

**DEPARTMENT OF EDUCATION
GENERAL OPERATIONS & PUBLIC SCHOOL FUND (AGENCY #500)
FISCAL YEAR FY2015**

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Department of Education administers the programs and financial assistance to the State's public elementary and secondary schools. The Arkansas Constitution requires the state to maintain a general, suitable and efficient system of free public schools and to adopt all suitable means to secure to the people the advantages and opportunities of education.

TOTAL BIENNIAL BUDGET

Department: The total appropriation is \$794,340,407 for FY2015.

Public School Fund: The total appropriation is \$2,871,618,770 for FY2015.

FUNDING SOURCE

Department: The appropriations for ADE are funded by federal revenue, general revenue/Educational Excellence Trust Fund/Educational Adequacy Fund, cash funds, trust funds and fund balances.

Public School Fund: The ADE - Public School Fund Account appropriations are funded by general revenue through the Revenue Stabilization Act allocations, the Educational Adequacy Fund, Educational Excellence Trust Fund, fund balances, "Off-the-Top" state funding for court ordered desegregation expenses, a Temporary Assistance to Needy Families (TANF) program fund transfer from the Department of Workforce Services, and Transit Tax funding.

II) SIGNIFICANT CHANGES

DEPARTMENT :

The total appropriation of \$794,340,407 for FY2015, does not include any significant increases over FY2014.

PUBLIC SCHOOL FUND (PSF) : The PSF provides the primary state financial assistance to Arkansas' public elementary and secondary schools. It is funded primarily by general revenue, Educational Excellence Trust Fund, and the Educational Adequacy Fund. The total appropriation is \$2,871,618,770 for FY2015, and includes the following changes:

ALTERNATIVE LEARNING (APPROPRIATION 311)

This appropriation is used to fund the Alternative Learning Environment (ALE) Programs school districts are required to offer which are student intervention programs that seek to eliminate traditional barriers to learning for students. The appropriation is \$23,733,153 which is an increase of \$415,141 over FY2014 which provides for an increase in FTEs, and to provide for a 1.8% increase in the per FTE student rate from \$4,305 for FY2014 to \$4,383 for FY2015.

CONSOLIDATION INCENTIVE (APPROPRIATION 421)

This appropriation provides incentive payments to each school district that is administratively consolidated or annexed by the State Board of Education pursuant to Ark. Code Ann. § 6-11-105, § 6-13-1401 and applicable rules of the State Board of Education. The total appropriation is \$5,640,300 which is an increase of \$1,880,100 over FY2014 which will provide for two additional consolidations in FY2015.

DEPARTMENT OF CORRECTION (APPROPRIATION 380)

This appropriation is to provide the ADE portion of the cost of running the Department of Correction School. The total appropriation is \$6,396,775 and

includes an increase of \$175,883 over FY2014 for one new instructor position at the Pine Bluff Unit in FY2015 over FY2014 (cost \$50,000), a 3% COLA (cost \$5,883), and \$120,000 for FY2015 for the cost of a GED computerized test.

ENGLISH LANGUAGE LEARNERS (ELLs) (APPROPRIATION 082)

This appropriation enables school districts to provide specially trained staff, instructional materials, and training for teachers for ELLs. The appropriation is \$14,004,642 for FY2015 which is an increase of \$929,593 from FY2014 to provide for growth in students and a 1.8% increase in the funding rate for ELLs from \$311 for FY2014 to \$317 for FY2015.

NATIONAL BOARD OF PROFESSIONAL TEACHING STANDARDS (APPROPRIATION 438)

This appropriation provides bonuses to National Board Certified Teachers (NBCT), participation fees and substitute pay required for candidacy, and a support system for candidacy. The appropriation is \$15,016,160 which is an increase of \$1,500,000 over FY2014 to provide for 300 additional participating teachers in FY2015.

NATIONAL SCHOOL LUNCH STUDENT FUNDING (APPROPRIATION 2HR)

This appropriation provides additional funding to districts based on the number of students from low socio-economic backgrounds who are eligible for free or reduced-price meals. The appropriation is \$213,768,543, which is an increase of \$13,514,637 over FY2014. This was provided in anticipation of a growth in students and a rate increase from FY2014 to FY2015, however, the General Assembly did not authorize an increase in the NSLA rates for FY2015 as anticipated. In Act 1467 of 2013, the General Assembly instead requires the House and Senate Education Committees in conjunction with the Bureau of Legislative Research and the Department of Education, to conduct a study and make a recommendation for a new NSL funding formula that provides funding for economically disadvantaged students on a sliding scale, and that weights the funding to provide more money to school districts for students who, under federal poverty guidelines, qualify for free meals than it provides to students who qualify for reduced-priced meals.

