

EXHIBIT E

HISTORICAL FRAMEWORK

February 2, 2026



2026 EDUCATIONAL ADEQUACY STUDY

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Purpose

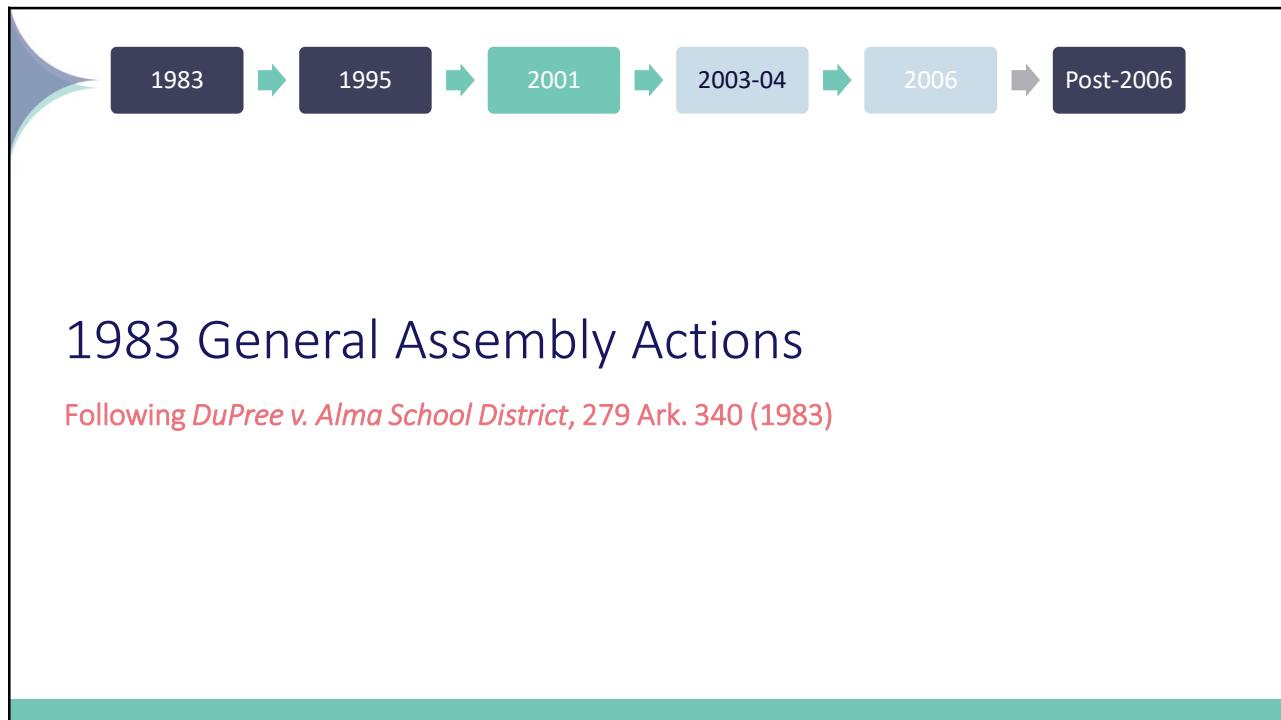
Separate report beginning in 2022

Streamlines other reports

Common understanding

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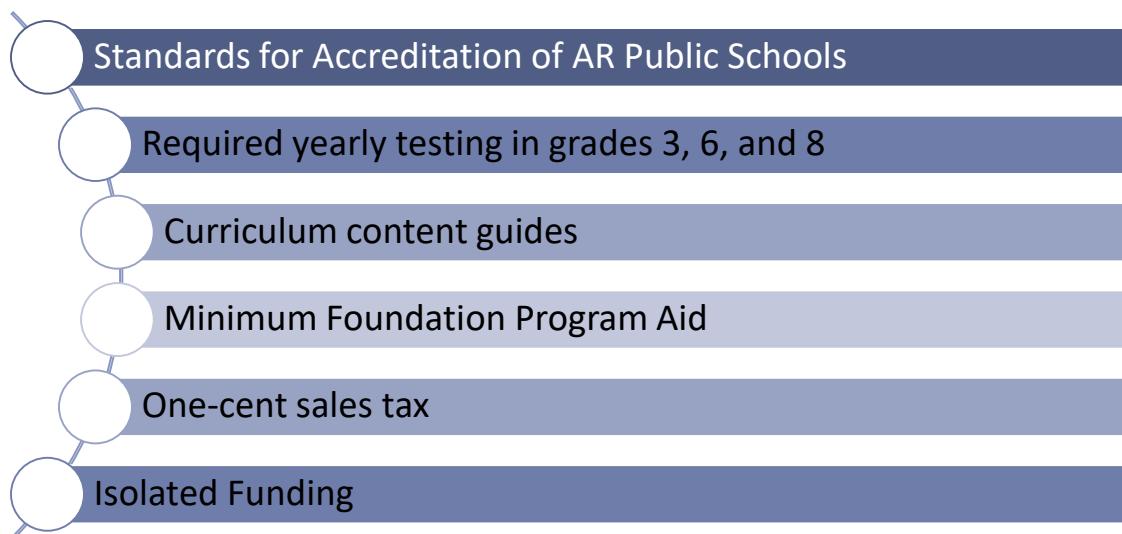


1983 General Assembly Actions

Following *DuPree v. Alma School District*, 279 Ark. 340 (1983)

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1983 General Assembly Actions



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Supplemental Funding

Isolated and Special Needs Isolated

Started in 1983

Provide additional
funding for districts
with low enrollment or
geographic challenges

Student Growth

Declining Enrollment

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1983

1995

2001

2003-04

2006

Post-2006

1995 General Assembly Actions

Following 1994 Pulaski County Chancery Court *Lake View* decision

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1995 General Assembly Actions



- Equalization Funding replaces Minimum Foundation Program Aid
- Funded At-risk Programs, Growth Facilities Funding, Additional Base Funding, and Debt Service Funding Supplements
- Funded Fiscal Crisis Relief Funding for districts adversely affected by new funding system
- Created fiscal distress
- Created academic distress
- Created Student Growth Funding

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Supplemental Funding

Isolated and Special Needs Isolated

Started in 1983

Provide additional funding for districts with low enrollment or geographic challenges

