183.10 | \$111.39 | \$117.80 | \$79.27 |
| Extra Duty Funds | \$64.90 | \$217.40 | \$183.43 | \$157.58 |
| Supervisory Aides | \$50.00 | \$11.93 | \$20.28 | \$0.72 |
| Substitutes | \$69.00 | \$80.96 | \$80.42 | \$239.83 |
| Operations & Maintenance | \$664.90 | \$801.77 | \$886.15 | \$1,194.94 |
| Central Office | \$438.80 | \$352.77 | \$384.34 | \$647.70 |
| Transportation | \$321.20 | \$304.83 | \$317.59 | \$421.02 |
| Other Non-Matrix Items | \$0 | \$376.73 | \$361.47 | \$345.92 |
| TOTAL | \$6,646 | | | |

Low poverty level districts spent more foundation funding per student than high-poverty districts on classroom teachers special education teachers, instructional facilitators and assistant principals, counselors, instructional materials and extra duty funds. High-poverty districts spent more foundation funding per student on principals, substitutes, O&M, central office and transportation.

Other Non-Matrix Expenditures

Districts and charter schools use foundation funding for purposes not included in the matrix and not specifically noted as being essential for educational adequacy. These non-matrix items include a variety of expenditures for resources 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 the specific intent of the matrix.

| Description | 2016-17 Expenditures Per Student From Foundation Funds |
|---|---|
| Athletic supplies and transportation | \$48.50 |
| Activity supplies and transportation | \$4.70 |
| Supplies and objects in instruction and instructional support not otherwise classified as instructional materials, technology, etc. | \$66.14 |
| Selected instructional program coordinators and other instructional personnel for programs outside regular school programs, including preschool, summer school, homebound instruction | \$27.39 |
| Classified guidance services | \$8.12 |
| Instructional aides | \$131.08 |
| Classified library support | \$8.39 |
| Supplies and materials for counselors, nurses, and other student support services | \$7.85 |
| Pre-kindergarten programs | \$1.50 |
| Food service | \$0.41 |
| Community outreach | \$0.13 |
| Other financing uses such as bonded indebtedness not accounted for in the debt service fund and indirect costs | \$1.67 |
| Non-technology related facilities construction and site improvement | \$35.29 |
| Other miscellaneous items | \$31.73 |
| Total other non-matrix items | \$372.90 |

DISTRICT SURVEY RESPONSES

To gauge administrators’ assessment of how well the current matrix is meeting district’s needs, the BLR surveyed superintendents, asking them to rank the components of the matrix from those resources for which more funding is most needed to the resources where more funding is least needed. Almost without exception, the districts and charter schools ranked classroom teachers and special education teachers as the areas of the matrix most in need of additional foundation funding. Districts generally rated O&M and transportation as top areas needing additional funding and central office expenses as a low area of need. Charter schools, large districts and high poverty districts tended to rank transportation as a lower need area than other district groupings did. Large districts and high poverty districts also ranked O&M as a lower need than other district groupings did.

While most district groups ranked the need for more funding for librarians fairly low and guidance counselors as a mid-level need, high poverty districts ranked these needs among their highest. High poverty districts also tended to prioritize funding for principals above other district groups’ ranking of principals.

Large districts ranked school nurses and other student support services as a higher funding need compared with the way other district groups ranked those staffing categories. Large districts also ranked funding for school principals as a lower funding need, compared with other district groups’ ranking.

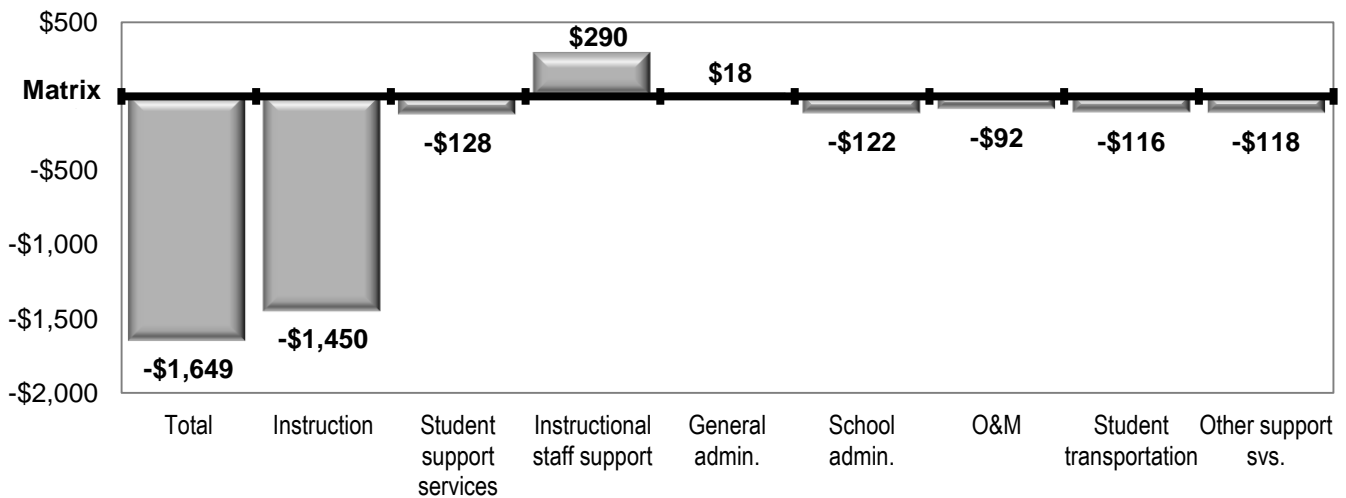
| Matrix | District Rank | Charter Rank |
|--|---------------|--------------|
| Classroom teachers | 1 | 1 |
| Special education teachers | 2 | 2 |
| Operations & maintenance | 3 | 4 |
| Transportation | 4 | 11 |
| Technology (excluding technology staff) | 5 | 6 |
| Instructional facilitators/tech. assist./assist. principal | 6 | 3 |
| Instructional materials | 7 | 5 |
| Guidance counselor | 8 | 7 |
| Principal | 9 | 12 |
| Nurse | 10 | 8 |
| Other student support staff | 11 | 9 |
| Substitutes | 12 | 10 |
| Librarian/media specialist | 13 | 17 |
| Supervisory aides | 14 | 16 |
| School secretary | 15 | 13 |
| Central office | 16 | 14 |
| Extra duty funds | 17 | 15 |

NATIONAL COMPARISON

EXPENDITURES

The following bar chart shows how Arkansas’s per-student spending compares with the national average. The definitions of each expenditure area are provided below the chart. In terms of per-student expenditures, Arkansas ranked in the top 10 nationally in its spending levels per student for instructional materials and instructional support staff (which includes library expenditures). The state ranked more in the middle of states in spending for instructional coordinators (i.e., curriculum supervisors), district administrators, and operations and maintenance. The state ranked among the bottom 20 states in expenditures for textbooks, district support staff (including business office staff), student support services, transportation, regular and special education teachers, and school administration.

AR Per-Student Expenditure Difference from US Average



Instruction expenditures for “activities related to the interaction between teachers and students,” including “salaries and benefits for teachers and teacher aides, textbooks, supplies, and purchased services. These expenditures also include expenditures relating to extracurricular and cocurricular activities.”

Student support services expenditures for services including “attendance and social work, guidance, health, psychological services, speech pathology, audiology.”

Instructional staff support expenditures for “activities that include instructional staff training, educational media (library and audiovisual), and other instructional staff support services.”

General administration expenditures for the “board of education and superintendent’s office for the administration of LEAs, including salaries and benefits for the superintendent, the school board, and their staff.”

School administration expenditures for the “office of the principal, full-time department chairpersons, and graduation expenses.”

Operation and maintenance expenditures are those for “the operation of buildings, the care and upkeep of grounds and equipment, vehicle operations (other than student transportation) and maintenance, and security.”

Student transportation services expenditures are those for vehicle operation, monitoring, and vehicle servicing and maintenance associated with transportation services. Expenditures for purchasing buses are reported under equipment.

Other support services expenditures are those “for business support services (activities concerned with the fiscal operation of the LEA), central support services (activities, other than general administration, which support each of the other instructional and support services programs, including planning, research, development, evaluation, information, and data processing services).”

STAFFING

One measure of the adequacy of Arkansas’s education funding system is its staffing levels compared with those of other states. School year 2015-16 is the most recent year for which national data are available through the National Center for Education Statistics (NCES). NCES also provides data on the number of certain types of staff in each state. (The enrollment data used to calculate the staff per 500 students below include pre-K students who have been excluded from the BLR’s foundation funding analysis elsewhere in this report.)

Nationally Arkansas ranked high (top 10) in the staffing levels for librarians, student support services (health services, speech pathology, etc.), and district clerical staff. The state ranked between 11th and 20th in the number of school administrative support, guidance counselors, teachers, and between 25th and 35th in the number of school administrators, district administrators and library support staff.

| | U.S. Average | AR Average | U.S. Rank (of 51) | SREB Rank (of 16) | Surrounding States Rank (of 7) |
|---------------------------------------|--------------------------------------|------------------------------------|--|---|---------------------------------------|
| Pupil to Teacher Ratio | 16.0 | 13.7 | 16 th lowest | 2 nd lowest | 3 rd lowest |
| | U.S. Average Per 500 Students | AR Average Per 500 Students | U.S. Rank (of 51, unless otherwise noted) | SREB Rank (of 16 unless otherwise noted) | Surrounding States Rank (of 7) |
| Instructional Coordinators | 0.87 | 1.01 | 19 th highest (of 49) | 4 th highest | 2 nd highest |
| Librarians | 0.43 | 0.96 | 3 rd highest | 1 st | 1 st |
| Library Support Staff | 0.26 | 0.19 | 34 th highest (of 46) | 8 th highest (of 15) | 4 th highest |
| Guidance Counselors | 1.08 | 1.32 | 15 th highest | 5 th highest | 3 rd highest |
| Student Support Staff | 3.37 | 7.81 | 4 th highest | 1 st | 1 st |
| School Administrators | 1.81 | 1.83 | 25 th highest | 10 th highest | 4 th highest |
| School Administrative Support Staff | 2.52 | 2.97 | 13 th highest | 3 rd highest | 1 st |
| District Administrators | .67 | .62 | 31 st highest | 8 th highest | 2 nd highest |
| District Administrative Support Staff | 1.89 | 2.64 | 7 th highest (of 50) | 2 nd highest | 2 nd highest |

The following table provides selected definitions for certain categories of staff listed above and the pupil to teacher ratio.

| | |
|---------------------------------------|---|
| Pupil to Teacher Ratio | This is a calculation of the total number of students (including pre-kindergarten students) divided by the total number of teachers, regardless of class assignment. |
| Instructional Coordinators | Staff who supervise instructional programs at the school or district. Instructional coordinators may be most comparable to what Arkansas calls curriculum supervisors. |
| Student Support Staff | Employees who provide student support services are staff “whose activities are concerned with providing non-instructional services to students.” Staff in this category include attendance officers; staff providing health, psychology, speech pathology, audiology, or social services; as well as the supervisors of these employees and of transportation and food service workers. |
| School Administrators | School administrators include principals, assistant principals, as well as people who supervise school operations and coordinate school instructional activities. |
| School Administrative Support Staff | Staff who support the teaching and administrative duties of the office of the principal or department chairpersons. |
| District Administrators | District administrators include superintendents, deputy superintendents, assistant superintendents, district-level business managers and instructional support staff. |
| District Administrative Support Staff | District administrative support staff include business office support, data processing employees, and secretarial and other clerical staff. |

Section 11: Categorical Funding

In addition to foundation funding, districts receive four types of state categorical funding. Three of the four categorical funds are used to promote equitable funding among school districts by helping 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.

| Categorical Funding Type | Description | 2016-17 Funding |
|--|---|---|
| English Language Learners (ELL) | Funding designed to help school districts educate students with limited English language proficiency. | \$331 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. | \$4,560 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% of students eligible for free or reduced price lunch (FRPL): \$1,576 per FRPL student 70%-<90% FRPL: \$1,051 per FRPL student <70% FRPL: \$526 per FRPL 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 supports a statewide online PD program (reduced to \$3.5 million in 2017-18). | \$32.40 per student (Districts received \$26.05 in FY2017, while ADE's online PD program received \$6.35 per student.) |

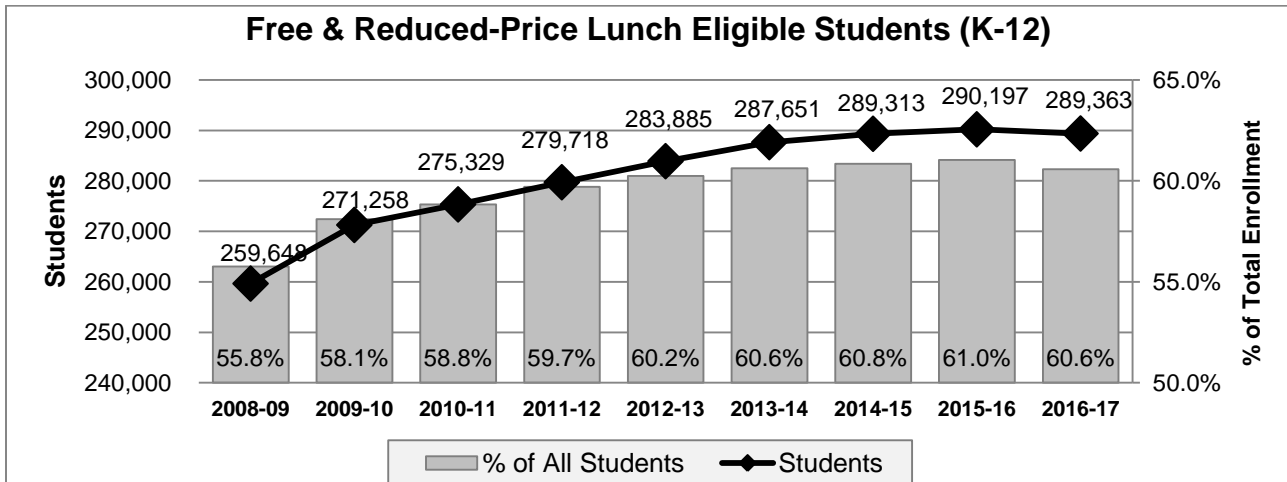
NATIONAL SCHOOL LUNCH STATE CATEGORICAL FUNDING

NSL funding is state money distributed to school districts based on the concentrations of poverty in their student populations. The NSL state categorical funding program should not be confused with the federal National School Lunch Act program. The state funding is called NSL funding because eligibility for the federal National School Lunch Act program is used as the measure of poverty.

Under the state NSL categorical funding program, districts receive one of the three funding rates for each student eligible for a free or reduced-price lunch (FRPL). The funding rates for 2014 through 2019 are provided in the table above. Each district's funding rate is based on its percentage of students eligible for the free or reduced-price lunch program in the previous year.

STUDENT COUNT

About 290,000 of the roughly 477,000 students enrolled in the state's school districts and open-enrollment charter schools, or about 61%, are eligible for FRPL, according to the data the ADE uses to calculate NSL state categorical funding (and ADE enrollment data for charter schools that do not receive NSL funding). The following chart indicates that both the number and the percentage of FRPL students, has been increasing annually between 2009 and 2016. The numbers decreased slightly in 2017. Historically, about half the state's student population qualified for a free lunch, about 10% qualified for a reduced-price lunch and the remaining 40% did not qualify for lunch subsidies.

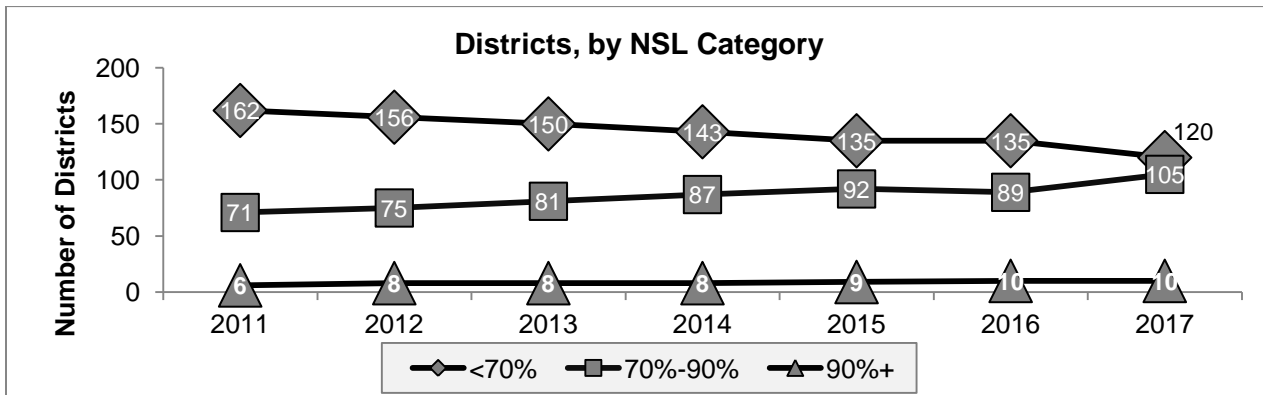


Data Source: ADE, Annual Oct. enrollment data, audited by the Child Nutrition Unit and used to calculate NSL funding. These data do not treat CEP and Provision 2 districts as 100% free lunch. Data also include students in charter schools that do not receive any NSL funding.

The percentage of students who are eligible for FRPL (185% of the federal poverty level and below) rose sharply during the recession beginning in 2009, but it has also continued to rise in the years since, dropping slightly in 2017.