PROFESSIONAL DEVELOPMENT FUNDING (APPROPRIATION 2HS)

This appropriation currently provides funding to school districts for professional development activities. Special Language allows the Department to retain up to \$4 million for statewide PD support systems. The appropriation is \$25,126,997 for FY2015 which is an increase of \$434,595 over FY2014 to provide for the growth in the Average Daily Membership and to provide for a 1.8% increase in the per ADM rate from \$53 for FY2014 to \$54 for FY2015. Note: Act 2 of the First Extraordinary Session of 2013 reduced the professional development rate to \$32.40 per ADM and amended the Arkansas Code to allow PD hour requirements to be reduced as well.

STATE FOUNDATION FUNDING (SFF) (APPROPRIATION 2HP)

SFF is the amount of state financial aid provided to school districts on a per Average Daily Membership (ADM) basis. The amount of State (funded) Foundation Funding is computed as the difference between the Foundation Funding Amount (\$6,521 for FY2015) times the ADM of the previous school year, less the sum of 98% of the uniform rate of tax (25 mills) times the property assessment of the school district plus miscellaneous funds. **FY2014 Changes Approved During 2014**

Pre-Fiscal Session Hearings: The appropriation is \$1,976,072,528 which is an increase of \$52,982,867 due to the projected increase in ADM of 2,366 in

aggregate. The increase will also provide for a total 2% increase in the Foundation Funding rate per ADM, with .2% of the 2% allocated to support the increase in the minimum district contribution for employees participating in the Public School Employees Health Insurance Plan to \$150 per participating employee as required by Act 517 of 2013. The FY2015 per ADM Foundation Funding rate of \$6,521 is established in Act 1467 of 2013.

TEACHER RETIREMENT MATCHING (APPROPRIATION 437)

This appropriation provides employer matching for employees of the Education Service Cooperatives, Vocational Centers, the Model Vocational-Technical Resource Center, Arkansas Easter Seals and the school operated by the Department of Correction. The appropriation is \$11,112,407 which is an increase of \$1,010,218 over FY2014 and will provide for the increase of participants in the program.

ARKANSAS SCHOOL RECOGNITION PROGRAM (APPROPRIATION F81)

This appropriation provides for payment of financial awards to public schools through the Arkansas School Recognition Program to provide an incentive for outstanding schools. The appropriation is \$10,000,000 FY2015 (no change from FY2014) which includes an executive recommendation for \$7,000,000 in new general revenue funding.

PUBLIC SCHOOL EMPLOYEES INSURANCE (APPROPRIATION 446)

This appropriation pays the state contribution for insurance premiums for employees of the Education Service Cooperatives, Vocational Centers, the Model Vocational-Technical Resource Center, Arkansas Easter Seals and the school operated by the Department of Correction. The appropriation is \$57,373,600 which is an increase of \$20,100,000 over FY2014 and includes an executive recommendation for \$10,000,000 in new general revenue funding.

III) ADDITIONAL POSITIONS

DEPARTMENT :

Total Positions FY2015: 356
Total Positions FY2014: 356
Increase/(Decrease): 0

PUBLIC SCHOOL FUND:

Total Positions FY2015: 53
Total Positions FY2014: 53
Increase/(Decrease): 0

IV) SPECIAL LANGUAGE

DEPARTMENT :

TURNBACK FUNDS: Provides Federal turn-back funds in the State Treasury are to be transferred to the Department of Education Public School Fund Account when the eligible county and/or school district cannot be identified and used for any lawful school purpose.

CARRY FORWARD (YEAR-END FUND BALANCE): Authorizes the Department of Education to carry forward its General Revenue Fund Balances in the Department of Education Fund Account at the end of a fiscal year. Requires prior statement of need, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally DFA shall include all of the above information in the biennial budget manuals or a

statement of non-compliance.

SALARY OF THE COMMISSIONER OF THE DEPARTMENT OF EDUCATION: Provides that the Commissioner is not to receive outside salary or payments for personal services for any reason and requires the Commissioner to devote all of his/her working time to the performance of the duties of the Commissioner of ADE. This language does not prohibit the Commissioner from accepting or receiving expense reimbursements and employee benefits as provided in State Law.

ESTABLISHMENT OF A "POSITION POOL": Establishes a pool of 5 Professional/Executive positions at a salary not to exceed the maximum for the grade N912 and a pool of 25 classified positions at up to a grade C130. Requires the Department to compare any proposed additions or adjustments to similar employees in school districts or other state education agencies. Authorizes the positions to be used upon determination of the Commissioner of ADE, and requires quarterly reports justifying and accounting for the use of the positions. Any pool positions the Department would like to continue in the next biennium must be requested as new positions in the biennial budget request. Classifies the legislative review language as non-severable and makes the entire section void if the legislative review provision is found to be unconstitutional.