Student Growth

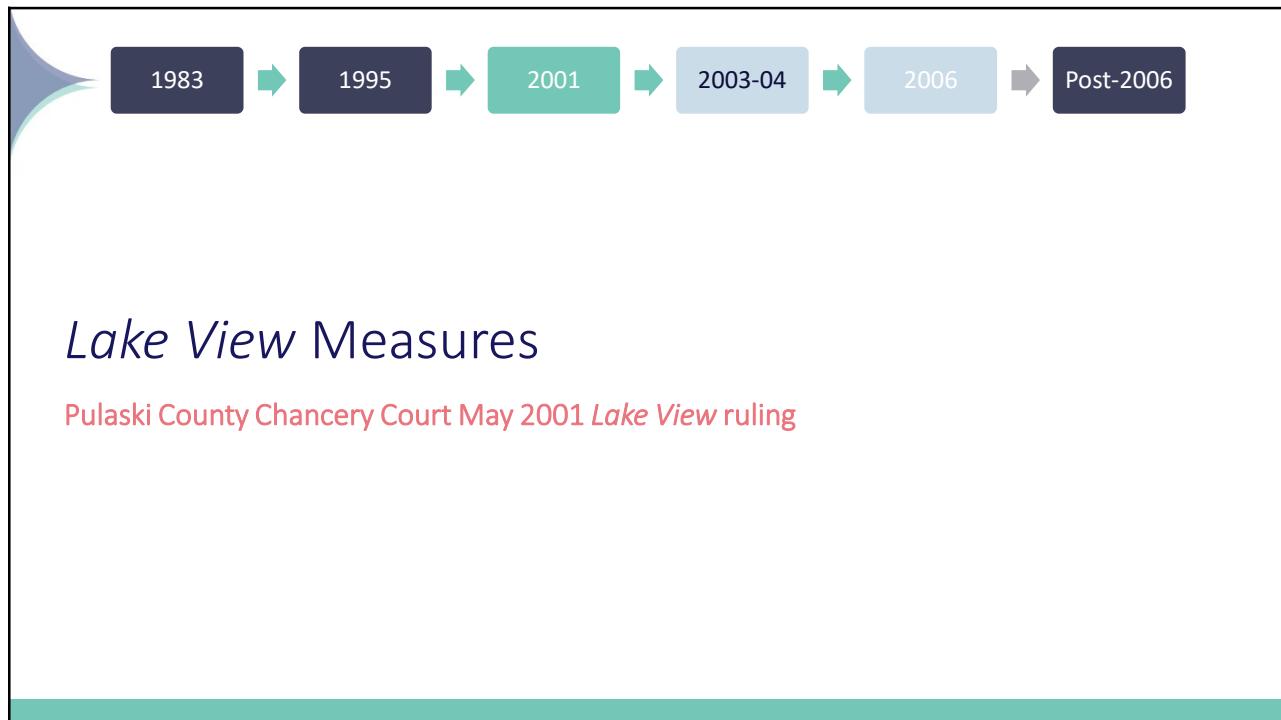
Started in 1995

Provide additional funding for districts experiencing growth

Declining Enrollment

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Lake View Measures

Pulaski County Chancery Court May 2001 *Lake View* ruling

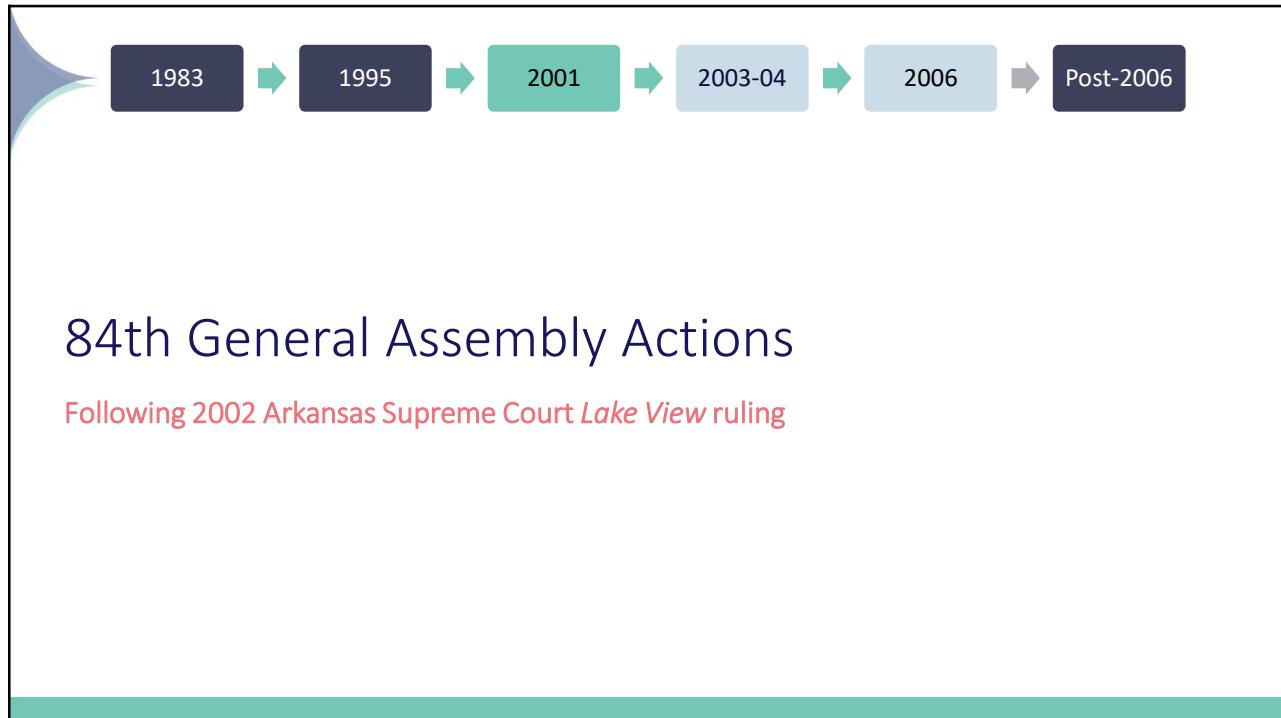
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2001 *Lake View* Measures