NSL FUNDING TRENDS

In 2016-17, about 51% of the districts fell into the lowest NSL funding rate (<70%), while 45% were in the middle rate (70%-<90%) and 10 districts (4%) were in the highest funding rate (90%+). The number and percentage of districts in the lowest funding rate (lowest poverty) has decreased in recent years from 162 districts in 2011 (or 68% of all districts) to 120 districts in 2017 (51% of districts). A greater number of districts are qualifying for the middle and high funding rates, particularly in 2016-17 when the number of middle-level districts increased more than in recent years.



Data Source: ADE, State Aid Notice. The data represent the funding rates that districts received each year based on prior year enrollment counts.

In 2016-17, 11 of the charter schools (46%) fell into the lowest NSL funding rate (<70%), while four (17%) were in the middle rate (70%-<90%) and five (21%) were in the highest funding rate (90%+). Unlike the districts' pattern, the number of charter schools in the lowest funding rate (lowest poverty) has increased in recent years, while the number qualifying for the middle funding rate decreased. The number of charters in the highest funding rate also increased.

OTHER TYPES OF NSL FUNDING AND FUNDING ADJUSTMENTS

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

Districts with NSL percentages that are close to the funding rate break points (for example, 69%-70% and 89%-90%) can easily shift between rates from one year to the next, resulting in significant gains or losses in funding. To ease the transition from one rate to another, Act 811 of 2007 created a provision that allows districts moving from a higher or lower funding rate to receive adjustments over a three-year period. This ensures that districts shift to a higher or lower rate gradually, rather than all at once.

Because NSL funding is based on the prior year’s enrollment data, growing districts receive NSL funding for a smaller number of students than they are responsible for educating. To adjust for this issue, Act 2283 of 2005 created a provision that provides additional NSL funding for growing districts. Districts that have grown at least 1% in enrollment (total enrollment, not free and reduced price lunch students) each of the last three years qualify for NSL growth funding.

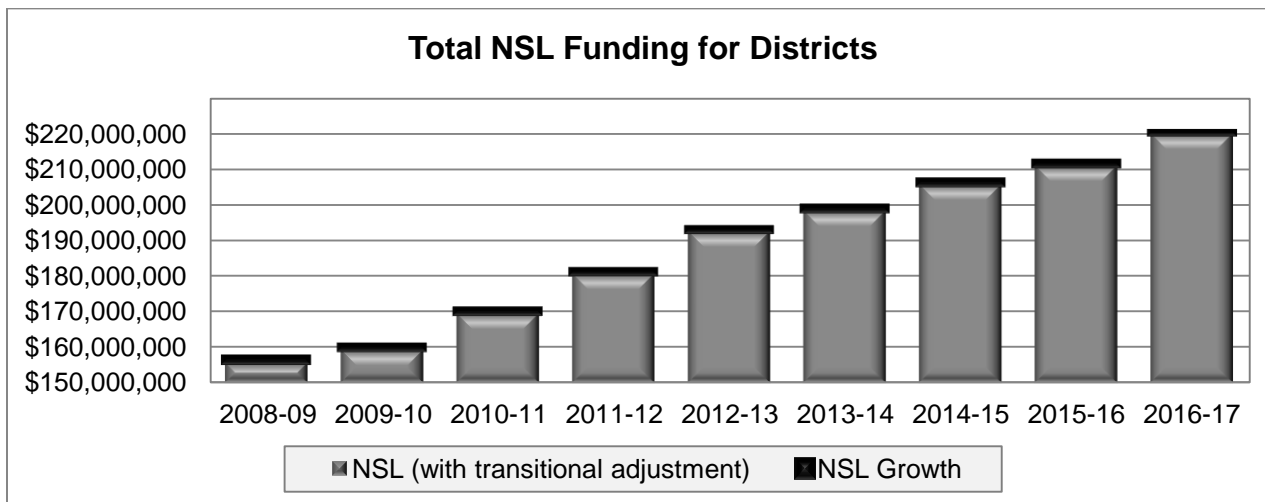
TOTAL NSL FUNDING

When NSL growth funding is added and transitional adjustments are applied, the NSL funding districts and charter schools received in 2016-17 totaled more than \$225 million.

| | 2016-17 | | |
|---|----------------------|--------------------|----------------------|
| | Districts | Charters | Total |
| NSL Funding (with NSL Transitional Adjustments) | \$219,734,914 | \$5,106,534 | \$224,841,448 |
| NSL Growth | \$140,414 | \$216,592 | \$357,006 |
| Total | \$219,875,328 | \$5,323,126 | \$225,198,454 |

Note: The funding above does not include NSL funding withheld from districts and a charter school under Act 1220 of 2011.

The following chart shows the growth in the amount of NSL funding (including transitional adjustments and NSL growth) provided to districts from 2009 through 2017. Total NSL funding for districts increased 40% between 2009 and 2017. For comparison, the total amount of foundation funding provided to districts increased 15% for the same time period. Although NSL per-student funding rates increased in some years (a total of 6% from the 2009 rates), the increase is largely the result of a growing number of students eligible for free and reduced-price lunch and the increasing number of districts that are moving from a low NSL rate (less than 70% NSL students for \$526 per FRPL student) to a higher NSL rate (70%-89% NSL students for \$1,051 per FRPL student).



Data Source: ADE, State Aid Notices.

Note: The amounts in the chart above do not include reductions resulting from excessive fund balances under Act 1220 of 2011.

Total NSL funding has increased substantially for open enrollment charter schools as well. In 2008-09, only 12 of the 17 charter schools operating at the time received NSL funding. The 12 schools received a total of a little over \$1 million. In 2016-17, 20 of the 24 open-enrollment charter schools in operation received NSL funding. These schools received a total of \$5.3 million, more than five times the funding provided to charter schools in 2009.

NSL EXPENDITURES

Unlike the per-pupil foundation funds, NSL funding is considered restricted, meaning districts and charters can spend NSL dollars only for certain activities. A.C.A. § 6-20-2305(b)(4)(C) requires the SBOE to establish by rule a list of approved uses of NSL funds. The statute also provides a list of eligible uses for which districts and charters may expend funding, but it notes that approved uses are not limited to those in statute.

The following chart lists the allowable uses specified in statute and in ADE's Rules Governing the Distribution of Student Special Needs Funding. Collectively, districts spent the highest amount of NSL dollars on curriculum specialists/instructional facilitators, other activities not specified by law or rule but approved by ADE, and transferring their NSL funds to other categorical programs where they can be spent on those purposes.

During the 2017 legislative session, the General Assembly supplemented the existing NSL funds with an additional \$4.3 million for a separate matching grant program to be used to help districts provide tutoring services, pre-K programs and before- and after-school programs. In 2016-17, 158 districts and charter schools spent a total of about \$15 million on tutoring, pre-K and before- and after-school programs, while 97 did not spend any NSL funds in these areas. (Another four charter schools did not receive NSL funding in 2016-17, and therefore had no NSL expenditures.) Based on this spending, the 158 districts received a total of \$4.3 million in 2017-18. The awards, provided to districts on a pro rata basis, ranged from \$1.15 for one district (Brinkley) to \$741,665 for another (Little Rock).

| Allowable Use | % of NSL Exp. in 2016-17 |
|--|--------------------------|
| Classroom teachers, provided the district meets the minimum salary schedule without using NSL funds | 5.6% |
| Curriculum specialists | 17.7% |
| Before- and after-school academic programs, including transportation | 1.9% |
| Pre-kindergarten programs coordinated by the Department of Human Services | 3.1% |
| Tutors | 1.7% |
| Teachers' aides | 8.8% |
| Counselors, social workers, and nurses | 9.4% |
| Parent education | .3% |
| Summer programs | 1.1% |
| Early intervention programs | 6.4% |
| Materials, supplies, and equipment, including technology, used in approved programs or for approved purposes | ** |
| Supplement all classroom teacher salaries, after minimum teacher salary schedule is met | 1.9% |
| Allow each student in grade 11 to take the ACT Assessment without charge to the student by using district funding (however, statute does not specify NSL funding) or operating and support a postsecondary preparatory program | .02% |

| Allowable Use | % of NSL Exp. in 2016-17 |
|---|---|
| In a chronically underperforming school's comprehensive school improvement plan, ADE shall direct the use of NSL funds for strategies to close gaps in academic achievement, including: <ul style="list-style-type: none"> • Using an Arkansas Scholastic Audit; • Using disaggregated school data to set academic improvement targets in reading, writing, mathematics, and science; • Using improvement targets to define professional development needs related to content, instruction, differentiation, and best practices in educating student subgroups; • Developing interim building-level assessments to monitor student progress toward proficiency on the state benchmark assessments; • Developing a plan to immediately address gaps in learning; • Examining and realigning, as needed, school scheduling, academic support systems, and assignments of personnel; and • Designing a plan for increasing parental knowledge and skill to support academic objectives; and | 10.6% |
| Federal child nutrition program free meals under the Provision 2 program or free meals for reduced-price students | 1.3% |
| Expenses directly related to a longer school day or school year | 0% |
| Partnering with higher education institutions and technical institutes to provide concurrent courses or technical education | .04% |
| Teach For America professional development | .01% |
| The Arkansas Advanced Initiative for Math & Science | .01% |
| College and career coaches. | .2% |
| Transfers to other categorical funds | 11.7% (ALE, 7.3%; ELL, 1.9%; PD, 2.5%) |
| Program using arts-infused curriculum | ** |
| Research-based professional development in the areas of literacy, mathematics, or science in K-12 | 2.0% |
| School Resource Officers whose job duties include research-based methods and strategies tied to improving achievement of students at risk | ** |
| Experience-based field trips | ** |
| Coordinated school health coordinator | ** |
| Developing and implementing interim building-level assessments to monitor student progress toward proficiency on state assessments. | ** |
| Other activities approved by the ADE. Such activities include, but are not limited to, research-based activities and activities directed at chronically underperforming schools. | 16.2% |

** These allowable uses do not appear to have a program expenditure code for districts to use to record these types of expenditures.

In 2016-17, districts and charters received about \$225.2 million in NSL funding (including NSL transitional adjustments and NSL growth funding), and collectively they spent about \$223.9 million, including \$26.2 million that they transferred from NSL funds to other categorical funding programs. NSL funding can be carried over from one year to the next, allowing districts to spend any funding left over in the following years.

| 2016-17 | | |
|--------------|----------------------|----------------------|
| | NSL Funding Received | NSL Expenditures |
| Districts | \$219,875,328 | \$218,520,197 |
| Charters | \$5,323,126 | \$5,336,270 |
| Total | \$225,198,454 | \$223,856,467 |

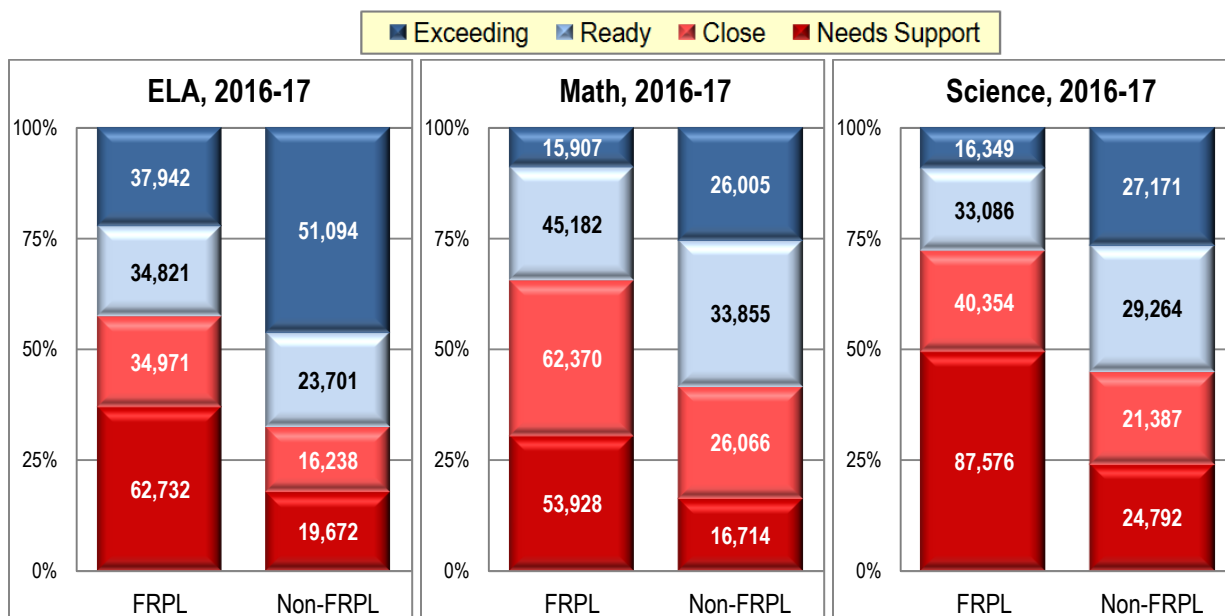
Note: The funding above does not include NSL funding withheld from districts and a charter school under Act 1220 of 2011.

STUDENT ACHIEVEMENT

State Assessments

One way to assess the impact of NSL funding is by examining the performance of students who are eligible for FRPL. The following charts compare the student achievement of those who are eligible for FRPL (low income) and those who are not eligible (more affluent). The charts show the percentage of students who took an ACT Aspire assessment in 2016-17 and scored in each of the following categories:

- In need of support (lowest score range)
- Close
- Ready
- Exceeding (highest score range)



Data Source: Feng, J., Office of Innovation for Education.

The achievement gap between the low-income student population and the non low-income student population is narrowest in math.

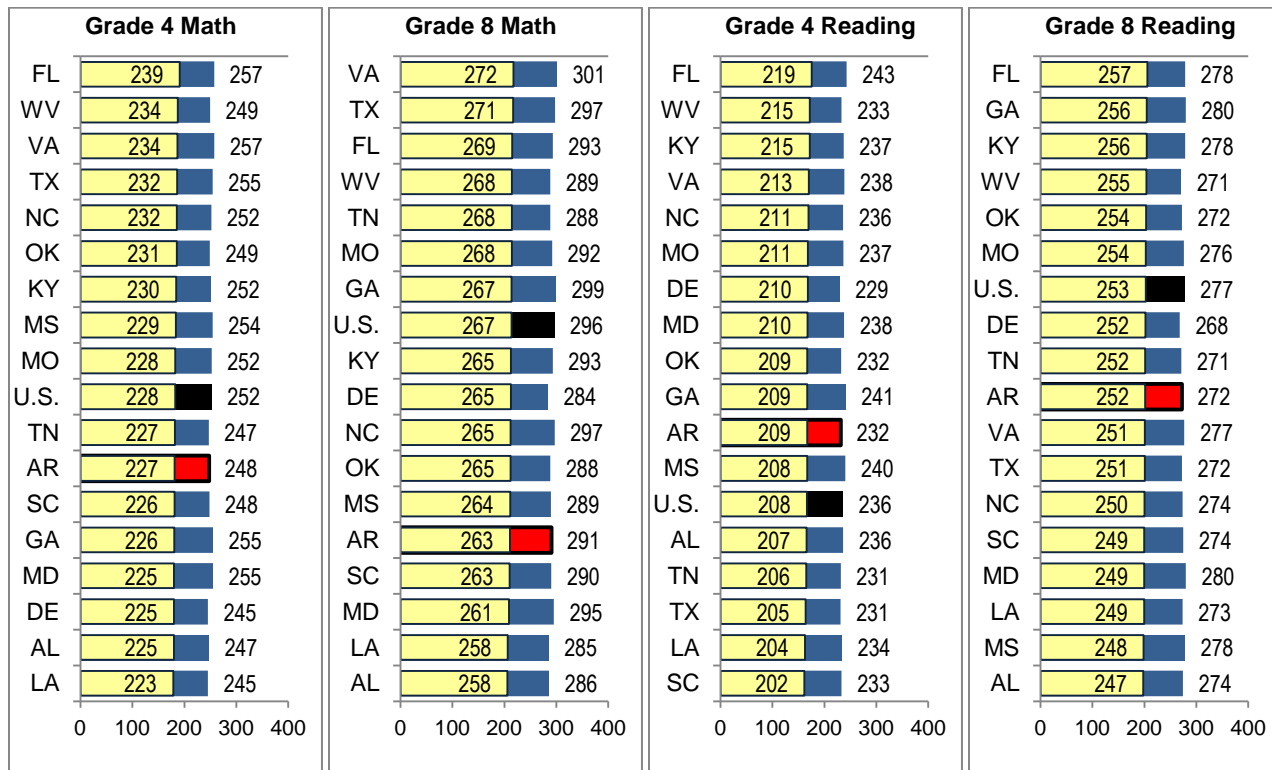
| | % Ready or Exceeding | | Percentage Point Gap |
|---------|----------------------|--------------------------|----------------------|
| | FRPL (low income) | Non-FRPL (more affluent) | |
| ELA | 43% | 68% | 25 percentage points |
| Math | 38% | 60% | 22 percentage points |
| Science | 31% | 55% | 25 percentage points |

National Assessment of Educational Progress (NAEP)

The best way to compare the student achievement of low-income students in Arkansas with those in other states is with the NAEP scale scores. The following tables show how Arkansas’s low-income students compared with low-income students in SREB and surrounding states on the 2017 NAEP assessment. Arkansas’s low-income 4th graders ranked 11th among surrounding states and SREB states in both reading and math, while Arkansas’s 8th grade low-income students ranked 13th in math and 9th in reading.