ARKANSAS LEADERSHIP ACADEMY - REDUCTION OF FUNDS RESTRICTION: Limits the funding reductions to the Arkansas Leadership Academy appropriation to the average percentage reduction in the other appropriations made to the Department of Education Fund Account.

LEADERSHIP ACADEMY: Requires the appropriation for the Leadership Academy will be used for the School Support Program which provides support to schools or school districts designated by the Department of Education as being in school improvement status and to provide for general operations of the Leadership Academy.

PULASKI COUNTY DESEGREGATION CASE COSTS FUND TRANSFER: Section 34 of Act 1420 of 2007 provided a \$750,000 fund transfer from the Public School Fund to the Department of Education Fund Account for Pulaski County Desegregation Case Costs on July 1, 2007. Section 34 of Act 1420 provided \$210,000 in fund transfers and Section 91 of Act 1290 of 2007 also provided \$20,000 for Desegregation Case Costs. This section provides that any unexpended balances of funds transferred to the Department of Education Fund Account during the 2007-09 biennium for desegregation case costs shall be used exclusively to provide funds for case costs incurred by the Department of Education and the three Pulaski County School Districts under Arkansas Code §6-20-415 - §6-20-416. The funds may be expended upon certification by the Commissioner of the Department of Education and prior approval by the Chief Fiscal Officer of the State.

STATE FUND RESTRICTIONS: Reiterates that no state funds shall be used for abortion referral or services, and further states that the funds shall be expended in accordance with ACA §6-18-703 regarding school-based health clinics.

PUBLIC SCHOOL FUND:

MANDATORY FUNDING PROVISION: Requires the Department to expend or commit for expenditure \$75,000 for the International Baccalaureate Program.

FUND ALLOCATION: Requires that any appropriation and funding not needed for the Isolated Funding appropriation be transferred to the Special Needs Isolated Funding appropriation and the funding is to be used to fund Arkansas Code 6-20-604 subsections (c) - (f) on a pro-rata basis until funds are exhausted or subsections are fully funded. Also provides that if any funding and appropriation remain after funding ACA §6-20-604 (c)-(f) the remaining balance shall be used to fund the provisions of ACA §6-20-604 (h) on an equal basis until all funds are exhausted.

GRANTS TO SCHOOL DISTRICTS: Defines school districts eligible to receive these grants as districts that contract with a district in an adjoining state for the education of pupils within Arkansas due to separation of where the students live

and where the remainder of the district is located. The grants are to reimburse these districts for the expense of educating students in the separated portion of the district, and payments are limited to the available appropriation.

SPECIAL EDUCATION SERVICES: Requires Special Education Services funds to be used for extended year summer programs for handicapped students, special education services for foster children, and payment of salaries of special education supervisors.

DESEGREGATION EXPENSES: Requires the Department to certify the amounts needed for desegregation expenses under any "Desegregation Settlement Agreement" to the Treasurer of State and the Chief Fiscal Officer, and requires the State Treasurer to deduct these certified amounts from net general revenue and make them available to the Department for the purpose of paying for desegregation expenses.

CONSOLIDATION INCENTIVE: Requires appropriation allocations for Consolidation Incentive to adhere to rules and regulations established by the Board of Education.

RESIDENTIAL CENTERS/JUVENILE DETENTION: Requires appropriation allocations for Residential Centers/Juvenile Detention to adhere to rules and regulations established by the Board of Education.

TRANSFER AUTHORITY: Authorizes a maximum of two appropriation transfers and other related budget adjustments per fiscal year, within the Department of Education, as necessary with Chief Fiscal Officer approval and prior Arkansas Legislative Council or Joint Budget Committee approval. Classifies the legislative approval language as non-severable and makes the entire section void if the legislative approval provision is found to be unconstitutional.

AETN DOCUMENTED QUIZ BOWL COSTS: Allows AETN to receive up to \$40,000 of the total appropriation and funds for Quiz Bowl to recover AETN costs.

INTERVENTION BLOCK GRANTS RESTRICTION: States the Department shall allocate and expend \$302,000 funded by general revenue from the Public School Fund Account for the Intervention Block Grants appropriation to be distributed to the Quiz Bowl (\$100,000), Creativity in Arkansas, Inc., also known as Odyssey of the Mind (\$13,500), Destination Imagination (\$13,500), History Day (\$100,000) and Arkansas Science Fair Association (\$75,000).

EAST FUNDING PROVISION: Requires 18% or \$2,000,000, whichever is greater, of the Technology Grants appropriation to be awarded through a grant or a professional services contract for Environmental and Spatial Technologies (EAST) infrastructure, personnel, and operating expenses.

CENTER FOR QUALITY TEACHING AND LEARNING (FORMERLY KNOWN AS EXPLOR-NET) FUNDING PROVISION: Requires \$187,575 in General Revenue be allocated through the Technology Grants appropriation to the Center for Quality Teaching And Learning Program to teach students computer repair in a hands-on environment.