Measure	2001	Current
College-Going Rates	53% of Arkansas high school graduates attended college (1996-1998)	42.1% of Arkansas public high school graduates attended college (fall 2021)
Adults with a Bachelor's Degree or Higher (age 25 years or older)	Arkansas ranked 49th in nation	Arkansas ranks 49th in the nation, with 17.1% of adults 25 years or older holding a Bachelor's Degree or higher (2024)
Adults with Graduate or Professional Degrees (age 25 years or older)	Arkansas tied for last place in the nation	Arkansas ranks 50th in the nation with 10% of adults 25 years or older holding a graduate or professional degree (2024)
Median Household Income	Arkansas ranked 49 th in the nation	Arkansas ranks 48 th in the nation with a median income of \$62,106 (in 2024 inflation-adjusted dollars)

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84th General Assembly Actions

Following 2002 Arkansas Supreme Court *Lake View* ruling

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84th General Assembly Actions

Created Joint Committee on Educational Adequacy

Appropriated money for the expenses of the Joint Committee

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Joint Committee on Educational Adequacy Actions

- Adopted definition of adequacy
- Hired Picus and Associates
- Picus and Associates issued report
- Joint Committee dissolves December 31, 2003
- General Assembly passes Act 57

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Matrix Tool



- Odden and Picus made recommendations in 2003 based on a district with three schools: elementary, middle, and high school, each with 500 students
- Odden and Picus made resource-based recommendations; Committees converted those to per-pupil recommendations
- The House and Senate Education Committees base the foundation funding amounts on a district with 500 students and one K-12 school

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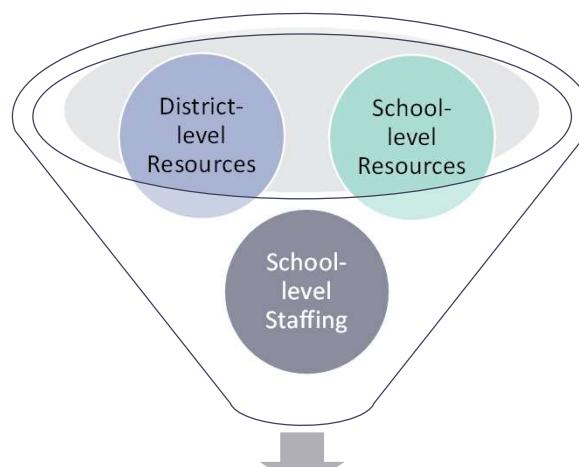
Matrix Tool

- Not in statute
- Intended to establish adequate level of funding
- Used to calculate foundation amount per student
- Unrestricted funding – not a spending tool
- Components come from 2003 O&P report

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Matrix Resources



Foundation Funding Rate

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Matrix Tool: School-Level Staffing

School-Level Staffing		
	2005 Number of Staff	2025 Number of Staff
Classroom Teachers	25 total	24.96 total
Special Education Teachers	2.9	3.2
Instructional Facilitators	2.5	2.5
Librarian/Media Specialist	0.7	0.85
Guidance Counselor & Nurse	2.5	Guidance Counselor— 1.61 Nurse—.67 Other Support Staff— 0.72
Principal	1	1
Secretary	0	1

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Matrix Tool: School-Level Resources

School-Level Resources		
	2005 Per-Pupil Amount	2025 Per-Pupil Amount
Technology	\$250	\$235
Instructional Materials	\$250	\$216
Extra Duty Funds	\$90	\$76
Supervisory Aides	\$35	\$61
Substitutes	\$63	\$90
Teacher Continuing Education Pay	\$101	n/a
Salary Enhancement Other Employees	n/a	\$52
All Other Personnel Health Insurance Contribution Rate	n/a	\$30

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Matrix Tool: District-Level Resources