2017 FRPL

■ Non FRPL ■ FRPL



ALTERNATIVE LEARNING ENVIRONMENT CATEGORICAL FUNDING

Alternative learning environment funding is the set of categorical funds intended to ensure an adequate education for those students who do not learn well in traditional classroom environments. Act 743 of 2017 set ALE funding at \$4,640 per full-time equivalent student (FTE) for each school year of the 2017-19 biennium. FTEs are calculated based on students who have attended 20 or more consecutive days of ALE programming. Act 1044 of 2017 appropriated \$26,394,317 for ALE in FY 2018. However, in July 2018, ADE requested to transfer additional appropriation of \$1.8 million to the ALE appropriation because the number of actual ALE FTEs in 2017-18 — 6,106.35 — exceeded the initial projection of 5,701.93.

STUDENT COUNT

All school districts in Arkansas are to provide students with access to an alternative learning environment. ADE’s Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds specify the 12 behaviors or situations for which a student can be identified for an alternative learning environment. Placement in alternative learning cannot be based solely on academic problems (§4.02). Instead, a student can be recommended for alternative learning only if he or she meets two or more of the following:

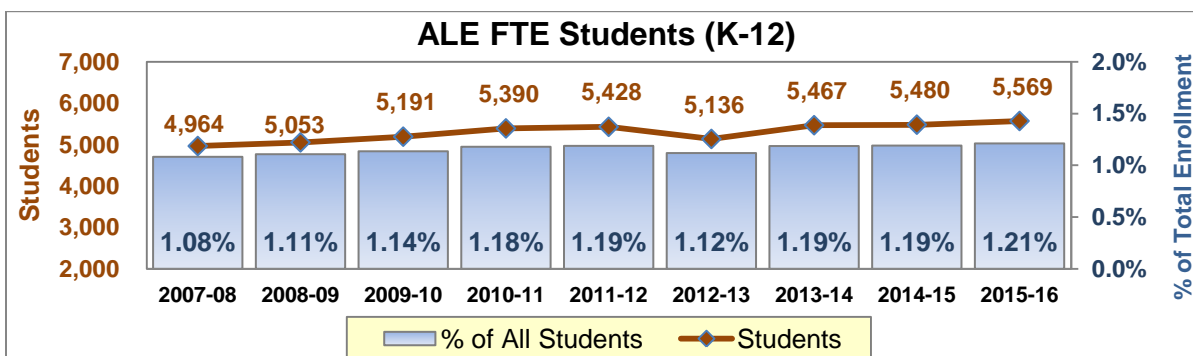
- Ongoing, persistent lack of attaining proficiency levels in literacy and math
- Abuse: physical, mental, or sexual
- Frequent relocation of residency
- Homelessness
- Inadequate emotional support
- Mental/physical health problems
- Pregnancy

- Single parenting
- Personal or family problems or situations
- Recurring absenteeism
- Dropping out of school
- Disruptive behavior

Schools receive funding for FTEs -- only those students who are in the alternative learning environment for 20 consecutive days – using a formula that takes into account the number of hours per day and the number of days per year the student is in the ALE:

$$\frac{\text{Total number of days in ALE}}{\text{Total number of school days}} \times \frac{\text{Hours per day in ALE}}{6 \text{ hours}}$$

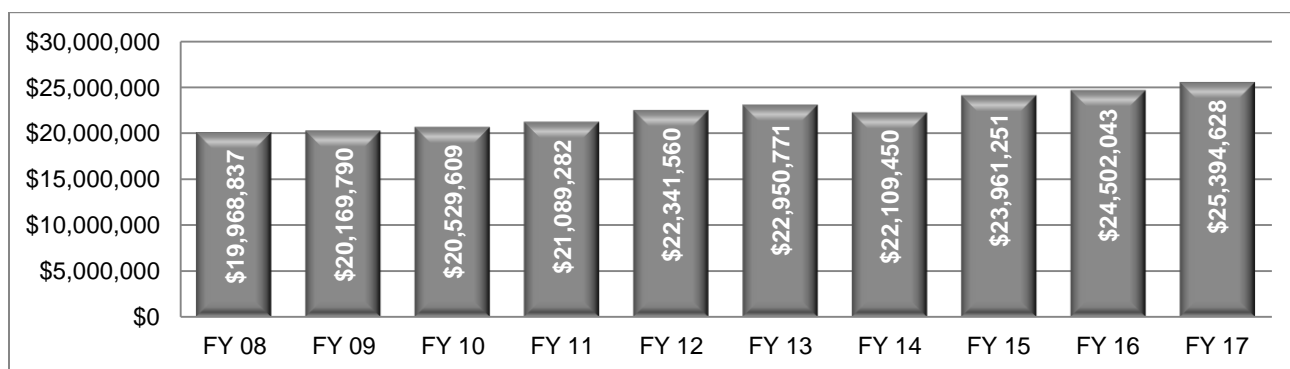
Current year funding is based on the previous year’s count of full-time equivalent ALE students.



ALE FUNDING

All but 20 school districts received ALE funding in 2016-17, which was based on the number of full-time equivalent ALE students they served in the previous school year. In addition, charter schools have not historically received ALE funds. The majority of charter schools have obtained waivers from the state from the ALE requirements so they do not have to provide the services. However, one charter school, SAI Tech in Little Rock, received ALE funding for the 2017-18 school year.⁴² The following chart show the changes in total ALE funding for the past decade. The decrease in funding that occurred in 2013-14 is due to a drop in FTEs the previous year.

ALE Total Funding per Year



⁴² Meeting with Lori Lamb.

ALE EXPENDITURES

The following table shows the expenditures districts made for all ALE programs and services. These figures include expenditures made using money transferred to ALE from other categorical funds. The table also shows the amount of additional funding – beyond categorical funding – that was spent on ALE programs. This would include foundation funding and any other funding spent on ALE programs.

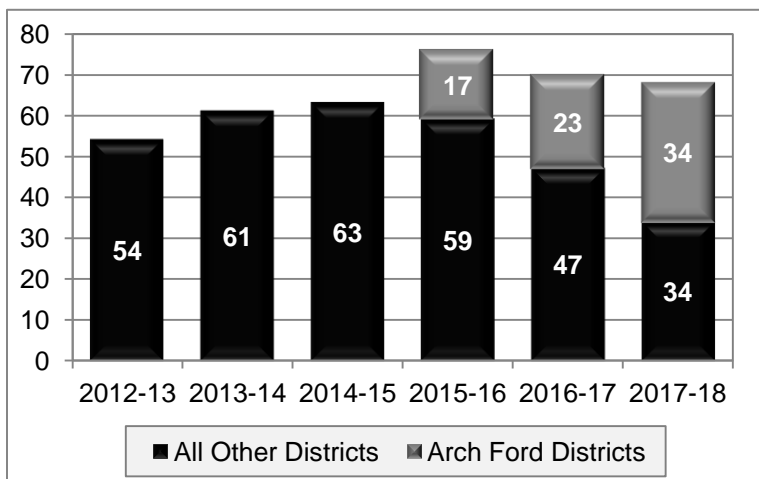
| | Total Expenditures From ALE Categorical Funds | Total Expenditures on ALE Programs Using Funds Other Than ALE Categorical Funds | Total Expenditures on ALE Programs |
|---------|---|---|------------------------------------|
| 2013-14 | \$37,206,494 | \$19,181,526 | \$56,388,019 |
| 2014-15 | \$37,964,576 | \$19,261,042 | \$57,225,618 |
| 2015-16 | \$39,205,888 | \$17,962,255 | \$57,168,143 |
| 2016-17 | \$41,940,616 | \$17,274,712 | \$59,215,328 |

The vast majority of the expenditures each year were made on salaries and benefits of ALE staff. The proportion of ALE expenses covered using ALE categorical funds has increased from 66% in 2013-14 to 71% in 2016-17.

CONSORTIA

A new trend regarding ALEs over the last few years is the increasing number of school districts participating in ALE consortia, and the growth of one consortium in particular. If a school district chooses not to operate its own ALE program, it may join in a consortium with other school districts or one that is operated by one of the state’s education service cooperatives.

In 2015-16, 76 districts participated in consortia, up from 54 in 2012-13 for a 41% increase over three years. That number dropped to 68 districts for the 2016-17 school year, making a 26% increase over five years.



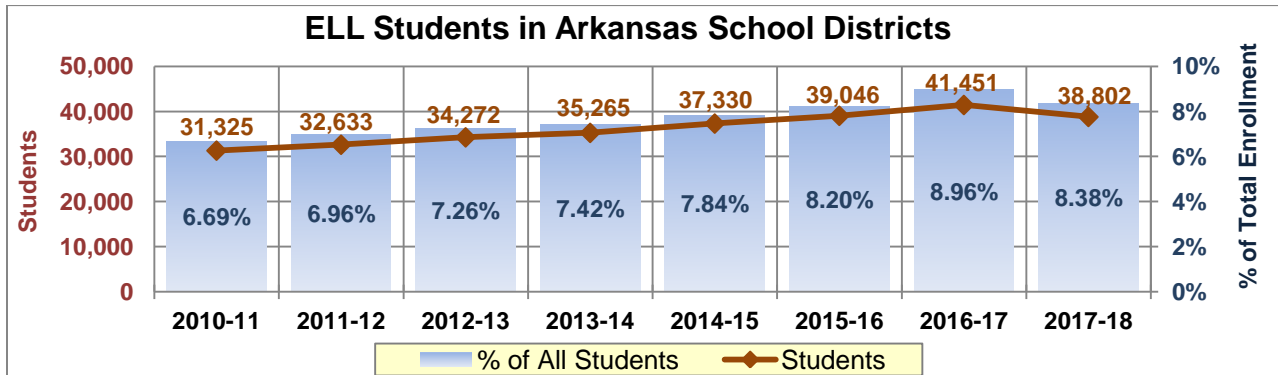
Some of that increase in consortia participation seems to be due to the increase in the number of school districts participating in the ALE programs operated by the Arch Ford Education Service Cooperative based in Plumerville. In 2017-18, half of the school districts participating in consortia were members of the Arch Ford program.

ENGLISH LANGUAGE LEARNER CATEGORICAL FUNDING

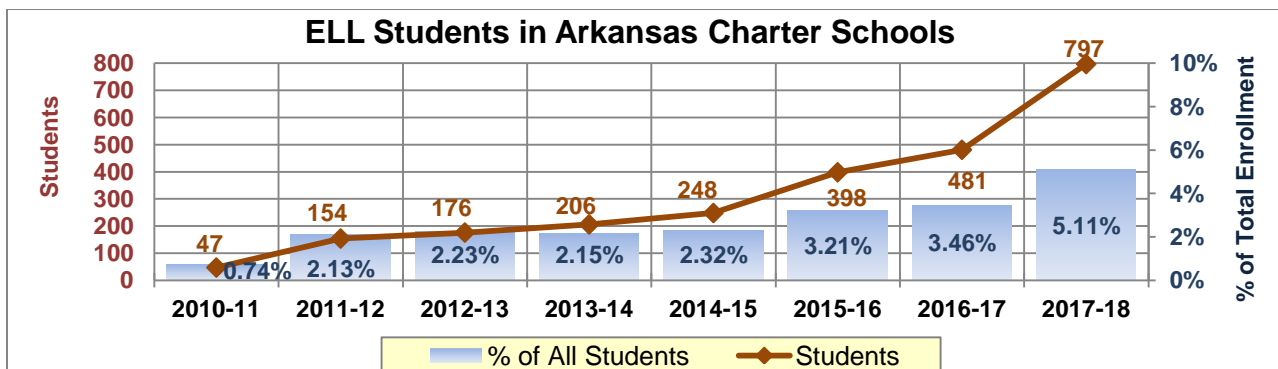
The state provides additional funding to school districts and charter schools to support students who are not proficient in the English language. This state categorical funding program is known as English Language Learner (ELL) funding and is distributed to districts and charter schools based on the number of ELL students they have enrolled. ELL students face the challenge of learning a new language in addition to mastering academic subject matter being taught in that language. There are several different terms used to refer to ELL students in Arkansas. ELL programs are also known as English as a Second Language (ESL) programs.

STUDENT COUNT

In 2017-18, there were 38,802 ELL students in the state’s public school districts and another 797 ELL students in open enrollment public charter schools. Total ELL enrollment in districts and charter schools increased by nearly 34% between 2011 and 2017, but decreased in 2018. That decrease is likely due to an increase in the number of students who exited the ELL program based on a change in English language proficiency assessments. (See page 91 for more information about changes in the numbers of students exiting ELL.)



Source: ELL student counts come from State Aid Notices (2010-11 through 2017-18), ADE. Total student enrollment numbers used in the calculations come from ADE’s Data Center.



Source: ELL student counts come from State Aid Notices (2010-11 through 2017-18), ADE. Total student enrollment numbers used in the calculations come from ADE’s Data Center.

The percentage of the state’s students who are ELLs has also been increasing, but remains below the percentage of ELLs nationally. The national percentage has increased slightly in recent years from 9.1% in 2004 to 9.5% in 2015, the most recent year of data available.⁴³

In 2016-17, 178 school districts and 14 charter schools had ELL students enrolled. About 57% (23,920) of the 41,932 ELL students statewide during 2016-17 school year were served by five school districts:

1. Springdale: 10,296
2. Rogers: 5,414
3. Fort Smith: 4,068
4. Little Rock: 2,930
5. DeQueen: 1,212⁴⁴

In 2016-17, language minority students—those who speak a language other than English at home—collectively spoke a total of 91 languages as their primary language. (Language minority students are not considered English language learners if they speak English proficiently.) The home language of the vast majority of these students was Spanish.

⁴³ National Center for Education Statistics, Digest of Education Statistics, Table 204.20, https://nces.ed.gov/programs/digest/d16/tables/dt16_204.20.asp?current=yes and The Condition of Education, English Language Learners in Public Schools, March 2017, https://nces.ed.gov/programs/coe/indicator_cgf.asp.

⁴⁴ State Aid Notice (2016-17), ADE.

PROGRAM OVERVIEW

While state law provides funding to districts for ELL students as well as guidance on how those funds can be used, ELL program requirements largely come from the federal level. Federal law (20 USC § 1703(f)) provides that, "[n]o state shall deny equal educational opportunity to an individual on account of his or her race, color, sex, or national origin by ... the failure by an educational agency to take appropriate action to overcome language barriers that impede equal participation by its students in its instructional programs". Additionally, Title VI of the Civil Rights Act of 1964 requires school districts to provide an equal educational opportunity to language minority students.

As defined in state statute A.C.A. § 6-20-2303 "English-language learners" means students identified by the SBOE as not proficient in the English language based on approved English-language proficiency assessments. Language proficiency assessments, administered as needed and when new students enroll, measure oral, reading, and writing proficiency. Students who speak a language other than English at home take a placement test, known as a screener, to determine if they are not fully fluent in English. If the screener indicates a student is not fully English proficient, he or she is then placed in the ELL program.

To determine ELL students' progress in acquiring English-language proficiency and identify the ELL services needed for the next school year, school districts and charter schools assess ELL students every spring. The language-specific assessment currently used in Arkansas is the English Language Proficiency Assessment for the 21st Century (ELPA21), which replaced the English Language Development Assessment (ELDA) in 2015-16.

Following a review of the spring ELPA21 test results, the student's language placement and assessment committee (LPAC) will make a recommendation as to whether a student continues to receive services in the program or exits the program. The change from the ELDA to the ELPA21 has resulted in more students exiting the ELL program. Under ELDA, ELL students had to obtain a score of 5 in all domains to exit the ELL program. Under ELPA21, however, students can achieve proficiency with a score of 4 or 5 in the four domains.

This change has resulted in an increase in ELL students testing proficient in English and becoming eligible to exit the program. In 2015, just under 3,500 students scored "Fully English Proficient" under ELDA, the score necessary for exit eligibility, compared with nearly 9,000 students scoring "Proficient" on the ELPA21. With more students testing proficient, more students are exiting the ELL program. According to data districts reported through APSCN, 1,694 students (4%) exited the ELL program in the 2015-16 school year, compared with 3,796 (8%) in the 2016-17 school year, which represents a 124% increase in the number of students exiting the ELL program over those two years.

The increase in students exiting ELL programs may ultimately affect the number of students for whom districts are receiving ELL state categorical funding. As noted previously, the number of ELL students dropped by more than 2,300 students between 2016-17 and 2017-18. Based on the 2018 ELL funding of \$338 per student the state provides to districts and charter schools, this decrease in ELL students resulted in districts and charters collectively receiving a decrease of nearly \$790,000 in 2017-18.

ESSA requires districts and charters to monitor former ELL students for at least four years.⁴⁵ This expanded the previous monitoring requirement by two years. According to ADE, monitoring former ELL students requires LPACs to review students' academic progress and standardized assessment scores at least once per year to ensure students' continued success. There is no funding specifically provided to school districts and charters for monitoring exited students.⁴⁶

⁴⁵ ESSA § 3121(a)(5)

⁴⁶ Kerr, T., ADE, Dec. 8, 2017 phone conversation

ELL STATE CATEGORICAL FUNDING

ELL categorical funding is distributed to districts and charter schools based on the number of ELL students they have enrolled in the current year. In 2017, 178 districts and 14 open enrollment charter schools received \$331 per ELL student, or about \$13.9 million total. Additionally, districts can transfer funding into ELL funds from the three other state categorical programs if they need more funding for ELL programs than they received. In 2016-17, districts and charters transferred about \$4.4 million from other categorical funds to be used as ELL funds. The majority of that funding, about \$4.2 million, was transferred from NSL funds.

| FY | Per-Student ELL Funding | Total ELL Categorical Funding | Funding Transferred to ELL From Other Categorical Funds | Total |
|---------|-------------------------|-------------------------------|---|--------------|
| 2013-14 | \$311 | \$11,031,481 | \$3,994,300 | \$15,025,781 |
| 2014-15 | \$317 | \$11,912,226 | \$3,877,532 | \$15,789,758 |
| 2015-16 | \$324 | \$12,779,856 | \$4,083,284 | \$16,863,140 |
| 2016-17 | \$331 | \$13,879,492 | \$4,376,452 | \$18,255,944 |

ELL funding, like other categorical funding programs, is considered restricted, meaning districts can spend the money only for specific purposes. The vast majority of districts’ and charters’ expenditures of ELL categorical funds are spent on salaries and benefits.

