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Method for Routinely Reviewing Adequacy

This brief examines the history and approach used by Arkansas to review adequacy; discusses the costing out methodologies used across the country; and provides examples of other states' use of these methods to routinely review adequacy.

Arkansas Background and Approach

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; and know how state revenues are spent and whether true equality in education is being achieved. From the 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.***

Meeting the review requirements has included: (1) the legislature working with Picus & Odden in 2003, 2006 and 2014 for the development and review of the components of the matrix and (2) the Bureau of Legislative Research (BLR) reviewing each of the components of the system on a consistent cycle, including looking the matrix and non-matrix items in the funding model and examining the equity of the system. The Legislature sets the definition of adequacy and utilizes the reviews to create changes to the funding model. The current approach provides the state with the ability to clearly show constant and consistent review of adequacy. However, the review approach has led to few changes in the major components of the Matrix over time and provides little context of how the Matrix fits with other measurements of adequacy.

Review Costing Methodologies

The **Evidence-based** approach identifies resources needed to meet standards by examining the national research on resources and how they impact student performance. Educators from the state review the identified resources and validate them for the context of the state. The approach is the current basis for the Arkansas Matrix. It does not generally measure differences in costs for different size districts, as resources are generated for a prototype school and district. Updating is generally straightforward but a full update does require statewide educator engagement.

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The **Professional Judgment** approach also identifies resources needed to meet state standards. The approach relies on educators to identify the resources needed for several representative schools and districts of different sizes, then provides figures for a base cost and adjustments for student characteristics and district characteristics. The approach provides similar resource detail as the evidence-based approach and provides more data points. Full implementation of the approach is a large-scale effort.

The **Successful Schools** approach examines the base spending of districts that are outperforming other districts. The approach uses readily available performance and expenditure data, examines actual expenditures of districts, and applies efficiency screens to the fiscal examination to produce a base cost. The approach provides a low-cost approach that is easy to implement on a frequent basis while allowing the state to look at different levels of performance which can include absolute performance or growth. It does not provide detailed resource information or adjustments for different student or district characteristics.

The **Cost Function** or statistical approach examines the relationship between spending, performance, and student/district demographics using high-level statistical analysis. The approach can examine the cost of different levels of student performance and provides a base cost and school/district characteristic adjustments. The approach requires the availability of detailed, school level data and complex analysis that takes time and resources. The approach allows the state to look at different levels of performance, including absolute performance or growth, and can be replicated across years. It does not provide detailed resource information.

Other State Adequacy Reviews

Few states, other than Arkansas, have set the components of the school finance system through an adequacy approach and have a routine process for regularly reviewing adequacy.

Maryland's original adequacy work was done in 2002 through the legislature. A per pupil foundation amount was set using the successful schools approach, with weights based on professional judgement approach. The state was required to undertake a new costing out study every 10 years, but did not do so until a 2014 study using successful schools, professional judgment and evidence based approaches. The state has used an inflation factor to adjust the base across years with fixed weights.

Mississippi implemented the Mississippi Adequate Education Program (MAEP) in 1997. It relies on the successful schools approach to determining adequacy and identifies a base cost by regularly looking at costs in four expenditure categories- instructional, administrative, maintenance and operations, and ancillary support- after applying efficiency screens to each.

Wyoming has had a series of court decisions (starting in 1995) that required the legislature to: (1) determine the cost of quality education and fund it, (2) review all cost-based factors every five years, and (3) inflate adjustments at least every two years. The state implemented a cost-based resource allocation model using an evidence-based model developed by Picus and Odden. Required reviews primarily used the evidence-based approach. In 2018 a multi-approach study was done using the professional judgment and successful schools approaches.