



AUGENBLICK,  
PALAICH AND  
ASSOCIATES



EXHIBIT F1

# Methods for Routinely Reviewing Adequacy

Justin Silverstein, APA

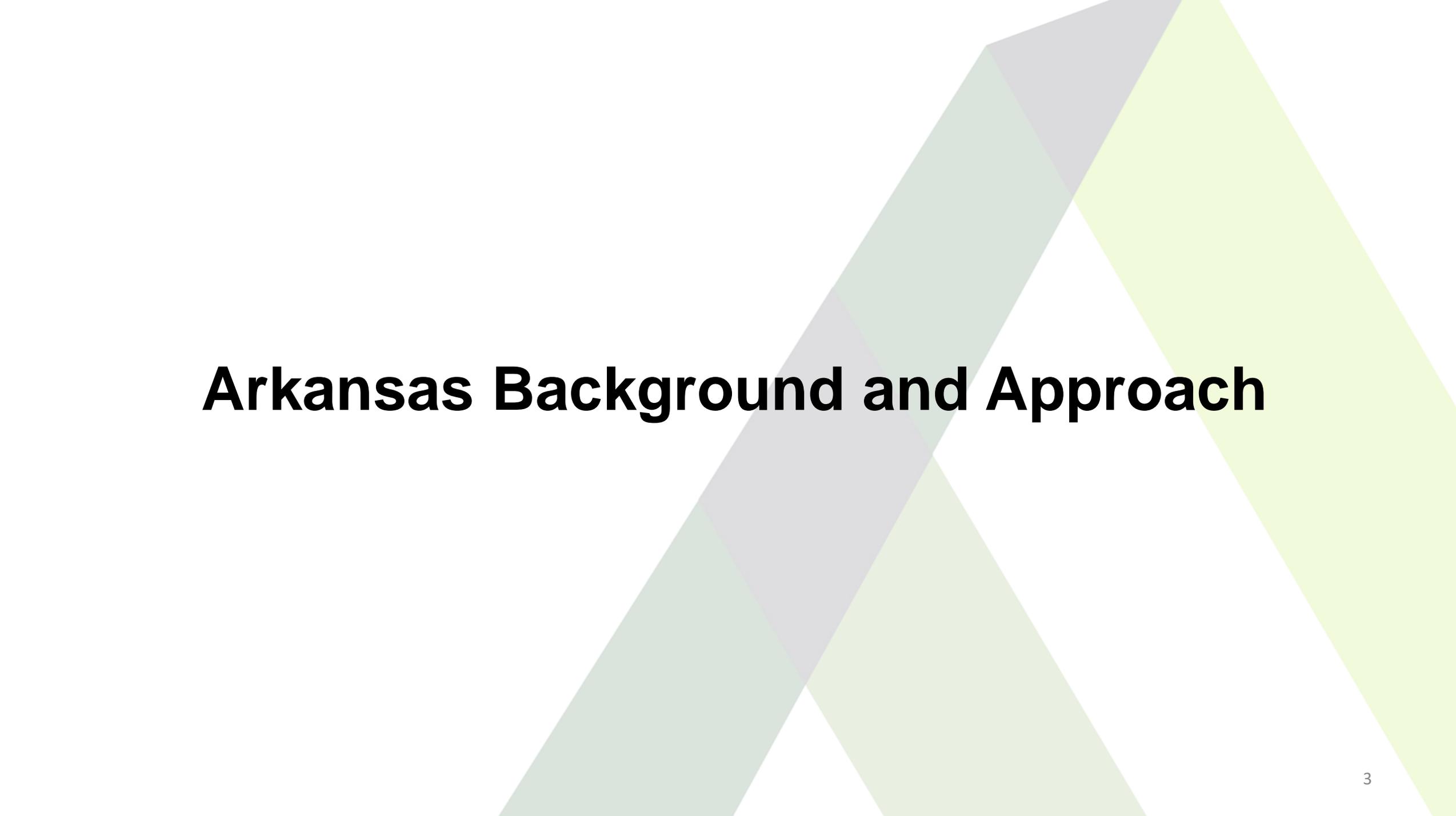
Presentation to the Senate Committee on Education  
and the House Committee on Education