Additionally, districts spent other types of non-federal funding—beyond state categorical funds—on ESL staff, materials and other services. The table below shows the total ELL categorical funds spent and the additional ESL expenditures districts made from other non-federal funding sources.

| FY | Total ELL Expenditures from ELL Categorical Funds | Total ELL Expenditures From Other Non Federal Sources | Total Non Federal ESL Program Expenditures |
|---------|---|---|--|
| 2013-14 | \$14,895,274 | \$3,363,231 | \$18,258,505 |
| 2014-15 | \$15,997,816 | \$3,374,591 | \$19,372,407 |
| 2015-16 | \$16,831,293 | \$4,744,389 | \$21,575,682 |
| 2016-17 | \$17,663,135 | \$4,337,581 | \$22,000,716 |

Note: ELL Categorical expenditures include transfers of ELL funding to other categorical funds, but does not include funding transferred from Pulaski County Special School District to Jacksonville North Pulaski. Transfers of categorical funds are based on funds districts coded as transfers. In some cases, small transactions may have been miscoded and therefore do not represent the funding amount truly transferred.

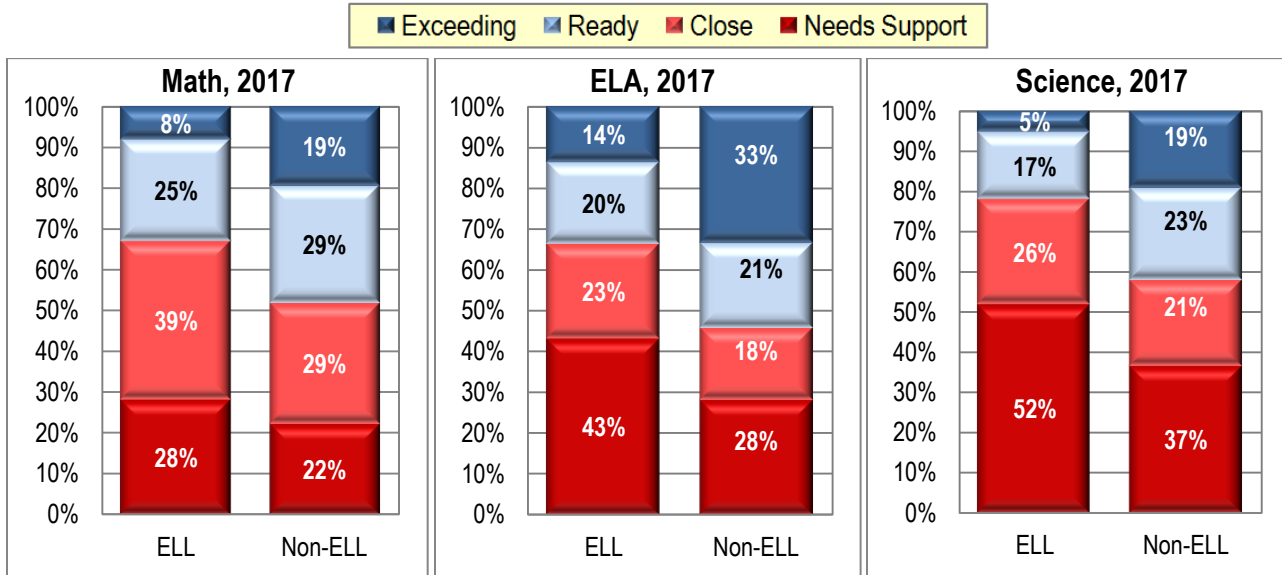
The table below compares the per-student ELL state funding levels each year, compared with districts’ and open enrollment charter schools’ per-student expenditures for ESL services.

| FY | Per Student ELL Funding | Total Per-Student ELL Expenditures (Non-Federal) |
|---------|-------------------------|--|
| 2013-14 | \$311 | \$515 |
| 2014-15 | \$317 | \$516 |
| 2015-16 | \$324 | \$547 |
| 2016-17 | \$331 | \$525 |

STUDENT ACHIEVEMENT

ACT Aspire

During the 2017-18 school year, all students in grades 3-10, including ELL students, participated in the ACT Aspire examinations. ACT Aspire tests students’ content knowledge acquisition only and is not a test of English-language proficiency. ACT Aspire results report four levels of proficiency: (1) “in need of support”, (2) “close”, (3) “ready”, and (4) “exceeding”. In Arkansas, the assessment is administered only in English. As the graphs show, the percentages of ELL students scoring “ready” or “exceeding” were lower than those for non-ELL students in math (33%, compared with 48%), ELA (34%, compared with 54%), and science (22%, compared with 42%).

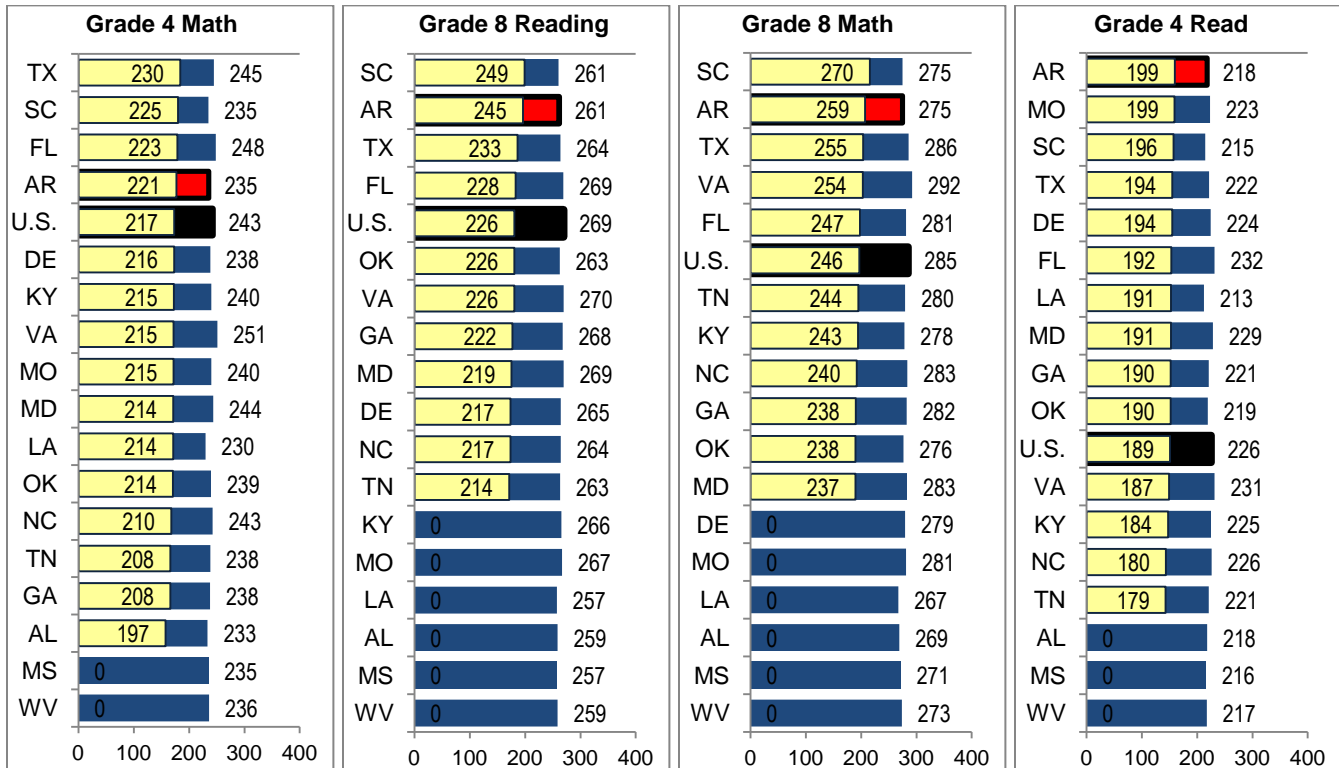


National Assessment of Educational Progress (NAEP)

NAEP scores are also important to consider when looking at the progress of Arkansas’s ELL students. These tests are given to all students at grades 4 and 8 and score students on proficiency in both math and reading. The following tables provide information on the achievement of ELL versus non-ELL students on the NAEP in 2017 in states surrounding Arkansas and SREB states. For some states, the data for ELL students’ scores do not meet NAEP’s reporting standards and are therefore unavailable. Compared to the national average for public schools and the scores of other SREB states, Arkansas ELLs ranked 1st on the 2017 NAEP for 4th grade reading, 2nd in 8th grade reading and math, and 4th in 4th grade math.

2017 NAEP

■ Non ELL ■ ELL



Source: nces.ed.gov/datatools/

PROFESSIONAL DEVELOPMENT CATEGORICAL FUNDING

According to Arkansas statute, professional development is defined as a “set of coordinated planned learning activities for teachers, administrators, and non-licensed school employees” that improves “knowledge and skills in order to facilitate individual, team, school-wide, and district-wide improvement designed to ensure that all students demonstrate proficiency on the state academic standards” (A.C.A. § 6-17-704). Professional development (PD) activities are funded through state categorical funding.

PD FUNDING

The following table shows the per-student amount of professional development funding the state has provided since 2011.

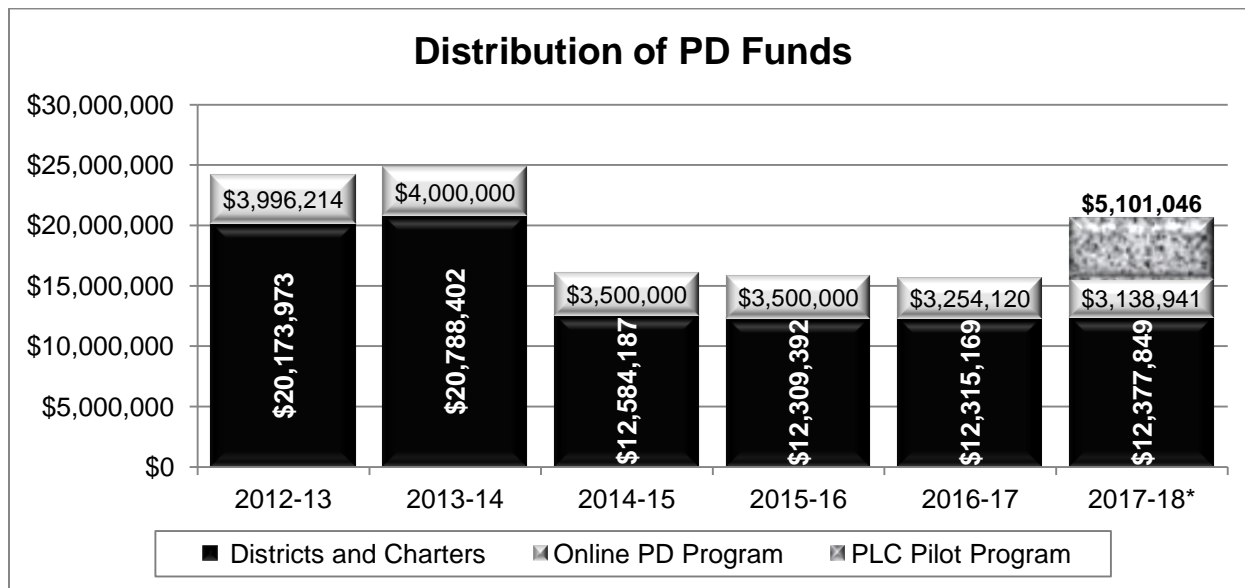
| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------|------|------|------|---------|---------|---------|----------|----------|
| \$50 | \$51 | \$52 | \$53 | \$32.40 | \$32.40 | \$32.40 | \$32.40* | \$32.40* |

Note: For 2017-18 and 2018-19, PD funding provided above \$32.40 will support the PLC Pilot Program due to Act 427 of 2017.

Special language authorized ADE to use up to \$4 million of the PD funding to develop and implement an online PD program, known as Arkansas IDEAS. Arkansas IDEAS (Internet Delivered Education for Arkansas Schools) is a partnership between ADE and the Arkansas Educational Television Network (AETN) to provide online professional development for Arkansas licensed educators and those wishing to obtain an Arkansas educator license. It also offers programs of study to assist teachers in “obtaining an Arkansas Educator License or additional grade band endorsements added to an existing license.”⁴⁷

During the 2017 legislative session, the General Assembly added another component to PD funding. Beginning in 2017-18, the Legislature directed all PD funding exceeding \$32.40 per student to a Professional Learning Community (PLC) pilot program. ADE, in partnership with Solution Tree, a private organization that provides PD resources, training, and support to K-12 educators, started the PLC pilot program.

The following chart shows the total amount of PD funding distributed to districts and open enrollment charter schools and the amount set aside for use under the statewide online PD program and the PLC program for the last seven years.



⁴⁷ <http://ideas.aetn.org/>

PD EXPENDITURES

The table below shows the total amount of funding provided to districts and charter schools and the expenditures made from those categorical funds. The expenditures do not include any PD funding districts and charters transferred to other categorical funds. The table also calculates the PD funding and expenditures as a per-student amount. These data show that, since 2013, collectively districts continue to spend more money than they received in PD funding. They were able to spend more money than they received in PD funding, in part, because they transferred money from other categorical funds. **Since PD funds are considered categorical funds, they can be transferred to and from other categorical funds (NSL, ELL, and ALE funds) as needed.** Since 2014, the amount transferred from other categorical funds to PD has nearly doubled and the amount transferred from PD to other categorical funds has been nearly cut in half.

| Year | Total PD Funding Provided by Statute | Transfers from Other Categorical Funds to PD | Total PD Expenditures | Transfers from PD to Other Categorical Funds | Per-Student PD Funding by Statute | Per-Student PD Expenditures |
|------|--------------------------------------|--|-----------------------|--|-----------------------------------|-----------------------------|
| 2015 | \$12,584,187 | \$4,273,795 | \$17,089,118 | \$507,214 | \$26.67 | \$36.22 |
| 2016 | \$12,309,392 | \$4,751,780 | \$17,439,887 | \$352,979 | \$26.05 | \$36.95 |
| 2017 | \$12,315,169 | \$5,605,307 | \$17,124,973 | \$772,216 | \$26.05 | \$36.22 |

Source: State Aid Notices for State Aid Funding 2014-15 through 2016-17.

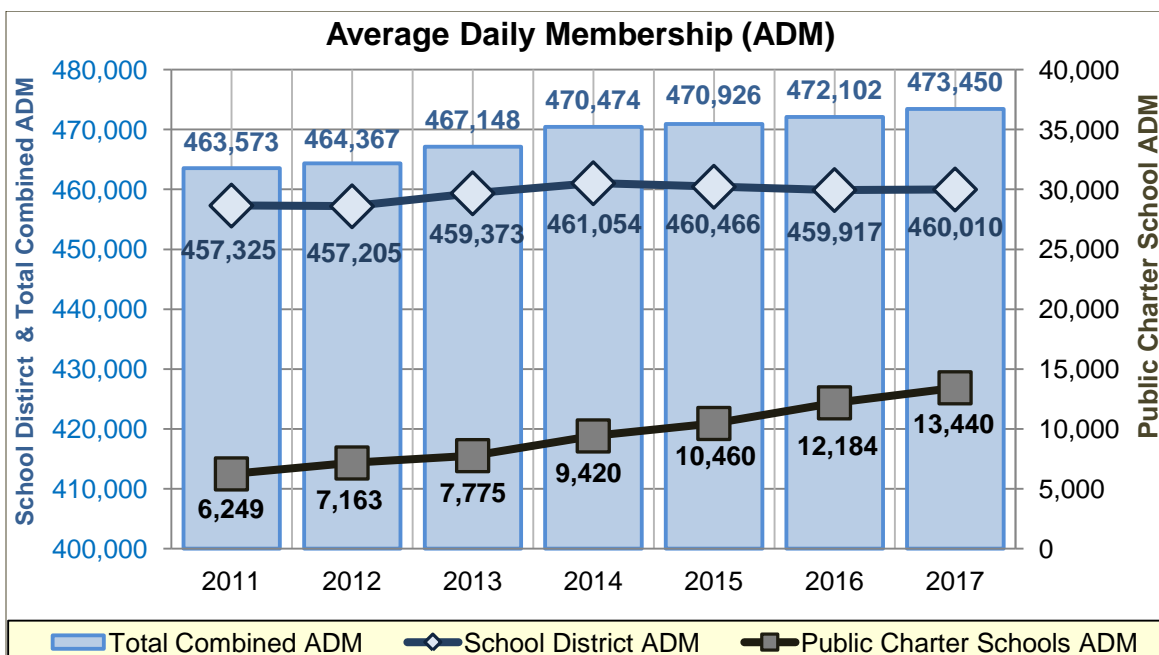
In 2017, the most common PD expenditure for districts and charters was purchased services (68%). Just over half of the purchased services included consultants, speakers, and course registration fees. Just over a quarter of the purchased services included travel expenses.

