

Summary Points

- Arkansas' current poverty funding system, established in 2003 as the National School Lunch Act (NSLA), distributes funding to districts based on the number of Free-and-Reduced Lunch (FRL) students in the district.
- Poverty funding is distributed in a tiered system, based on district concentration of poverty.
- In 2012-13, districts with 70% or less FRL students receive \$517 per FRL student. Districts with 70%-90% FRL students receive \$1,033 per FRL student; and districts with 90% or more FRL students receive \$1,549 per FRL student.
- Almost 50% of NSLA funding is spent on instructional personnel (e.g. Curriculum Specialists, Math/Science/Literacy coaches, and Highly Qualified Teachers).
- The majority of districts spend poverty funding in a number of areas and do not concentrate the funding.

Categorical Poverty Funding in Arkansas

*As a result of the Arkansas Supreme Court's Lake View v. Huckabee Decision, the Public School Funding Act of 2003 established Arkansas' current funding system. A part of the current funding system allocates additional funding for districts based on need (categorical funding). In doing so, the state recognizes that it is necessary to distribute additional funding based on educational need to meet adequacy and equity standards. The system allocates funding for groups of students who face particular challenges: Alternative Learning Environment (ALE), English-language Learners (ELL), Professional Development (PD), and poverty funding (National School Lunch Act). In the current legislative session, lawmakers are examining the poverty funding system (NSLA). In this brief, we examine Arkansas' system for poverty funding and how districts spend the funding.*

What is Arkansas' current poverty funding system?

Poverty funding is appropriated to districts based on the percentage of Free-and-Reduced Lunch (FRL) students attending the district the prior year. The funds were created with the National School Lunch Act (NSLA), as they related to the percentage of FRL students; however, the funds are not used for school lunches. The system, which first allocated funds in 2004-05, is **tiered to account for the idea that districts with higher concentrations of poverty need more funding to equitably educate students.** Districts receive more poverty funding per FRL pupil when 70% or more students receive FRL and then again when 90% or more students receive FRL. The graph to the right highlights the current system.

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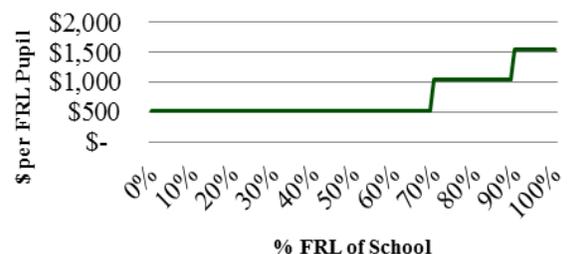
In Arkansas, on average, **districts with higher concentrations of poverty have lower levels of student achievement than districts with lower concentrations of poverty.** Therefore, there is evidence supporting the idea that districts with higher concentrations of poverty need additional funding to offset the disadvantages the districts and students face.

In **2011-12**, Arkansas spent **\$183,776,704** on poverty (NSLA) funding, and in **2012-13**, **\$196,678,927** is appropriated for poverty funding.

There is **no line of research that defines exactly how much funding should be spent on students in poverty.** Furthermore, there is no definite research on what concentration of poverty level signals that a district requires additional funding per pupil.

Since 2004-05, Arkansas has increased the amount of funding distributed to districts per FRL pupil three times (2007-08, 2011-12, 2012-13).

Arkansas' Poverty Funding System



**Table 1: Poverty (NSLA) Funding, Per FRL Pupil**

% FRL Students	2004-05 to 2006-07	2007-08 to 2010-11	2011-12	2012-13
90%+	\$480	\$496	\$506	\$517
70%-90%	\$960	\$992	\$1,012	\$1,033
60% and below	\$1,400	\$1,488	\$1,549	\$1,549

Overtime, as enrollment has increased and the percentage of FRL students in Arkansas (and the amount of NSLA funding per FRL pupil has increased), Arkansas has increased the amount of funding distributed.

**Table 2: Poverty (NSLA) Funding in Arkansas, By Year**

	Enrollment	State % FRL	Total NSLA Funding
2012-13	471,867	61%	\$196,678,927
2011-12	468,656	60%	\$183,776,704
2008-09	465,801	56%	\$157,767,290
2004-05	455,515	52%	\$147,572,187

Arkansas is similar to most states in providing poverty funding to districts. In the 2013 Quality Counts report, Arkansas received a B+ on the category Equity Funding, ranking it as one of the top states in the nation in distributing additional funding to districts to meet equity standards. States vary in how the funding is allocated, how much funding is distributed, and how the funding can be utilized by districts.

### Is increased poverty funding connected to increased achievement?

#### Arkansas State Exams

On the Benchmark, End-of-Course Examinations, and Iowa Test of Basic Skills, FRL students perform less well than non-FRL students in Arkansas, as is the case for all states. The table below show Benchmark achievement of FRL and non-FRL students from 2005-06 to 2011-12.