Little Rock, Arkansas

October 19, 2020

# Presentation

- Arkansas Background and Approach
- Review Costing Methodologies
- Examine States with Legislative Review Processes



# **Arkansas Background and Approach**

# Lake View Decision

- Arkansas' matrix funding is a product of the Lake View 1992 court decision and more specifically work done since 2003 under the Arkansas Supreme Court, which requires the state to:
  - Define adequacy;
  - Assess, evaluate, and monitor the entire spectrum of public education;
  - Know how state revenues are spent and whether true equality in education is being achieved.

# Key Consideration

From 2007 Lake View Review:

- What is especially meaningful to this court is the Masters' finding that the General Assembly has expressly shown that constitutional compliance in the field of education is an ongoing task **requiring constant study, review, and adjustment**. In this court's view, **Act 57 of the Second Extraordinary Session of 2003, requiring annual adequacy review by legislative committees**, and Act 108 of the Second Extraordinary Session of 2003, establishing education as the State's first funding priority, **are the cornerstones for assuring future compliance**.

# Adequacy Reviews

- Meeting the review requirements has included:
  - The legislature working with Picus & Odden in 2003, 2006 and 2014 for the development and review of the components of the matrix
  - BLR reviewing each of the components of the system on a consistent cycle that includes looking the matrix and non-matrix items in the funding model including examining the equity of the system
- The Legislature controls the definition of adequacy and utilizes the reviews to create changes to the matrix and non-matrix funding

# Considerations for Reviewing Possible Methods

- The current approach provides the state with the ability to clearly show constant and consistent review of adequacy
  - This includes detailed reviews by BLR of the components of the funding system
- System has led to few changes in the major components of the Matrix over time
- System provides little context of how the Matrix fits with other measurements of adequacy



# **Review Costing Methodologies**

# Adequacy Methodologies

- Four methods have been developed to review adequacy including:
  - Resource Focus
    - Evidence-Based
    - Professional Judgment
  - Data Driven
    - Successful Schools
    - Cost Function
- This section provides a brief review of the approaches with a focus on how they relate to Lake View mandates

# Approach Comparison

	Evidence-Based	Professional Judgment	Successful Schools	Cost Function
<b>Benchmark of Success</b>	Ensuring students can meet all state standards	Ensuring students can meet all state standards	Currently outperforming other districts	Current performance; extrapolates to meeting all standards
<b>Data Sources</b>	Best-practice research, reviewed by state educators; when conflict arises in resource recommendations, the EB approach defers to the research	Expertise of state educators serving on PJ panels; uses research as a starting point but defers to educators when differences arise based on their understanding of state standards	Most recent year of expenditure data from selected successful districts	Most recent year of performance, student and district characteristics and expenditure data
<b>Available Data Points</b>				
<b>Resource Model</b>	Yes	Yes	Yes	No
<b>Base</b>	Yes	Yes	Yes	Yes
<b>Student Adjustments</b>	Yes	Yes	No	Yes

# Evidence-Based Approach

## Approach Details

- Identifies the resources needed to meet all state and federal standards
- Examines national research on resources that impact student performance
- Relies on educators to validate the figures for each state
- Has been used in numerous studies across the country
- Provides ability to examine the base and student characteristics

## Arkansas Context

- Current basis of the Matrix
- Approach generally does not provide information on differences in costs for different size districts
- Generally straightforward to update though full update can take statewide educator engagement
- Provides explicit resources for continued review

# Professional Judgment Approach

## Approach Details

- Identifies the resources needed to meet all state and federal standards
- Relies on educators to identify the resources across a number of prototype schools and districts
- Has been used for over 20 years
- Provides ability to examine the base, student characteristics, and district characteristics