Section 12: Other Types of State Funding

In addition to state categorical funds and foundation funding, some districts and open-enrollment charter schools receive other types of funding. Districts and charter schools may receive additional funding to help with growth, declining enrollment, or due to being in an isolated (or remote) location with rugged conditions. The adequacy study statute calls for the Education Committees to review expenditures from all three types of funding.

STATEWIDE CHANGES IN ENROLLMENT

The first two types of funding—declining enrollment and student growth funding—are designed to help districts cope with incremental increases or decreases in their student population. The following chart provides information on statewide changes in enrollment over the last seven years. For all public schools, the total ADM increased slightly—about 2% between 2011 and 2017. However, total ADM in traditional school districts has stagnated since 2014, while the total ADM in open enrollment charter schools continues to increase as more charter schools open (24 in 2016-17, compared with 17 in 2010-11). Total charter school ADM more than doubled between 2011 and 2017.



Data Source: State Aid Notices 2011-12 through 2017-18. The data above represent the ADM for quarters 1-3 in the year indicated.

STUDENT GROWTH FUNDING

Student growth funding is an unrestricted type of funding that is disbursed to districts or charter schools to help ease the financial burdens associated with an increase in student enrollment. School districts are eligible for growth funding if they have more students in the current year than they had in the previous year.

STUDENT GROWTH CALCULATION

To determine the amount of growth in a district or charter school, ADE compares the ADM for each quarter in the current year to the prior year’s 3 Quarter ADM. If there is an increase, ADE multiplies the amount of growth from each quarter by .25, and this equals the quarterly growth rate. Ultimately this formula provides districts and charters the full rate of foundation funding for approximately each student added.

Since foundation funding is based on the prior year’s ADM, when a district gains students, the foundation funding it receives does not provide funding for the new students. Student growth funding essentially provides an amount equal to foundation funding to help pay for the added students. The table below shows a scenario in which a school district is gaining students. In 2013, this district had 940 students so it receives foundation funding in 2014 based on the 940 students, even though the district now had 960 students. Student growth funding provides the district with the additional foundation funding to accommodate for the new 20 students.

| | Current Year Students | Foundation-Paid Students (Based on Previous Year’s students) | Difference Between Funded Students and Students District Is Actually Educating | Students Funded By Student Growth | Total Funded Students Above Current Year Students |
|------|-----------------------|--|--|-----------------------------------|---|
| 2013 | 940 | | | | |
| 2014 | 960 | 940 | -20 | +20 | 0 |
| 2015 | 980 | 960 | -20 | +20 | 0 |
| 2016 | 1,000 | 980 | -20 | +20 | 0 |
| 2017 | 1,020 | 1,000 | -20 | +20 | 0 |

Note: For the purpose of illustration, this scenario is based on yearly changes in enrollment instead of quarterly changes.

Beginning in 2017-18, the student growth formula will change due to Act 741 of 2017. Now student growth funding will be determined by the ADM for the first three quarters of the current school year and the fourth quarter from the previous year. Additionally, Act 741 reduces the amount of student growth funding that some districts can receive. The affected districts are those that generate enough revenue through their URT, the 25 mills all districts are required to levy, that they do not receive state foundation funding aid. There were eight such districts in 2016-17.

Student growth funding will also be impacted by Act 933 of 2017, beginning 2017-18. Prior to Act 933, charter schools that were newly opened or added new grades received foundation funding based on current year ADM instead of prior year ADM to accommodate for the additional new students. In these cases, the charter did not receive student growth funding since the current foundation funding amount provided for the new students. With Act 933, the triggers for basing funding on current year ADM were expanded to include charter schools operating under a new license (issued when a charter opens a new campus in another school district) and the first year of adding a new campus.

STUDENT GROWTH FUNDING

In 2016-17, 101 school districts received a total of \$28,562,548 in student growth funding. In 2017, student growth payments to districts ranged from \$449 (Mammoth Springs School District) to \$3,323,665 (Bentonville School Districts). The average student growth payment for districts in 2017 was \$121,543, including all of the districts that did not receive any student growth funding. In 2016-17, eight charters received a total of \$5,420,593 in student growth funding. This is an increase of nearly \$3.6 million from 2016. This increase is mostly the result of LISA Academy’s expansion. LISA Academy’s enrollment cap was expanded from 1,500 to 2,100 students as they opened a new K-6 campus in West Little Rock. This expansion resulted in a student growth payment of \$3,353,455.

| Year | Districts That Received Student Growth Funding | Total Student Growth Funding: Districts | Charters That Received Student Growth Funding | Total Student Growth Funding: Charters | Total Student Growth Funding |
|------|--|---|---|--|------------------------------|
| 2012 | 94 | \$24,390,665 | 6 | \$1,897,328 | \$26,287,993 |
| 2013 | 104 | \$35,476,686 | 6 | \$1,414,698 | \$36,891,384 |
| 2014 | 113 | \$29,210,065 | 9 | \$4,882,668 | \$34,092,733 |
| 2015 | 97 | \$26,015,945 | 8 | \$3,048,812 | \$29,064,757 |
| 2016 | 101 | \$19,028,284 | 6 | \$1,826,664 | \$20,854,948 |
| 2017 | 101 | \$28,562,548 | 8 | \$5,420,593 | \$33,983,141 |

Source: State Aid Notices for State Aid Funding 2011-12 through 2016-17.

STUDENT GROWTH EXPENDITURES

Since its creation, student growth funding has been considered unrestricted funding, meaning districts and charters can spend the money however best fits their needs. For districts and charters, the most common student growth expenditure in 2017 was regular instructional programs (23.6%), which include expenditures for regular instruction for preschool through high school instruction as well as athletics and extracurricular activities.

The following table shows that in 2017, districts received \$28.6 million in student growth funding but spent nearly \$40.3 million. This indicates that some districts were spending from their balance carried over from previous years in addition to any student growth funding they may have received in the current school year. Charter schools received \$5.4 million in student growth funding and spent only \$2.2 million.

| Year | Districts | | Charters | |
|------|------------------------|--------------|------------------------|--------------|
| | Student Growth Funding | Expenditures | Student Growth Funding | Expenditures |
| 2014 | \$29,210,065 | \$22,632,058 | \$4,882,668 | \$4,498,903 |
| 2015 | \$26,015,945 | \$27,789,677 | \$2,686,505 | \$2,932,826 |
| 2016 | \$19,028,284 | \$21,949,785 | \$1,826,664 | \$1,929,759 |
| 2017 | \$28,562,548 | \$40,247,376 | \$5,420,593 | \$2,151,389 |

Source: State Aid Notices for funding amounts and APSCN data for expenditures amounts.

STUDENT GROWTH FUND BALANCES

Districts and charter schools are allowed to carry over student growth funding from one year to the next. As a result, districts and charters may have ending fund balances. Districts and charters receive student growth funds in two parts: once in January and again in April. These payments are based on ADM estimates and the exact amounts are not finalized until July 31 when actual ADM counts are available. Therefore, districts and charters do not know their true funding until the end of the school year. Since districts and charters do not have a complete picture of their growth funding until July 31st, some districts and charters may not spend the current year's funding until the following year. Because of this budgeting practice, it is not uncommon for districts and charters to carry fund balances.

The following table shows the ending fund balances for districts and charters since 2012. In 2017, districts received about \$25.6 million in student growth funding but spent nearly \$40.3 million. This indicates that districts continued a trend of spending down their student growth fund balance. This results in smaller ending fund balances being carried over at the end of the school year. The table below shows that districts' ending fund balance decreased from \$34.6 million in 2016 to \$22.6 million in 2017 and the number of districts with a fund balance decreased as well from 144 in 2016 to 120 in 2017. The large decrease may be related to Act 1105 of 2017, which requires districts spend down total fund balances (net legal balances) exceeding 20% of their annual revenues. However, charters increased their ending student growth fund balance by nearly \$3.3 million since 2016, and the number of charters with a fund balance increased from 7 to 9 in 2017.

| Year | Ending Fund Balance: Districts | Districts with Ending Fund Balances | Ending Fund Balance: Charters | Charters with Ending Fund Balances |
|------|--------------------------------|-------------------------------------|-------------------------------|------------------------------------|
| 2014 | \$39,119,630 | 144 | \$1,549,925 | 6 |
| 2015 | \$37,513,880 | 141 | \$1,699,540 | 7 |
| 2016 | \$34,568,549 | 144 | \$1,562,815 | 7 |
| 2017 | \$22,619,171 | 120 | \$4,885,302 | 9 |

Source: APSCN

Note: Due to when student growth is actually received by districts and charters, the ending fund balances may not represent all of the state aid for funding for each given year.

DECLINING ENROLLMENT FUNDING

A.C.A. § 6-20-2305(a)(3)(A)(i) provides additional funding, known as declining enrollment funding, for school districts that have experienced a decrease in their student population. As a district loses students, some costs, such as instructional materials and textbooks, can be easily reduced while others costs remain. Some costs are more difficult to reduce than others. For example, a district may be able to reduce its teaching staff with the loss of 25 students, but may not be able to eliminate the expense of a principal or the operating expenses of a school building until the district loses several hundred students.⁴⁸ The declining enrollment funding is designed to provide extra money to help these districts deal with a decrease in foundation funding resulting from the loss of students.

DECLINING ENROLLMENT CALCULATION

To calculate declining enrollment funding in Arkansas, a district’s ADM for the previous year is subtracted from the average ADM for the previous two years. That amount is multiplied by the per-student foundation funding amount. **The calculation results in providing the foundation funding rate for about half of the students the district lost in a given year.**

The calculation for declining enrollment funding differs from the student growth funding calculation in three important ways:

- 1.) Student growth funding is based on a district’s growth in the current year, while declining enrollment is based on the loss of students a year ago.
- 2.) Student growth funding is based on increases in students each quarter, while declining enrollment funding is based on the overall decrease for the year.
- 3.) Student growth funding pays districts the foundation funding rate for each student added, while declining enrollment funding pays districts the foundation funding rate for half of the students lost.

Declining enrollment funding plays a different role for decreasing districts than student growth funding plays for growing districts. A district with a decreasing student population receives foundation funding for more students than it is actually educating because foundation funding is based on the ADM of the previous year when the decreasing district had more students.

Because foundation funding pays growing districts for fewer students than they are actually educating, the money essentially makes up for these unfunded students. Conceptually, student growth funding ensures districts receive funding for all students they are responsible for educating. Declining enrollment funding, however, pays for students the district does not have. The fictitious example in the table below illustrates that consistently declining districts receive foundation funding and declining enrollment to support one and a half times the number of students they lost. For example, a district that loses 20 students each year, receives funding to pay for 30 more students than they are actually educating.

| Year | Current Year Students | Foundation-Paid Students (Based on Previous Year’s students) | Difference Between Funded Students and Students District Is Actually Educating | Students Funded By Declining Enrollment | Total Funded Students Above Current Year Students |
|------|-----------------------|--|--|---|---|
| 2013 | 1,020 | | | | |
| 2014 | 1,000 | 1,020 | +20 | | |
| 2015 | 980 | 1,000 | +20 | +10 | +30 |
| 2016 | 960 | 980 | +20 | +10 | +30 |
| 2017 | 940 | 960 | +20 | +10 | +30 |

⁴⁸ Hartman, W. and Schoch, R., Final Report of the Study of Increasing and Declining Enrollment in Maryland Public Schools, Nov. 16, 2015, <http://www.marylandpublicschools.org/Documents/adequacystudy/MDEnrollmentReport-Rev111615.pdf>

DECLINING ENROLLMENT FUNDING

Declining enrollment funding typically provides districts and charter schools with an additional \$8 million to \$14 million each year. In 2016-17, 83 school districts and one open enrollment charter school received about \$11.3 million in declining enrollment funding.

| Year | Districts Received Funding | Total Districts Funding | Charters Received Funding | Total Charters Funding | Total Declining Enrollment Funding |
|------|----------------------------|-------------------------|---------------------------|------------------------|------------------------------------|
| 2014 | 78 | \$9,773,009 | 2 | \$192,877 | \$9,965,886 |
| 2015 | 85 | \$8,619,162 | 1 | \$145,320 | \$8,764,482 |
| 2016 | 99 | \$13,448,877 | 4 | \$262,339 | \$13,711,216 |
| 2017 | 83 | \$11,267,662 | 1 | \$58,850 | \$11,326,512 |

DECLINING ENROLLMENT EXPENDITURES

Like growth funding, declining enrollment expenditures are also considered unrestricted, allowing districts to use it however best fits their needs. For districts and charters, the most common declining enrollment expenditure in 2017 was for regular instructional programs (23.6%), which include expenditures for regular instruction for preschool through high school instruction as well as athletics and extracurricular activities.

The following table shows the total funding provided to districts and charter schools compared with the total expenditures of declining enrollment funding over the past six years.

| Year | Funding | Expenditures |
|------|--------------|--------------|
| 2014 | \$9,965,886 | \$9,868,870 |
| 2015 | \$8,764,482 | \$10,721,332 |
| 2016 | \$13,711,216 | \$7,727,716 |
| 2017 | \$11,326,512 | \$21,997,942 |

Declining enrollment funding was designed to ease districts' transition to a smaller student population, not prevent necessary staffing reductions. To examine whether districts that have received declining enrollment funding are actually reducing their overall operating expenditures and FTEs, the following table provides information on the expenditures and FTEs of the 21 districts that have received declining enrollment funding every year for each of the last five years. The table shows the average operating expenditures and the average non-federal FTEs each year for these 21 districts. On average, there has been a consistent decrease in both expenditures and FTEs, suggesting that, in the most consistently declining enrollment districts, the districts appear to be downsizing their staff and spending as their student population diminishes.

| Declining Enrollment Districts | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|----------------|----------------|----------------|----------------|----------------|
| Average Non-Federal Operating Expenditures | \$13.4 million | \$13.4 million | \$13.3 million | \$12.8 million | \$12.9 million |
| Average Net Current Expenditures (includes federal) | \$16.6 million | \$16.1 million | \$16.0 million | \$15.7 million | \$15.5 million |
| Average Non-Federal FTEs | 237.26 | 233.68 | 225.34 | 219.00 | 211.42 |

Note: Average non-federal operating expenditures include expenditures from salary and operating funds, but exclude facilities and construction services and LEA indebtedness (debt service payments). Average non-federal FTEs represent total FTEs, less federal FTEs. Data Source: APSCN, Page 36/37 Report and Annual Statistical Report

DECLINING ENROLLMENT FUND BALANCES

In 2017, 77 districts and three charter schools collectively had a fund balance of declining enrollment funding of about \$8.4 million, a significant decrease over previous years. The large decrease may be related to Act 1105 of 2017, which requires districts spend down total fund balances (net legal balances) exceeding 20% of their annual revenues.

| | Total Declining Enrollment Fund Balance: Districts | Districts with Ending Fund Balances | Total Declining Enrollment Fund Balance: Charters | Charters with Ending Fund Balances |
|---------|--|-------------------------------------|---|------------------------------------|
| 2013-14 | \$14,994,098 | 106 | \$21,345 | 2 |
| 2014-15 | \$13,034,056 | 109 | \$5,061 | 1 |
| 2015-16 | \$18,849,826 | 117 | \$167,132 | 3 |
| 2016-17 | \$8,369,619 | 77 | \$74,352 | 3 |

INTERACTION BETWEEN STUDENT GROWTH AND DECLINING FUNDING

Because districts can qualify for growth or declining enrollment funding even when they have small increases or decreases in ADM, some districts may receive student growth funding one year due to a slight increase in students and declining enrollment the next year. During the five school years between 2013 and 2017, 120 districts received both types of funding in different years.

Districts may also be eligible for both student growth funding and declining enrollment funding in the same year. That's because the calculations for two types of funding are based on ADM changes in different years. As a result, it's possible for a school district to qualify for both declining enrollment and student growth funding in the same year. However, state statute prohibits districts from actually *receiving* both funding types in a single year. When a district qualifies for both, ADE issues the funding type that would result in the most money for the district.

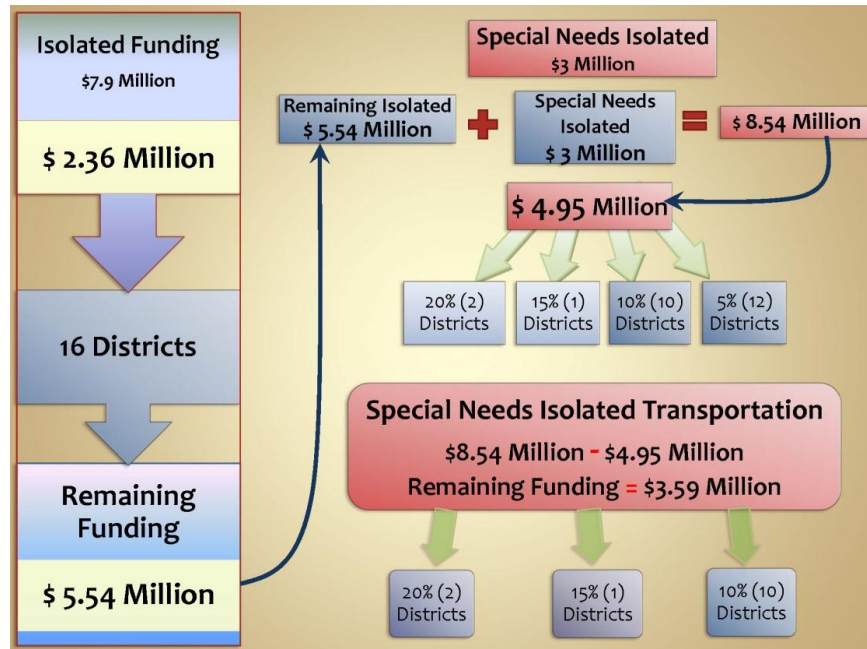
ISOLATED FUNDING

Isolated and small schools in Arkansas may qualify for special funding from the legislature known as isolated, special needs isolated and special needs isolated – transportation funding. The approximately \$11 million dedicated to these funding sources accounts for only a quarter of a percent (.25%) of the state's total education funding and supplemented the budgets of 29 of the 235 school districts in 2016-17. (Charter schools do not receive any type of isolated dollars.)