District-Level Resources		
	2005 Per-Pupil Amount	2025 Per-Pupil Amount
Operations and Maintenance	n/a	\$833
Central Office	n/a	\$507
Transportation	n/a	\$354
Carry Forward	\$1,152	n/a

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Categorical Funding

	Intent	Per-Student Amount 2005	Per-Student Amount 2025
Alternative Learning Environment (ALE)	Eliminate traditional barriers to learning for students	\$3,250	\$5,086
English Language Learner (ELL)	Overcoming language barriers that impede equal participation by students in instructional programs	\$195	\$366
Enhanced Student Achievement (ESA) (formerly National School Lunch funding)	Improve instruction and increase academic achievement of students who qualify for the national free and reduced-price lunch program	<70%-\$480 70-<90%-\$960 >90%-\$1,440	<70%-\$538 70-<90%-\$1,076 >90%-\$1,613
Professional Development (PD)	Improve teaching and learning to facilitate individual, school-wide, and system-wide improvements designed to ensure that all students demonstrate proficiency on state academic standards	\$50	\$41

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Continuing Adequacy Evaluation Act



- Established broad study requirements
- Provided specific steps for accomplishing requirements
- Added the review of new laws or rules approved in the biennium

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Continuing Adequacy Evaluation Act



- Removed the ACTAAP/NCLB study requirement
- Changed “curriculum frameworks” to “Arkansas academic standards”
- Removed the ACSIP study requirement

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Arkansas Educational Financial Accounting and Reporting Act of 2004

Arkansas Code Annotated §§ 6-20-2201 – 2210

Mandates a uniform chart of accounts

Mandates that districts enter data into APSCN

Districts not following requirements shall be placed in fiscal distress

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Requirements for Arkansas Financial Handbook

Categories and descriptions of expenditures, including but not limited to:	Categories and descriptions of expenditures that allow for the gathering of data on separate functions and programs provided by law:	Categories and descriptions that allow for the tracking of expenditures from the following sources of revenue:
Total expenditures	Athletic expenditures	Student growth
Instructional expenditures	Student transportation expenditures	Declining enrollment
Administrative expenditures	School-district-level administrative costs	Special education high-cost occurrences
Extracurricular expenditures	School-level administrative costs	Special education services
Capital expenditures	Instructional facilitators	Technology grants
Debt service expenditures	Supervisory aides	Debt service funding supplement
Expenditures of court-ordered desegregation funding	Substitutes	General facilities funding
	Property insurance	Distance learning
	Expenditures of court-ordered desegregation funding	Gifted and talented
		Court-ordered desegregation funding