## Arkansas Context

- Would provide a similar level of detail to what the EB approach provides
- Could provide more information on the differences in costs for different size districts
- Full update process engages educators from across the state
- Full updates take large scale effort with multiple panels
  - Results of different panels may not have internal consistency

# Successful Schools Approach

## Approach Details

- Examines the base spending of districts that are outperforming other districts
- The approach uses readily available performance and expenditure data to examine adequacy
- Examines actual expenditures of districts in the state
- Applies efficiency screens to the fiscal examination
- Only provides information on the base cost

## Arkansas Context

- Provides a low-cost approach that is easy to implement on a frequent basis
- Allows the state to look at different levels of performance which can include absolute performance or growth
- Does not provide detailed level resource information
- Does not examine costs other than foundation amount
- Is easily replicable year to year

# Cost Function Approach

## Approach Details

- Examines the relationship between spending, performance, and student/district demographics
- Utilizes high level statistical analysis
- Has large, usually school level, data requirements
- Can examine cost of different levels of student performance
- Provides base, student characteristic, and district characteristic adjustments

## Arkansas Context

- Requires complex data analysis that takes time and resources
- Allows the state to look at different levels of performance which can include absolute performance or growth
- Does not provide detailed resource information
- Overall method can be replicated across years



# **Other State Adequacy Reviews**

# Legislated Review Processes

- Few states, other than Arkansas, have set the components of the school finance system through an adequacy approach and have a routine process to regularly reviewing adequacy. Examples of states that have done so include (but are not limited to):
  - Maryland
  - Mississippi
  - Wyoming
- The required review timelines and processes for these states vary considerably

# Maryland

- Original adequacy work was done in 2002 through the legislature
- Base was set using successful schools with weights based on professional judgement
- The state had a requirement to undertake a new costing out study in 10 years but took until 2014 to start the study
  - Used successful schools, professional judgment and evidence based
- Formula included a base and weights
  - Base figure was adjusted each year for inflation
  - Other aspects of the formula were adjusted based on individual studies
- Legislature not required to adopt results of most recent study

# Mississippi

- The Mississippi Adequate Education Program (MAEP) was implemented in 1997
- It relies on the successful schools approach to determining adequacy and identifies a base cost by looking at costs in four categories:
  - Instructional
  - Administrative
  - Plant maintenance and operations
  - Ancillary Support
- The base cost figure is calculated every 4 years with inflationary adjustments in the non-calculation years

# Mississippi: MAEP Calculations

- The state identifies districts performing at the average performance level and examines the spending of these districts.
- When examining spending, efficiency screens are independently applied to each the four areas.
  - All efficiency screens exclude districts above one standard deviation from the mean or below two standard deviations
- Additional adjustments can be made for pay raises, retirement, health insurance costs, etc.

# Mississippi: Efficiency Screen Metrics

- Efficiency screen metrics by area are:
  - **Instruction:** teachers per 1,000 students
    - Calculation excludes costs for at-risk students and other areas
  - **Administration:** ratio of administrative staff to non-administrative staff
  - **Plant maintenance and operations:** maintenance expenditures to 100,000 square feet of building space
  - **Ancillary support:** includes librarians, counselors, and psychologists, and the ratio of these positions per 1,000 students

# Wyoming

- A series of court decisions (starting in 1995) declared state funding unconstitutional on the grounds of adequacy and equity. The courts required the legislature to:
  - Determine the cost of quality education and fund it
  - Review all cost-based factors every five years and inflate adjustments at least every two years
- State implemented a cost-based resource allocation model using an evidence-based model developed by Picus and Odden
  - Primarily a school-level model with different resources levels based upon size
- Resource allocation model reviews were primarily updating the evidence-based model and in 2018 a multi-approach was completed also using the professional judgment and successful schools approaches



**Questions?**