Even though these funds together take a mere drop out of the pool of state education dollars, they make a bigger splash in the budgets of the affected districts. Districts' isolated funding comprises as much as 26.1% one district's (Deer/Mt. Judea) total restricted and unrestricted state and local funding for 2016-17.

The legislation and formulas surrounding the various funding streams associated with isolated and small school districts are, to say the least, complex. That's partly because what sounds like three categories of funding actually subdivide into several more.

The three large funding categories associated with isolated school districts (isolated, special needs isolated and special needs isolated – transportation) depend on interrelated funds. Districts that meet the definitions of isolated found in A.C.A. § 6-20-601-603 are the districts funded first out of \$7,896,000, the amount that has been consistently appropriated for isolated funding for more than a decade. This money has never been depleted after funding the isolated districts. Whatever balance remains is added to the \$3 million that is appropriated for school districts qualifying for special needs isolated funding. Historically, money is typically still left over after paying all of the districts qualifying for special needs isolated funds as well. All of those remaining funds are evenly divided and distributed to school districts that qualify for special needs isolated – transportation funding.



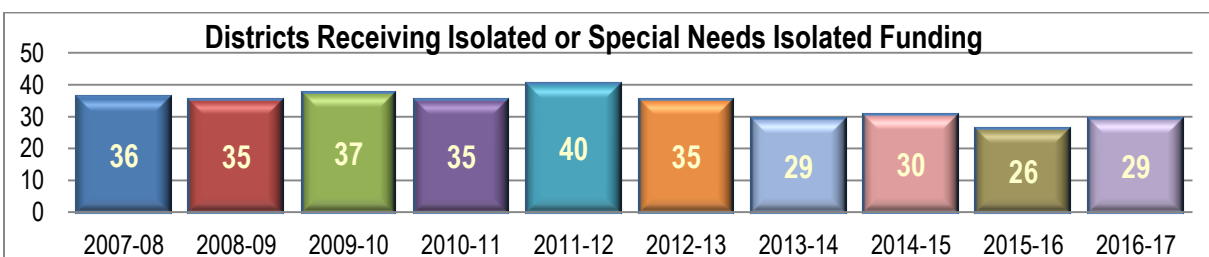
ISOLATED FUNDING

The amount of money appropriated for isolated (\$7,896,000) and special needs isolated schools (\$3 million) has not changed for the past decade. Yet, the amount required to fund districts qualifying for isolated funding has decreased over the years, leaving more money to be added to the special needs isolated funding. The result is that more funds are distributed as special needs isolated, though the appropriation is actually lower, and vice versa for isolated funds, as is illustrated in the following graph:



In 2016-17, 16 districts received isolated funding, 25 received special needs isolated funding and 13 received special needs isolated – transportation funding. The special needs isolated funding amounts include the special needs isolated – transportation funding, which amounted to nearly \$3.6 million in 2016-17. That money was distributed evenly to 13 school districts.

The number of districts receiving some type of isolated or special needs isolated funding over the years has fluctuated slightly. While some districts that once receive isolated funding no longer do, some additional small districts have qualified to receive special needs isolated funding in the 5% category.



ISOLATED EXPENDITURES

School districts historically have tended to spend most if not all of their isolated and special needs isolated funds each year. Instruction-related expenditures and transportation expenditures account for most of the ways these funds are used by districts.

| Year | Funding | Expenditures |
|---------|--------------|--------------|
| 2014-15 | \$10,895,996 | \$11,825,609 |
| 2015-16 | \$10,895,990 | \$10,650,084 |
| 2016-17 | \$10,895,996 | \$10,988,885 |

For the last several years, an overall fund balance of \$5 million to \$6 million has remained, with nearly all school districts with these funds maintaining a balance. According to ADE, payments of isolated funds are made in the second semester, sometimes as late as June, which may explain why fund balances remain each year.

USE OF FUNDS

Arkansas statute limits districts’ use of isolated funds received under A.C.A. § 6-20-603 and three of the four categories of special needs isolated funds found in A.C.A. § 6-20-604 to the support of isolated schools. Special needs isolated funding in the 5% category is for small districts, thus the use of those funds is unrestricted. Use of special needs isolated – transportation funding, as the name indicates, is confined to funding transportation needs.

| Funding Type | Restricted Use |
|---|--|
| Isolated | Operation, maintenance and support of the isolated school area |
| Special Needs Isolated | Operation of the isolated school area |
| Special Needs Isolated (Small District) | None |
| Special Needs Isolated (Transportation) | Transportation costs for the isolated school area |

Section 13: Educational Equity

Equity is a key component of achieving and maintaining a constitutionally sound system of funding education in Arkansas, and has been since the 1983 case *Dupree v. Alma Sch. Dist. No. 30, 279 Ark. 340 (1983)*. Equity has been conceptualized and measured using three different approaches. Horizontal equity examines the degree to which districts receive equal revenue. Vertical equity is concerned with equal district spending within certain key categories (or ranges) such as race and poverty level. Neutrality measures are used to examine inequities that may arise from differences in property wealth between districts.

EQUITY ANALYSES OF DISTRICT REVENUE

The Court has relied on the federal range ratio and to a lesser extent the coefficient of variation and the gini coefficient to measure disparities and determine equity (*Lake View*, 351 Ark. 31, 49 (2002)). The “federal range ratio” is the restricted range (the difference between the revenue of the district at the 5th percentile and revenue of the district at the 95 percentile) divided by the value at the 5th percentile (the “restricted range” is the difference between the per-pupil revenue at the 5th percentile and the 95th percentile). The “coefficient of variation” is the standard deviation divided by the mean (or average) revenue distributed to districts. The “gini coefficient” measures the degree to which the cumulative percentage of revenue is equal to the cumulative percentages of districts (e.g., do 20% of the districts receive 20% of the revenue).

District revenue was examined for horizontal equity with two variables. The first variable was “Foundation Funding and Property Taxes Per Student”. This is district revenue made up of foundation funding and revenue from local millage raised above the first 25 mills. To eliminate the effect of temporary increases or decreases in revenue (debt service millage) due to capital projects, tax revenue used to service construction debt was excluded.

The second variable is “Foundation and Other Adequacy-related Funding Per Student”. This revenue consists of all the revenue included in the first variable, plus selected types of state funding, such as categorical, declining enrollment and student growth funds. Revenue in both cases was divided by each district’s prior year ADM.

Foundation Funding and Property Taxes Per Student

| Horizontal Equity | 2014 | 2015 | 2016 |
|--------------------------|------------|------------|------------|
| Restricted Range | \$2,072.56 | \$1,840.38 | \$1,700.20 |
| Federal Range Ratio | 0.32 | 0.28 | 0.25 |
| Coefficient of Variation | 0.19 | 0.17 | 0.16 |
| Gini Coefficient | 0.055 | 0.056 | 0.040 |

The first set of horizontal equity analyses examine Foundation Funding and Property Taxes Per Student using the statistics listed above. The restricted range is commonly used to eliminate extreme revenues or outliers. It indicates that the difference between the per-pupil Foundation Funding and Property Taxes between the 5th percentile and 95th percentile has remained approximately the same across the three years examined. The results from the horizontal equity analyses are within the commonly accepted range for denoting equity. The gini coefficient is considered the most powerful statistic of those examined, and it is clearly within the commonly used acceptance range of 0.05 to 0.10.

The same conclusions are drawn from the results of the horizontal equity analyses of per-pupil Foundation and Other Adequacy Funding. The possible exception would be that the federal range ratio for 2014 extends beyond the normally accepted range of acceptability. However, this ratio is a very limited measure of equity because it only considers the difference between the 5th and 95th percentile values.

Foundation and Other Adequacy Funding Per Student

| Horizontal Equity | 2014 | 2015 | 2016 |
|--------------------------|------------|------------|------------|
| Restricted Range | \$2,487.43 | \$2,371.17 | \$2,562.59 |
| Federal Range Ratio | 0.39 | 0.33 | 0.35 |
| Coefficient of Variation | 0.15 | 0.16 | 0.15 |
| Gini Coefficient | 0.060 | 0.060 | 0.058 |

Neutrality Measures of Revenue

The following two tables show the correlation between per-student Property Wealth and Foundation Funding and Property Taxes, and the regression of the latter on the former (or wealth elasticity measure). The correlation appears to be strong all three years. At the same time, all three wealth elasticity coefficients are small, indicating that a dollar increase in per-student property wealth is associated with 20 cents or less increase in funding and property taxes.

Property Wealth: Foundation Funding and Property Taxes Per Student

| Statistic | 2014 | 2015 | 2016 |
|-------------------------------|------|------|------|
| Wealth-Neutrality Correlation | 0.83 | 0.89 | 0.88 |
| Wealth Elasticity | 0.18 | 0.20 | 0.19 |

Property Wealth: Foundation and Adequacy-Related Funding Per Student

| Statistic | 2014 | 2015 | 2016 |
|-------------------------------|------|------|------|
| Wealth-Neutrality Correlation | 0.78 | 0.85 | 0.83 |
| Wealth Elasticity | 0.17 | 0.19 | 0.18 |

Picus et al.⁴⁹ clearly state that large correlations between property wealth and funding are not relevant to policy when wealth elasticity coefficients are small.

EQUITY ANALYSES OF DISTRICT EXPENDITURES

Vertical equity statistics are typically conducted on expenditures to assess the equity in spending according to key district characteristics. The district characteristics addressed in this study are ADM, percent non-white, percent of students eligible for free or reduced-price lunch, and per-student property wealth.

Two variables are examined in relation to district characteristics to determine vertical equity. The first variable is “per-student expenditures from select state funding.” These expenditures include only those made using foundation funding, property taxes, and the revenues listed on the previous page as “other adequacy-related funding.” To eliminate the effect of temporary increases or decreases in expenditures due to capital projects, the expenditures do not include any facilities acquisition or construction, and they do not include debt service payments. These expenditures were divided by each district’s prior year ADM. The second variable, “total expenditures per-student,” includes all expenditures made using all funding sources (including federal funding). However, expenditures made using desegregation settlement funding were excluded. These expenditures were divided by each district’s prior year ADM, and exclude facilities acquisition and construction and debt service payments.

When district characteristics, commonly associated with school expenditures, were divided into deciles, the vertical equity analyses revealed limited and relatively insignificant differences, with the exception of more spending in districts with higher concentrations of poverty and lower ADM. These latter findings are well-established in the school finance literature.⁵⁰

All measures of equity indicate that Arkansas school districts are within the accepted ranges of equity in revenue and expenditures. The only exceptions are due to extra funding for districts that have high concentrations of poverty to provide more resources to address the challenges associated with poverty, and the higher administrative costs typically related to running a smaller district.

⁴⁹ Picus, L. O., Odden, A., & Fermanich, M. (2004). Assessing the equity of Kentucky’s SEEK formula: A ten-year analysis. *Journal of Education Finance*, 29, 315-336.

⁵⁰ Odden, A. R., & Picus, L. O. (2013). *School finance: A policy perspective (5th ed.)*. Columbus, OH: McGraw Hill.

Section 14: Measures of Inflation and Deflation

INFLATION ESTIMATES

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. The following information provides inflationary estimates for CY18 through CY22 to assist legislators in development of a policy determination regarding the inflationary adjustments for FY20 and FY21. 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) as well as two additional related indicators. The following table shows the annualized projections from each source.

| CY Est. | Moody's Analytics | IHS Global |
|---------------------|-------------------|------------|
| CPI - U | | |
| 2018 | 2.6 | 2.6 |
| 2019 | 2.5 | 2.3 |
| 2020 | 2.3 | 2.4 |
| 2021 | 2.3 | 2.2 |
| 2022 | 2.2 | 2.1 |
| CPI - Core | | |
| 2018 | 2.2 | 2.3 |
| 2019 | 2.7 | 2.3 |
| 2020 | 2.9 | 2.2 |
| 2021 | 2.4 | 2.5 |
| 2022 | 2.2 | 2.1 |
| GDP Deflator | | |
| 2018 | 2.4 | 2.3 |
| 2019 | 2.8 | 2.3 |
| 2020 | 2.1 | 2.5 |
| 2021 | 2.1 | 2.5 |
| 2022 | 2.0 | 2.4 |

CPI-U: Consumer Price Index For All Urban Consumers

CPI-Core: Core Consumer Price Index (CPI) is equal to **CPI** minus energy and food prices and is used to measure **core** inflation. The reason behind excluding energy and food prices is because the prices of these goods can be very volatile.

GDP Deflator: The Gross Domestic Product deflator (implicit price **deflator** for **GDP**) is a measure of the level of prices of all new, domestically produced, final goods and services in an economy. It is a price index that measures price inflation or deflation.

HISTORICAL INFLATIONARY CHANGES

The following table provides increases in the foundation funding rate for each year since 2004-05, and compares those funding increases with actual inflation changes. (The inflation changes for FY18 and FY19 are estimates.)

| Foundation Funding History and Inflation | | | | | |
|---|--------------------------|--------------------------|---------------------------|----------------------------|------------------------------|
| School Year | Foundation Amount | Enhanced Included | Funding Adjustment | CY Actual Inflation | FY Midpoint Inflation |
| FY05 | \$5,400 | | 12.41 | 3.37 | 3.02 |
| FY06 | \$5,528 | | 2.37 | 3.22 | 3.30 |
| FY07 | \$5,662 | | 2.42 | 2.87 | 3.05 |
| FY08 | \$5,719 | \$5,770 | 1.91 | 3.81 | 3.34 |
| FY09 | \$5,789 | \$5,876 | 1.84 | -0.32 | 1.75 |
| FY10 | \$5,905 | \$5,940 | 1.09 | 1.64 | 0.66 |
| FY11 | \$6,023 | | 1.40 | 3.14 | 2.39 |
| FY12 | \$6,144 | | 2.00 | 2.07 | 2.61 |
| FY13 | \$6,267 | | 2.00 | 1.47 | 1.77 |
| FY14 | \$6,393 | | 2.00 | 1.61 | 1.54 |
| FY15 | \$6,521 | | 2.00 | 0.12 | 0.87 |
| FY16 | \$6,584 | | 0.97 | 1.27 | 0.70 |
| FY17 | \$6,646 | | 0.94 | 2.14 | 1.71 |
| FY18 | \$6,713 | | 1.01 | 2.58* | 2.36 |
| FY19 | \$6,781 | | 1.01 | 2.50* | 2.54 |
| Aggregate | | | 35.37 | 31.49 | 31.58 |

*Moody's Analytics Estimate

Section 15: Public Comment

Eight organizations representing the interests of citizens, districts, schools, and educators submitted comments and/or recommendations for changes to the state's educational system. In November 2017, the organizations were invited to provide written testimony to the House and Senate Education Committees, and comments were accepted until late January 2018. This section provides summaries of testimony from each organization.

ARKANSAS ADVOCATES FOR CHILDREN AND FAMILIES

Arkansas Advocates for Children and Families (AACF) is a research and advocacy organization that promotes a wide range of reforms and policy initiatives. The AACF provided the following recommendations to the Education Committee.

1. Provide a full cost-of-living increase for all teachers annually, and ensure equity by increasing teacher pay in areas with the greatest need.

The AACF argues that teacher quality is the biggest in-school factor impacting student achievement but teachers are not paid fair and competitive salaries. They cite a \$24,000 gap in average teacher salaries and a \$17,257 disparity in minimum teacher salaries between the lowest- and highest- paying districts.

2. Provide adequate, equitable funding to ensure that all public school facilities exceed the minimum definition of “warm, safe, and dry.”

To combat disparities in facilities among low and high property wealth districts, the AACF recommends that the biennial educational adequacy study “conduct a comprehensive reassessment of facility needs, particularly in poor property wealth school districts in rural areas.” The AACF also recommends that the state adopt new facility standards to “incorporate new research on technology, collaborative learning, integrated career and technical education programs, and school climate and culture.”

3. Narrow the allowable uses of National School Lunch (NSL) funding to evidence-based programs that improve the achievement and well-being of low-income students.

The AACF recommends that the list of allowable NSL uses be narrowed down from 30 programs to those with proven results for children in poverty. They also note that the AACF has a wealth of research and recommendations for the most cost-effective interventions.

4. Expand funding for quality after-school and summer programs.

The AACF cites research that students attending after-school programs improve their school attendance and are less likely to drop out of school. They also note that “two-thirds of the achievement gap between lower and higher income youth results from unequal access to summer learning opportunities”. The AACF recommends building off of the legislature's decision to add \$3 million in categorical funding to allow districts to apply to use extra funds for preschool, after-school and summer programs, or tutoring and expanding this to serve more students in need.

5. Increase funding for special education teachers in the matrix, and fully fund catastrophic special education services based on schools' needs.