**Table 3: Math and Literacy Benchmark (Grades 3—8) Achievement, 2005-06 to 2011-12**

	2005-06	2011-12	Percentile Point Growth
<b>Math</b>			
Non-FRL students	62 <sup>nd</sup>	66 <sup>th</sup>	+4
FRL students	40 <sup>th</sup>	40 <sup>th</sup>	0
<b>Literacy</b>			
Non-FRL students	63 <sup>rd</sup>	66 <sup>th</sup>	+3
FRL students	39 <sup>th</sup>	43 <sup>rd</sup>	+4

Furthermore, districts with higher concentrations of poverty perform less well on Benchmark, End-of-Course Examinations, and the Iowa Test of Basic Skills. With Arkansas' system of poverty funding, districts with higher concentrations of poverty receive more funding; however, with the tiered system, some similar districts receive different amounts of poverty funding due to the funding "cliffs" at 70% and 90% FRL. For example, a district with 69% FRL students receives less funding per FRL pupil than a district with 70% FRL students; however, student bodies with 69% and 70% FRL look relatively similar socio-economically. In examining the academic achievement of the districts around the "cliffs," it is revealed that **districts around the funding "cliffs" (just below and above 70% and just below and above 90%) perform similarly** on the Benchmark and End-of-Course Exams, despite the fact that districts just above the cliffs receive approximately \$500 more per FRL pupil at each cliff. Additionally, since 2004-05, when NSLA funding was first allocated, some districts have moved into a higher tier of poverty funding. The achievement of these districts was compared at both the 70% and 90% cliffs, no district showed an increase in achievement as a result of a financial windfall.

#### National Assessment of Educational Progress (NAEP)

The NAEP is a national non high-stake assessment given annually to compare achievement in all fifty states. Since 2003, Arkansas' low-income students have increased achievement in math and literacy in line with national trends. Arkansas' ethnic minority students (particularly Hispanic students) experienced above-average growth in math and literacy. However, non-low-income students have progressed more quickly, so the achievement gap has not shrunk between low-income and non-low-income students.

### How is poverty funding spent by districts?

In 2003, the legislature used an education consulting firm, Lawrence O. Picus and Associates, to assist in creating Arkansas' new funding system. In the initial report, Odden & Picus recommended that Arkansas distribute additional funding to districts with higher concentrations of poverty and that poverty funding should be allocated for tutors and student support personnel. While the legislature took the first recommendation and distributed funding based on concentration of poverty, it altered the second recommendation and created a number of allowable expenditure categories. Furthermore, in the 2011 sessions, additional categories were added to the approved expenditure list.

Table 5 on the last page ranks the expenditure categories based on the percentage of total NSLA funding in 2011-12. The largest percentage of funding is spent on literacy, math, and science specialists and coaches (16.51%).

The specific expenditure categories can be split into general categories: **instructional personnel (46%), non-instructional personnel (8%), additional supporting**

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programs (12%), and other non-specific use (34%). The majority of NSLA funding is used for instructional personnel (46%), while only 12% is spent on additional supporting programs (e.g. summer programs).

### Are districts using poverty funding in specific areas?

The majority of districts (171 out of 253) spread funding between 6 or more (up to 18) specific expenditure categories. Therefore, there is evidence that districts are not pinpointing poverty funding in specific areas to specifically reach poor students. Instead, districts are spreading the funding across the board and may use it to fill in budget gaps. **Due to general lack of pinpointing of poverty funds by district, it is difficult to assign cause or even correlation to poverty funding and achievement.**

### What are the future plans of poverty funding in Arkansas?

Recently Senator Joyce Elliot filled Senate Bill 508 to amend the purposes of NSLA funding. The bill creates two categories of NSLA expenditures. Districts must spend at least 60% of their funding in the first category; but districts with focus or priority schools must spend at least 75% of their funding in the first category. The bill is intended to limit funding and force districts to pinpoint the funding in specific categories.

### Conclusion

Arkansas' poverty funding system should be commended for its focus on poor students, particularly those students in very poor districts. However, in its current state, the funding system allows districts to spend funding among a number of different categories, and so, it seems as if some districts may spread the funding too thinly. Additionally, some districts may not focus the funding for low-income students as it is intended. For example, many districts spend poverty funding on Highly Qualified Teachers and teacher bonuses that may or may not specifically impact FRL students. Moreover, the distribution of poverty funding by the state needs to be examined, as it unfairly allocates funding to similar districts at the 70% and 90% FRL "cliffs" (e.g. districts with 69% and 70% FRL receive different amounts of funding per FRL pupil).

As lawmakers look to make decisions about poverty funding, it is important to consider the state of the current system and how poverty funding is spent by districts.

**Table 3: District Use of NSLA Funding, 2011-12**

Expenditure Categories	Year Coded as Exp.	Percent of NSLA Funding in 2011-12
Literacy, Math, and Science Specialists and Coaches	2003	16.51%
Other activities approved by the ADE	-	11.56%
High Qualified Classroom Teachers	2003	9.42%
Transfer to ALE Categorical Fund	-	8.63%
School Improvement Plan	-	8.62%
Counselors, Social Workers, Nurses	2003	8.30%
Teachers' Aides	2003	8.17%
Curriculum Specialist	2003	4.69%
Pre-Kindergarten	2003	3.27%
Before and After School Academic Programs	2003	2.76%
Supplementing Salaries of Classroom Teachers	-	2.77%
Tutors	2003	2.35%
Transfer to ELL Categorical Fund	-	2.28%
Professional Development in Literacy, Math, and Science	2003	2.02%
Summer Programs	2003	1.28%
Early Intervention	2003	1.22%
Transfer to Special Educations Programs	-	0.93%
Transfer to Professional Development Categorical Fund	-	0.87%
District Required Free Meal Program	2011	0.70%
Parent Education	2003	0.52%
ACT Fees for 11 <sup>th</sup> Graders and Operating/Supporting a Post-Secondary Preparatory Program	2011	0.10%
Scholastic Audit	-	0.37%
Districted Reduced-Lunch Meal Program	2011	0.05%
Remediation activities for college	2011	0.05%
Teach For America Professional Development	2011	0.03%
Implementing Arkansas Advanced Initiative for Math and Science	2011	0.01%
Hiring Career and College Coaches	2011	0.00%
Materials, supplies, and equipment including technology	2003	-
Expenses related to a longer school day	2011	-
Expenses related to a longer school year	2011	-