DISTRESSED SCHOOL DISTRICT SUPPORT: The Department may expend some of the funds appropriated for Distressed School District Support for technical assistance or programs to districts in academic distress, and provides that the money may be used for teacher specialists, principal specialists, other personnel assigned by the Department, and research-based technical assistance programs. Alternate staffing and compensation programs must be approved by at least a majority of the teachers in the school, schools, or district participating.

PROFESSIONAL DEVELOPMENT: Allows the Dept. of Education to use up to \$4M each year of the appropriation authorized for professional development to develop statewide professional development support systems for teachers.

RETIREMENT MATCHING: Requires districts to pay teacher retirement employer contribution rates for eligible employees in accordance with rules of the Teacher Retirement Board and requires the Department to provide the employer matching for employees of the Education Cooperatives, Vocational Centers, Arkansas Easter Seals and the Department of Correction School.

OPEN ENROLLMENT VIRTUAL CHARTER SCHOOL FUNDING RESTRICTIONS: Prohibits a school district from receiving state funding for students who are in their prior year ADM count but are currently participating in an Open-Enrollment Long-Distance or Virtual Technology Charter School. Also allows for an increase of slots for the open-enrollment public virtual charter school from 500 to 3,000 beginning in FY2014 with the provision that all of the students that enroll in the additional 2,500 slots must be enrolled in an Arkansas public school for the first three quarters of the prior school year.

BETTER CHANCE PROGRAM ADMINISTRATIVE FEES: Authorizes the Department of Education to expend a maximum of 2% of the Better Chance Funding to administer the program and monitor grantees, and to contract with DHHS-Division of Child Care and Early Childhood Education to administer the program. With the further requirement that DHHS - Division of Child Care and Early Childhood Education must receive prior review and approval by ALC/JBC before spending the final .2% of the maximum 2% of the Arkansas Better Chance Program funds that are allowed to be spent on administration of the program.

AVERAGE TEACHER SALARY: Requests the Department to calculate an average teacher salary without extra duty funds and in accordance with the National Education Association (NEA) definitions, and requires the Department to submit this teacher salary data annually to the NEA for the NEA "Rankings and Estimates" Report.

CARRY FORWARD - ARKANSAS BETTER CHANCE: Language authorizes the Department to carry forward unexpended funding allocated for the Better Chance Program at the end of each fiscal year. Requires prior statement of need, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally DFA shall include all of the above information in the biennial budget manuals or a statement of non-compliance.

PUBLIC SCHOOL RETIREE HEALTH INSURANCE: Allows the Employee Benefits Division of the Dept of Finance and Administration to use \$11.20 from each contribution of \$131 made under Arkansas Code §6-17-1117 (a) to offset the cost of health insurance premiums for members of the Arkansas Teacher Retirement System electing to participate in the public school employees' health insurance program.

ARKANSAS/STRIVE PROGRAM TRANSFER LANGUAGE: Requires a \$200,000 transfer each year from the Department's Public School Fund Account to UALR for the Arkansas/STRIVE Program, and further requires that these funds shall not be subject to any indirect cost charges by UALR.

HEALTH INSURANCE: Requires the Department to use the Public School Employee Insurance appropriation to provide the state contribution for insurance premiums for employees of Cooperatives, Vocational Centers, and the Department of Correction school who participate in the Arkansas Public School Life and Health Insurance Program.

ALTERNATIVE LEARNING ENVIRONMENT: Provides that the Department may provide funding for Alternative Learning Environment Programs in excess of the 6 hour regulatory limitation if a program operates more than 12 hours per day, in a proportionate manner and upon special request.

STATE FUND RESTRICTIONS: reiterates that no state funds shall be used for abortion referral or services, and further states that the funds shall be expended in accordance with ACA §6-18-703 regarding school-based health clinics.

ADDITIONAL PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE FUNDING PROVISION: Requires the Department to pay up to \$15 million in quarterly installments to the DFA Employee Benefits Division (EBD) for PSE health insurance contributions. The actual amount to be paid shall be the amount the Uniform Rate of Tax (URT) funding used in the State Foundation Funding Formula, exceeds \$920,731,819, up to \$15 million, and adds that the funds provided to EBD shall be administered by

the State And Public School Life And Health Insurance Board.

ARKANSAS GOVERNOR'S SCHOOL FUNDING: Requires the Department to allocate, budget and commit for expenditure \$250,000 in additional funding for the Arkansas Governor's School to fund the extension of the program from four (4) to six (6) weeks.

ISOLATED FUNDING - SPECIAL PROVISIONS: Requires the Department to provide an amount of isolated funding that is not less than what a school district would have received based on the school district's square miles calculated in the prior school year when the Department uses a new methodology or technology to recalculate square miles, as long as the district remains eligible for isolated funding.

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