The AACF recommends that the state should consider following Picus and Odden's latest recommendation of increasing the current funding matrix to 3.3 special education teachers and 3.3 special education aides per 500 students. The AACF also recommends following the University of Arkansas's Office for Education Policy's recommendation to allocate special education funding based on the needs of the students actually enrolled in each school instead of being embedded in the foundation funding matrix.

6. Provide annual cost-of-living increases to the Arkansas Better Chance (ABC) early childhood education program.

The AACF notes that, while the \$100 million appropriation for the ABC pre-K program in 2001 was a good move, the program was flat funded from 2009 until 2017 when funding was increased by \$3 million during the latest legislative session. The AACF recommends incorporating early childhood education into the “state’s definition of an ‘adequate’ education”.

ARKANSAS ASSOCIATION OF EDUCATIONAL ADMINISTRATORS

The Arkansas Association of Educational Administrators (AAEA) represents the interests of superintendents and other central office personnel. The AAEA supports and assists administrators through educational leadership, training, and advocacy. The organization offered the following recommendations on adequate funding for FY20 and FY21 to the Education Committee.

Funding Matrix and Categorical Funding Recommendations**1. COLA (Cost of Living Adjustment)**

Due to the annual financial obligations on the salaries of certified and classified employees and to keep up with fluctuating inflation, the AAEA recommends adding an annual COLA to a corresponding component of the foundation funding matrix that is affected by inflation. The AAEA also recommends adding funding to the matrix components that currently provide less funding than schools’ actual expenditures.

2. Diverting Public Funds to Private Schools

The AAEA opposes any efforts to divert public funds to private schools without the same oversight and accountability mandated for public schools. The AAEA cites multiple studies of voucher programs that show they are not successful in improving student achievement. The AAEA also states that voucher programs do not improve equity, increase discrimination, and are not held accountable.

3. Carry-Forward (Transportation)

The AAEA recommends continuing to fund high cost transportation with yearly increases that reflect actual expenditures.

4. Categorical Programs

The AAEA recommends increasing categorical funding for FY20 and FY21 to reflect accurate COLA adjustments since many expenditures from the NSL, ELL, and ALE funds are for personnel costs.

5. Teacher Salaries

The AAEA recommends that any increases in the per-student foundation funding amount should be accompanied by the same percentage increase in the mandated teacher salary schedule.

6. Public School Employee Health Insurance

The AAEA supports the modification of the current State and Public School Health Insurance Board to include more representation from public school employees. They note that of the 14 Board members, only three are public school employees or about 21% of the total board.

7. Technology and Bandwidth

The AAEA thanks the legislative body for working on the bandwidth issue and notes that more districts are being provided additional broadband. However, they push for the need of adequate bandwidth outside of school so students are not limited in their learning.

8. NSL Funding

The AAEA “believes it is imperative that this funding source remains intact and enhanced for public schools to continue improving the quality of education for the children in Arkansas.”

9. ELL Funds

The AAEA cites a 2017 BLR Report to the Joint Education Committee that found that districts across the state spent almost \$4.4 million more for ELL services than is provided through the matrix. The AAEA recommends additional funding be provided to districts for needed services to English Language Learners.

10. ALE Funds

The AAEA cites a 2017 BLR Report to the Joint Education Committee which found that schools spent almost \$15 million more on ALE students than what is provided through ALE and foundation funds. The AAEA recommends providing additional funding be provided to schools for ALE students.

11. Using the Matrix/Foundation Funding as an Expenditure Model

The AAEA cites local school leaders that found that the “one size fits all” model for spending school funds does not work.

12. Career and Technical Education

The AAEA recommends that Arkansas expand and adequately fund career and technical programs, including career centers, in Arkansas to ensure all students statewide have an opportunity to explore alternative educational paths. The AAEA also recommends merging the ADE and ARCAREED into one education department to improve efficiency. This would give schools one voice to listen to and hopefully include CTE in school educators’ conversation.

Non-Funding Matrix and Categorical Funding Recommendations

13. Academic Facilities

The AAEA recommends funds for the Facilities Partnership Program need to be replenished with either a secure ongoing appropriation or a one-time allocation from general revenue or general improvement funds. The AAEA also recommends a comparative study of the state’s school district facilities to assess equity between districts and establish priorities for funding decisions. The AAEA notes that a statewide assessment of facilities has not been conducted since the original study over 10 years ago. The AAEA also continues to recommend that open-enrollment charter schools be included in the discussion of adequate facilities, including allowing them access to facility partnership funding and bonding authority with the ability to ask patrons for a millage increase to support facilities.

14. Pre-K Education

The AAEA recommends that funding for high quality pre-K educational programs needs to be increased. The AAEA cites research supports “the importance of high-quality early childhood education as a strategy for improving the social, emotional, and intellectual development of children as well as increasing the likelihood of their future academic and economic success.

15. Property Taxes

The AAEA recommends maintaining the integrity of local property assessments. The group raises multiple concerns and poses solutions to each of those.

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

- **Solution:** Treat real property the same as personal property. The taxpayer pays the undisputed amount of the tax bill and the disputed amount is placed in escrow until the case is settled.
- **More Concerns:** Districts sell bonds and establish debt service payments based on their projected assessments. Worse case scenario – districts may default on their bond payment, which, by law, is then paid by the state. Also, if more taxpayers, especially large companies, appeal their tax bills under current law, the state financial burden during the appeal process will increase as districts are made whole up to 98% of the URT.
- **Solutions:** Expedite appeal process at the court level and require school districts to be notified as soon as possible regarding filed appeals.

16. Unfunded Mandates

The AAEA cites the 2005 *Lake View* deliberations in which the Arkansas Supreme Court found that districts were being faced with unfunded mandates, which are statutes or regulations that require a district to perform certain actions without providing additional money to fulfill the requirement(s). They provide the following as examples of current unfunded mandates for districts:

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

17. Financial Literacy

The AAEA recommends that the requirement that the personal finance standards be taught to students be expanded to students in grade 9-12. This would give more flexibility in meeting this requirement.

18. Additional Teacher Compensation

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

ARKANSAS EDUCATION ASSOCIATION

The Arkansas Education Association (AEA) is a professional organization for teachers, education support professionals, students and advocates. Its fundamental objective is to work for improved salaries, benefits, and working conditions for all education professionals, as well as for the betterment of the Arkansas state education system.⁵¹ The AEA provided the following recommendations to the Education Committee.

1. Facilities

The AEA provides the following recommendations regarding educational facilities:

- Review the impact of the Partnership Program funding on furthering facility disparities between students and within districts. If the disparities are found to be substantial, establishing alternate criteria for low wealth districts will have to be undertaken as disparities will widen the achievement gap, harming the state's education agenda;
- The Partnership Program needs a consistent, dedicated, and ongoing funding source to meet the evolving needs for students to access state-of-the-art facilities; and
- Put restrictions in place to prevent the re-routing of these funds. The transfer of approximately \$16 million annually to health insurance for public school employees has long-term implications for the facilities funding.

2. Educator Recruitment and Retention

- Students in the teacher training programs should receive some cultural competency training to support new educators in their first three years.
- Form longitudinal partnerships with institutions of higher education and create high-quality alternative routes to certification.
- Offer incentives to attract high-quality math, science, and special education teachers to urban and rural districts with National Board Certified teachers.
- Streamline the hiring process.
- Improve working conditions in school building so teachers have a collaborative environment
- Support PD efforts beyond school districts so teachers meet peers across the state.

3. NSL Funding

- Currently, NSL funding is used for more than two dozen ADE-approved activities and pupil support services. AEA believes those approved activities should be narrowed as it currently dilutes the effectiveness of this funding stream as well as the intent of the program.

4. Teacher Salary Funding and the Minimum Teacher Compensation Schedule

- To ensure Arkansas teachers receive the adequate salaries contained in the matrix, the minimum teacher compensation schedules must be amended each year of the next biennium.
- The Adequacy Committee should institute a COLA in the matrix. This would allow the maintenance of standards for students across the state and would mitigate revenue losses at the district level. The COLA would apply to the teacher salary schedule so the state would honor its commitment to teachers without districts having to choose between teachers and district-wide student needs.

⁵¹ <http://www.aeaonline.org/about-aea/>

5. Public Fund Diversion Without Accountability

- The AEA opposes school vouchers because they divert essential resources from Arkansas' public schools to private institutions without any oversight or academic accountability.

6. Invest in CTE Learning

- CTE in Arkansas is uniquely positioned to train students in advanced technology opportunities if the legislature commits the resources and investment. This investment will pay dividends with a workforce well positioned to embrace the impending technology impact on the economy.
- CTE in Arkansas can be a partnership between community colleges and businesses and school districts. Students will have the combination of academic rigor and unique career pathways.

ARKANSAS PUBLIC SCHOOL RESOURCE CENTER

The Arkansas Public School Resource Center (APSRC) is a service-oriented, non-profit membership organization that provides support, technical assistance, and training to benefit public schools in Arkansas.

With regards to the adequacy process, the APSRC recommends it should be updated to reflect the growing importance of five factors: reading proficiency, quality teachers, career-technical education, digital learning, and property tax appeals.

With regards to the efficiency and equity in school facility funding, the APSRC provides the following recommendations.

1. Arkansas Public School Facility Partnership Program

The APSRC has identified eight key principles for regulatory and policy changes to improve the equity and adequacy of the Partnership Program. These principles are:

- Facilities planning should transition from the current district-led plan to a systematic statewide plan focused on prioritizing and addressing aggregate statewide needs. Such an approach would be consistent with existing statutory language in A.C.A. § 6-21-806(a)(2) referencing a statewide facility needs priority list to be developed by the state.
- Current regulations establish three Partnership funding categories that compete with one another for funding – Warm, Safe, & Dry (Systems); Warm, Safe, & Dry (Space Replacement); and New Facilities, Add-Ons, and Conversions. These three categories should be redefined to two broader yet co-equal categories that are priority-ranked based on district needs – one category for Warm, Safe, & Dry; and one category for Space/Growth. The criteria for these two new funding categories should be narrowly defined so as to ensure that state funding is reserved only for projects that are necessary to meet the minimum standards of a constitutionally-adequate education.
- As Partnership Program funds are allocated in accordance with the statewide plan, the state should make changes to the academic facilities wealth index to ensure more equitable local-district cost-sharing requirements.
- The state should make intermediate and long-term aggregate forecasts of student growth and facility condition to anticipate and provide for all district needs in these two new funding categories.
- State partnership funding should be forecast for the next four to six years, with a firm goal of addressing all current statewide needs within a defined time period.

- The state should develop a systematic statewide plan to address facilities maintenance, governance, and support for all districts.
- The state should cultivate a long-term focus on implementing procurement, budgeting, and efficiency measures to aid district facilities plans through researched, data-driven models.
- For districts that cannot or will not raise local funds to match state Partnership Program funding for needed projects, the state should utilize the Academic Facilities Distress program to loan funds to districts. Districts should be required to repay the funds using other fund sources.

2. Open-Enrollment Public Charter School Facilities

The APSRC recommends that charter schools be funded on an equitable basis to ensure that all public school students have access to adequate facilities.

ARKANSAS RURAL EDUCATION ASSOCIATION

The Arkansas Rural Education Association (AREA) is an organization affiliated with the National Rural Education Association and “promotes quality experiences and opportunities for all of Arkansas’ rural students to enable them to compete in a diverse global community.”⁵² The AREA provides the following issues and concerns pertaining to adequacy:

1. Competitive Teacher Salaries

The AREA states that it is a constant struggle to acquire and retain high quality teachers when larger districts with a larger tax base can offer higher salaries.

2. Facility Disparity

The AREA states that districts that are losing or not growing are not able to generate enough funds like growing districts to maintain, replace, or add new facilities. Some districts would have to tax themselves two, three, or four times as much as a district with a higher assessment to raise the same amount of money.

3. Siphoning of State Dollars with Little or No Accountability

The AREA states that state education dollars going toward any student’s education should carry the same accountability as public schools.

4. Other Continuing Issues

- **Categorical funding:** The AREA states that categorical funds continue to address the multiple issues associated with educating high cost students and need to be flexible enough to address the ever-changing and evolving list of needs to provide an adequate and equitable education.
- **High cost transportation:** The AREA states that while some efforts have been made to address this issue, some districts still use money targeted for adequacy on student transportation.
- **Catastrophic special education:** The AREA states that the number of high cost special needs students continues to grow and continues to be very inadequate.
- **Teacher shortage:** The AREA states that to address the teacher shortage, the teacher pipeline should be filled and teachers must be viewed in a positive light to attract the best and brightest to the field.
- **The Teacher Retirement Project and health insurance** are excellent recruiting tools and should be enhanced to provide districts with tangible items to attract quality persons to the profession.

⁵² <https://www.arkansasruraled.com/4424>

ARKANSAS SCHOOL BOARDS ASSOCIATION

The Arkansas School Boards Association (ASBA) is a “private, nonprofit, membership organization that provides leadership, training, advocacy and specialized services to school boards throughout Arkansas.”⁵³ The ASBA provides the following recommendations:

1. **Facilities and Partnership Program:** Provide for a full review and update of the Partnership Program itself and a full review of the actual public school facilities and their condition across the state. Develop a reliable funding plan for the state to continue its contribution to providing adequate public facilities for the public school children in the state.
2. **Special Education Teacher Staffing:** Increase the special education teacher line in the matrix to at least 3.0 special education teachers per 500 students.
3. **Special Education Catastrophic Occurrences Funding:** The General Assembly has recognized this need and committed some additional funds over the biennium. Continue to commit increased funding until the need is fully met.
4. **Class Size:** Carefully review results of Interim Study Proposal (ISP) 2017-106 when it is completed and fund additional teachers to reduce class size in the lower grades if deemed effective to do so.
5. **Teacher Staffing:** Initiate a study of actual school staffing to determine the relationship between the number of teachers funded through the matrix and the number of staff positions required to meet the Standards for Accreditation.
6. **COLA:** The General Assembly should provide an annual increase in foundation funding that, at a minimum, matches the annual CPI inflation rate.

WINTHROP ROCKEFELLER FOUNDATION

The Winthrop Rockefeller Foundation (WRF) is a philanthropic organization that works with citizens to improve education, prosperity, and community development in Arkansas. The WRF provides the following recommendations.

1. **Invest in our state’s shared vision for public education:** The WRF supports the continued use of recommendations from the ForwARd Arkansas vision as a blueprint to prioritize public investment towards the goal of educational excellence in Arkansas.
2. **Invest early to ensure all students are prepared for early school success:** The WRF recommends providing continuing leadership in directing additional NSL resources to evidence-based programs and supports moving the needle on early literacy.
3. **Address barriers that prevent opportunity for all students:** The WRF recommends further research and analysis of Arkansas’s school funding formula to ensure equity and provide an adequate education.

FORWARD ARKANSAS

ForwARd Arkansas is a partnership of education, business, government, and community members committed to improving public education in Arkansas. It is organized by the Winthrop Rockefeller Foundation, Walton Family Foundation, and the Arkansas Board of Education. ForwARd recommends starting the process to revamp the state’s method of assessing adequacy, including to provide for a stimulus for innovation, and to advise the ADE’s revision of standards. They also advise that the ADE should lead a working group to determine how to ensure that school funding actually results in a substantially equal and adequate education for all students, regardless of zip code. ForwARd Arkansas provides the following additional recommendations:

⁵³ <http://arsba.org/about-us/>

1. Pre-K

- a. Starting with the lowest-income areas, improve quality of programs to meet new, high standards.
- b. Then, increase access to pre-K in areas of shortage.

2. Teaching and Learning

- a. Embed more high-quality teacher collaboration in schools.
- b. Establish workforce education pathways that provide college credit during high school and prepare students for both career and higher education options.
- c. Improve testing in a way that maintains academic rigor, uses classroom time thoughtfully, informs teaching, and measures student progress holistically.

3. Teacher Pipeline

- a. Build homegrown teaching talent by expanding programs like Teacher Cadet.
- b. Expand pathways for nontraditional educators without sacrificing quality.
- c. Attract top talent to high-need schools and subjects by improving incentives.

4. Support Beyond the Classroom

- a. Increase access to nutrition by implementing healthy breakfast as a part of the school day.
- b. Provide high-risk children and families improved support in navigating access to quality health care services.

5. Leadership

- a. Empower principals to set a shared vision, and manage staff and resources to teach it.
- b. Support implementation of a rigorous administrator evaluation system.
- c. Expand rigorous preparation programs and mentorship.
- d. Focus school board on good governance; align board elections with general elections.

6. Academic Distress

- a. Create a transparent process that proactively identifies schools approaching distress.
- b. Empower one unit at the ADE and staff it with top talent to manage the process.
- c. Measure progress holistically (not just test scores) and share with the community.

7. Systems and Policies

- a. Streamline the regulatory burden (on teachers and administrators, educator prep programs, ADE) to enable a focus on instruction, encourage innovation, and support a mindset shift from compliance to excellence.
- b. Improve district capabilities to make decisions based on evidence of educational impact.
- c. Over time, increase funding to support educational excellence, tying incremental increases to evidence of effective resource use.

ARKANSANS FOR GIFTED AND TALENTED EDUCATION AND THE ARKANSAS ASSOCIATION OF GIFTED EDUCATION ADMINISTRATORS

On October 8, 2018, two additional organizations provided written testimony to the Education Committees. Arkansans for Gifted and Talented Education (AGATE) and the Arkansas Association of Gifted Education Administrators (AAGEA) asked the Education Committees to include gifted and talented (GT) students and the programs that serve them in the final Adequacy Report in 2018 and in all future Adequacy Reports. The organizations believe it was the intention of the original Adequacy Oversight Committee to include gifted and talented in the biennial adequacy review. The organizations also recommended the following be included in any review of adequacy:

- Reintroduce GT Teachers into the Matrix with the recommendation: “Retain current standards, expenditure requirements, and program monitoring.”
- Include in each Adequacy Report a review of GT expenditures by district, the percentage of identified students served, and the categories of the expenditures.
- Disaggregate GT students as a sub-population in state assessments to assess whether the population is demonstrating growth.

ADDITIONAL PUBLIC COMMENTS

During the August 21, 2018, meeting of the House and Senate Education Committees, members voted to collect public comments for inclusion in the educational adequacy study. A link was posted on the General Assembly’s website on August 27, 2018, where individuals could provide comments for consideration in the adequacy study.

Those comments were provided to the Education Committees in two separate documents, which can be accessed through the links below:

<http://www.arkleg.state.ar.us/education/K12/AdequacyReports/2018/2018-09-25/AdequacyPublicComments.pdf>

<http://www.arkleg.state.ar.us/education/K12/AdequacyReports/2018/2018-10-08/AdequacyPublicCommentsPart%202.pdf>

Section 16: Recommendations

On October 9, 2018, the House and Senate Education Committees voted to adopt the following recommendations for each topic:

| Topic | FY20 | FY21 |
|---|--|------|
| <p>Definition of Adequacy</p> | <p>The definition the General Assembly uses for educational adequacy should be amended as follows:</p> <ol style="list-style-type: none"> 1. The standards included in the state's curriculum <u>and career and technical</u> frameworks, which define what all Arkansas students are to be taught, including specific grade level curriculum; <u>and</u> a mandatory thirty-eight (38) Carnegie units defined by the Arkansas Standards of Accreditation to be taught at the high school level; and opportunities for students to develop career readiness skills; 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. | |
| | <p>Rationale: The definition of adequacy should reflect the standards for career and technical education.</p> | |
| <p>Arkansas Educational Support and Accountability System (formerly, ACTAAP)</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for the Arkansas Educational Support and Accountability System are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>Academic Standards (formerly Curriculum Frameworks)</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for Academic Standards are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>Fiscal Distress</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for Fiscal Distress are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>Facilities Distress</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for Facilities Distress are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>Arkansas Comprehensive School Improvement Plan (ACSIP)</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for ACSIP (referred to as “school-level improvement plan” and “public school district support plan” outside the adequacy study statute) are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>State’s Standing Under the Every Student Succeeds Act (ESSA)</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for implementing ESSA are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |

| Topic | FY20 | FY21 |
|--|---|--|
| <p>Special Education</p> | <p>House: Add \$4 million to Catastrophic Occurrences funding for a total of \$17,020,000 in FY20 with the understanding that this amount can be changed during budget hearings. Senate: No change from FY19 funding level (\$13,020,000).</p> | <p>House: Provide no increase to Catastrophic Occurrences funding in FY21, leaving the funding at \$17,020,000 for FY21 with the understanding that this amount can be changed during budget hearings. Senate: No change from FY20 funding level (\$13,020,000).</p> |
| | <p>Rationale: The adequacy study report “Special Education Funding and Expenditures” noted that existing Catastrophic Occurrences funding in 2016-17 reimbursed districts for only \$11 million of nearly \$30 million worth of eligible expenditures. Similar unfunded amounts have occurred in other recent years. ADE is evaluating the rubric it uses to identify districts’ eligible special education costs to determine whether all such costs are appropriate for reimbursement and to ensure districts are adequately applying all revenue offsets. ADE can report its findings to the Education Committees before the 2019 legislative session.</p> | |
| <p>Teacher Salaries</p> | <p>Increase all steps of the statutory minimum teacher salary by \$1,000 for teachers with a BA and teachers with an MA. This will bring the minimum salary for teachers with a BA to \$32,800 and for teachers with an MA to \$37,450 in FY20.</p> | <p>Increase all steps of the statutory minimum teacher salary by \$1,000 for teachers with a BA and teachers with an MA. This will bring the minimum salary for teachers with a BA to \$33,800 and for teachers with an MA to \$38,450 in FY21.</p> |
| | <p>Rationale: In light of the comparison of Arkansas teachers’ salaries with those of surrounding states, the minimum teacher salary schedule should be increased by \$4,000 over the next four years to compel districts across the state to raise their teacher salary schedules. Increasing the salary schedule by \$1,000 each year of the biennium is the first step in the four-year goal to raising teachers’ salaries.</p> | |
| <p>Partnership Program</p> | <p>No change in the regular funding that has been provided historically for the Partnership Program each year (about \$41.8 million in General Revenue and about \$16 million or so in transfers from savings in facilities predecessor programs).</p> | <p>Provide a total of \$90 million for the Partnership Program for FY21. The \$90 million is to include the funding that historically has been provided for the Partnership Program (about \$41.8 million in General Revenue and about \$16 million in transfers from savings in facilities predecessor programs).</p> |
| | <p>Rationale: The Partnership Program has spent an average of about \$102 million annually on district facilities projects, but it has been funded through a patchwork of funding that has fluctuated from one year to the next. The program needs a consistent ongoing funding source to more effectively manage the state’s academic facilities needs. The Advisory Committee on Public School Academic Facilities estimated that \$90 million in annual funding would be sufficient for ongoing facilities needs and recommended the General Assembly provide that amount. Currently the Facilities Division has about \$39 million in carry-over funding that can be used to support projects planned for FY20 (with the funding the General Assembly historically provides) with the increase in annual funding to begin in FY21.</p> | |
| <p>Student Growth Funding</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for Student Growth Funding are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>Declining Enrollment Funding</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for Declining Enrollment Funding are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |
| <p>Isolated Funding</p> | <p>No change.</p> | |
| | <p>Rationale: The current policies for Isolated Funding are sufficient to ensure Arkansas children have an equal opportunity for an adequate education.</p> | |

| Topic | FY20 | FY21 |
|---|--|--|
| Adequacy Study | <p>A new study of educational adequacy should be undertaken in the next biennium to reexamine the educational system and its finance structure, including the components and underpinning assumptions of the matrix.</p> <p>Rationale: State law calls for the adequacy study to be carried out through a review of specified funding streams and areas of education. After 15 years, the Education Committees believe a full study is warranted to reconsider the state's funding structure and educational system.</p> | |
| Categorical Funding | | |
| National School Lunch (NSL) Funding | <p>Leave the per-student funding rates at \$526, \$1,051 and \$1,576, but increase the funding for the NSL matching grants by \$1 million, for a total of \$5.3 million in FY20.</p> <p>Rationale: School districts and open enrollment charter schools should continue to receive per-student funding to address the challenges associated with poverty, but funding increases should be used in a targeted way to address before- and after-school programs, pre-K and tutoring. In 2017-18, more than 60% of school districts and open enrollment charter schools received NSL matching grant funds based on their 2016-17 expenditures. Increasing the grant funding will ensure continued support for the three targeted programs.</p> | <p>Leave the per-student funding rates at \$526, \$1,051 and \$1,576, and continue to provide a total of \$5.3 million for the NSL matching grants in FY21.</p> |
| Professional Development (PD) Funding | <p>Keep the per-student funding rate at \$32.40, but increase the funding for Professional Learning Communities (PLCs) by \$4 million, for a total of \$12.5 million for PLCs.</p> <p>Rationale: Increases in professional development funding in FY20 should be targeted toward expanding the PLC program to allow more schools to participate in the program.</p> | <p>Increase the per-student funding rate by \$8.40 (the equivalent of \$4 million statewide), for a per-student funding rate of \$40.80. Keep the funding for PLCs at \$12.5 million for FY21.</p> |
| English Language Learner (ELL) Funding | <p>Increase the per-student funding rate to \$345 per ELL student.</p> <p>Rationale: The adequacy study report "English Language Learners: State Categorical Funding Review" noted that school districts and charter schools were spending more on ELL programs than they were provided through ELL categorical funds. More funding should be provided in this area to support the documented needs.</p> | <p>Increase the per-student funding rate to \$352 per ELL student.</p> |
| Alternative Learning Environment (ALE) Funding | <p>Increase the per-student funding rate to \$4,700 per ALE FTE student.</p> <p>Rationale: The adequacy study report "State Categorical Funding Review: ALE Learning Environments" noted that school districts and charter schools were spending more on ALE programs than they were provided through ALE categorical funds. More funding should be provided in this area to support the documented needs.</p> | <p>Maintain the per-student funding rate at \$4,700 per ALE FTE student.</p> |
| Foundation Funding | | |
| Classroom Teachers | <p>Increase the teacher salary in the matrix to \$67,127.</p> | |
| Special Education Teachers | <p>Increase the teacher salary in the matrix to \$68,470.</p> | |
| Instructional Facilitators | <p>Increase the teacher salary in the matrix to \$68,470.</p> | |
| Librarian/Media Specialist | <p>Rationale: The House and Senate Education Committees have proposed adjusting each step of the state's minimum teacher salary schedule by \$1,000 in FY20 and by another \$1,000 in FY21. The salary in the matrix is to be adjusted to support the changes made to the minimum salary.</p> | |
| Guidance Counselor/Nurse | <p>Rationale: The House and Senate Education Committees have proposed adjusting each step of the state's minimum teacher salary schedule by \$1,000 in FY20 and by another \$1,000 in FY21. The salary in the matrix is to be adjusted to support the changes made to the minimum salary.</p> | |

| Topic | FY20 | FY21 |
|--------------------------------------|---|--|
| Principal | No change. | No change. |
| | Rationale: The current funding level for principals is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Secretary | No change. | No change. |
| | Rationale: The current funding level for school secretaries is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Technology | No change. | No change. |
| | Rationale: The current funding level for technology is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Instructional Materials | Increase the per-student funding in the matrix for instructional materials to \$184.20. | Increase the per-student funding in the matrix for instructional materials to \$187.90. |
| | Rationale: The adequacy study report “The Resource Allocation of Foundation Funding for Arkansas School Districts and Open-Enrollment Charter Schools: School-Level Resources” noted that school districts and charter schools were spending more on instructional materials than what they were provided through foundation funding. More funding should be provided in this area to support the documented needs. | |
| Extra Duty Funds | No change. | No change. |
| | Rationale: The current funding level for extra duty funds is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Supervisory Aides | No change. | No change. |
| | Rationale: The current funding level for supervisory aides is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Substitutes | No change. | No change. |
| | Rationale: The current funding level for substitutes is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Operations and Maintenance | Increase the per-student funding in the matrix for operations and maintenance to \$697.50. | Increase the per-student funding in the matrix for operations and maintenance to \$705.70. |
| | Rationale: The adequacy study report “The Resource Allocation of Foundation Funding for Arkansas School Districts and Open-Enrollment Charter Schools: District-Level Resources” noted that school districts and charter schools were spending more on operations and maintenance than what they were provided through foundation funding. More funding should be provided in this area to support the documented needs. | |
| Central Office | No change. | No change. |
| | Rationale: The current funding level for central office is sufficient to provide Arkansas children with an equal opportunity for an adequate education. | |
| Transportation | Maintain the per-student funding level in the matrix for transportation at \$321.20. Increase the supplemental transportation for high cost districts by \$2 million, for a total of \$5 million in FY20. | Maintain the per-student funding level in the matrix for transportation at \$321.20. Maintain the supplemental transportation for high cost districts at a total of \$5 million in FY21. |
| | Rationale: School districts and open enrollment charter schools should continue to receive foundation funding to cover their transportation costs, but funding increases should be used in a targeted way to address districts with particularly high transportation costs. | |
| Total Foundation Funding Rate | With the increases listed above, the per-student foundation funding rate should be \$6,883 for FY20. | With the increases listed above, the per-student foundation funding rate should be \$6,985 for FY21. |

Appendix A: Adequacy Study Statute, codified at A.C.A. § 10-3-2102**10-3-2101. Purpose and findings.**

- (a) The General Assembly recognizes that it is the responsibility of the State of Arkansas to:
- (1) Develop what constitutes an adequate education in Arkansas pursuant to the mandate of the Supreme Court and to conduct an adequacy study, which has been completed; and
 - (2) Know how revenues of the State of Arkansas are being spent and whether true equality in educational opportunity is being achieved.
- (b) The General Assembly also recognizes that no one (1) study can fully define what is an adequate, efficient, and equitable education.
- (c) The General Assembly further recognizes that while the adequacy study performed in 2003 is an integral component toward satisfying the requirements imposed by the Supreme Court, the General Assembly has a continuing duty to assess what constitutes an adequate education in the State of Arkansas.
- (d) Therefore, because the State of Arkansas has an absolute duty to provide the school children of the State of Arkansas with an adequate education, the General Assembly finds that ensuring that an adequate and equitable system of public education is available in the State of Arkansas shall be the ongoing priority for the State of Arkansas.

History. Acts 2003 (2nd Ex. Sess.), No. 57, § 1.

10-3-2102. Duties.

- (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; and

(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 Arkansas Legislative Audit compiling all funding received by public schools for each program;

(2) Reviewing the Arkansas academic standards developed by the Department of Education;

(3) Reviewing the Arkansas Educational Support and Accountability Act, § 6-15-2901 et seq.;

(4) Reviewing fiscal and facilities distress programs;

(5) Reviewing the state's standing under the Elementary and Secondary Education Act of 1965, Pub. L. No. 89-10, as reauthorized by the Every Student Succeeds Act, Pub. L. No. 114-95;

(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; and
 - (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; 2015, No. 554, § 5; 2017, No. 936, § 55.

10-3-2103. Investigations.

(a) The House Committee on Education and the Senate Committee on Education shall have the authority to conduct investigations pertaining to the effectiveness of any and all education programs of:

- (1) Any school;
- (2) Any school district;

- (3) Any service cooperative;
 - (4) Any institution;
 - (5) The Department of Education or its successors; or
 - (6) The State Board of Education or any department under the board's authority.
- (b) (1) In connection with any investigation, the House Committee on Education and the Senate Committee on Education shall have the right and the power to subpoena witnesses and to issue subpoena duces tecum, pursuant to § 10-2-307.
- (2) The chairs and the cochairs of the House Committee on Education and the Senate Committee on Education are authorized to administer oaths.

History. Acts 2003 (2nd Ex. Sess.), No. 57, § 1; 2013, No. 1465, § 6.

10-3-2104. Report.

- (a) The House Committee on Education and the Senate Committee on Education shall file separately or jointly, or both, reports of their findings and recommendations with the President Pro Tempore of the Senate and the Speaker of the House of Representatives no later than November 1 of each year before the convening of a regular session.
- (b) For each recommendation the report shall include proposed implementation schedules with timelines, specific steps, agencies and persons responsible, resources needed, and drafts of bills proposing all necessary and recommended legislative changes.
- (c) The report shall be supplemented as needed to accomplish the purposes of this continuing evaluation.
- (d) (1) Before a fiscal session, the House Committee on Education and the Senate Committee on Education shall meet, jointly or separately as needed, to review the funding recommendations contained in the most recent report filed under this section.
- (2) The House Committee on Education and the Senate Committee on Education, meeting jointly or separately as needed, also shall review any other matters identified by the House Committee on Education or the Senate Committee on Education that may affect the state's obligation to provide a substantially equal opportunity for an adequate education for all public school students.
- (3) By November 1 of the calendar year before the beginning of a fiscal session, if the House Committee on Education and the Senate Committee on Education find that the recommendations in the most recent adequacy evaluation report filed under this section should be amended, the House Committee on Education and the Senate Committee on Education, jointly or separately, or both, shall advise in writing the President Pro Tempore of the Senate and the Speaker of the House of Representatives of their findings and amendments to the adequacy evaluation report.
- (e) The House Committee on Education or the Senate Committee on Education, separately or jointly, shall publish a draft of the report required under this section or any amendment or supplement to the report not less than fourteen (14) days before the report, amendment, or supplement is submitted to the President Pro Tempore of the Senate and the Speaker of the House of Representatives.

History. Acts 2003 (2nd Ex. Sess.), No. 57, § 1; 2007, No. 1204, § 2; 2009, No. 199, § 1; 2011, No. 725, § 2.

Appendix B: Index of Adequacy Reviews Required by Statute

| 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 Arkansas Legislative Audit compiling all funding received by public schools for each program | 4 |
| | Reviewing the academic standards developed by the ADE | 5 |
| | Reviewing the Arkansas Educational Support and Accountability Act | 5 |
| | Reviewing fiscal and facilities distress programs | 5 |
| | Reviewing the state's standing under the Elementary and Secondary Education Act of 1965 as reauthorized by the Every Student Succeeds Act | 5 |
| | Reviewing the Arkansas Comprehensive School Improvement Plan process | 5 |
| <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> | <p>Comparing the average teacher salary in Arkansas with surrounding states and Southern Regional Education Board member states, including:</p> <ul style="list-style-type: none"> • Comparing teacher salaries as adjusted by a cost-of-living index or a comparative wage index • Reviewing the minimum teacher compensation salary schedule | 7 |
| <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 | 11 |
| | Reviewing expenditures from declining enrollment funding | 12 |
| | Reviewing expenditures from student growth funding | 12 |
| | Reviewing expenditures from special education funding | 6 |
| Reviewing disparities in teacher salaries | 7 | |
| <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 | 4, 6, and 8-12, |
| | Completing a resource allocation review | 10 |
| <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 | 16 |
| | Adjusting for the inflation or deflation of any appropriate component of the system of funding public education | 14 |
| | 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 | 7, 9 |

Appendix C: Adequacy Study Presenters and Contributors

Experts, state agency officials, and members of advocacy organizations provided information, data, and other assistance for the Adequacy Study.

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