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Other Legislation

Raised minimum teacher salary by 26%

Increased other steps in the teacher salary schedule by at least 20%

Changed isolated funding

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New Taxes and Funding



Creates Educational Adequacy Fund



Passes Public School Fund



Increases Corporate Franchise tax rate



Increases gross receipt and compensating use tax rate by 7/8 of 1%



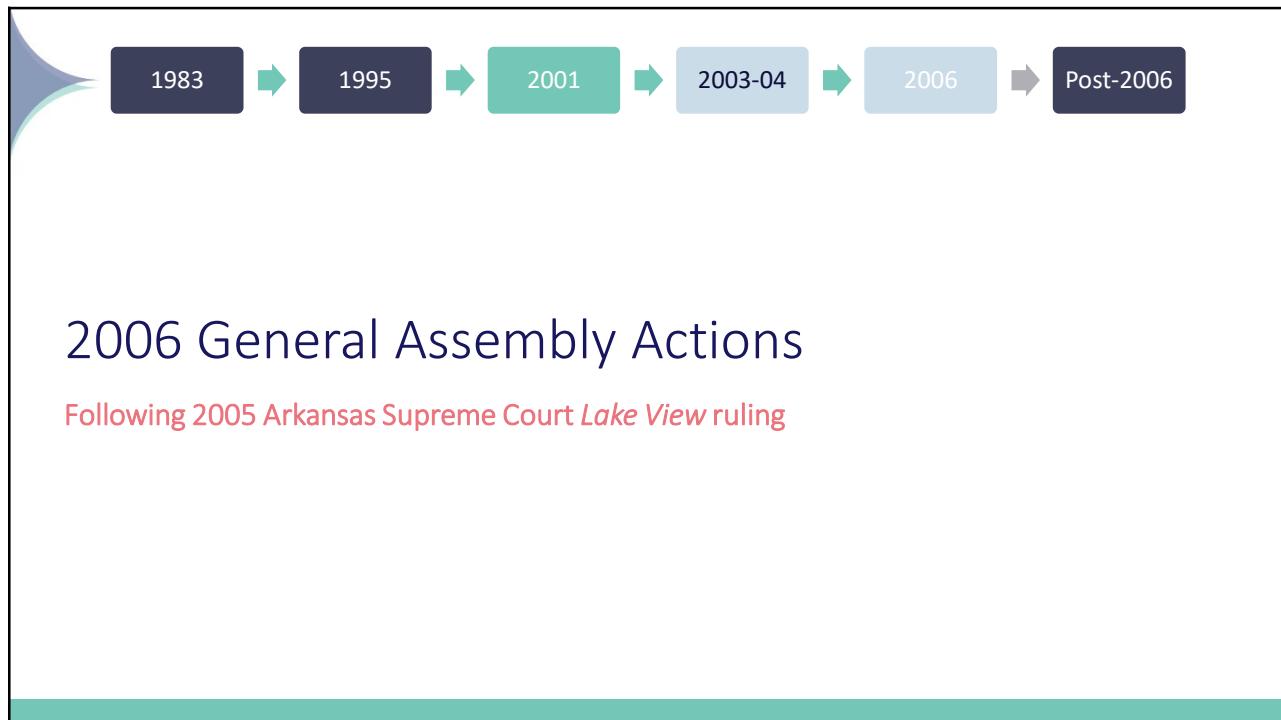
Includes certain businesses/services in the gross receipts and compensating use tax



Increases wholesale vending tax rate and vending decal fee

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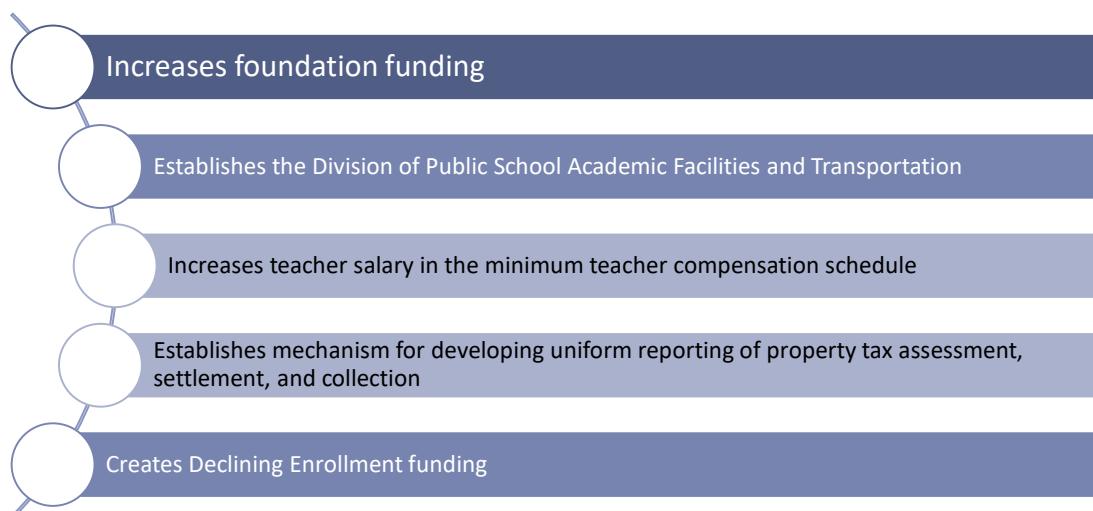


2006 General Assembly Actions

Following 2005 Arkansas Supreme Court *Lake View* ruling

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2006 General Assembly Actions



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Supplemental Funding

Isolated and Special Needs Isolated

Started in 1983

Provide additional funding for districts with low enrollment or geographic challenges

Student Growth

Started in 1995

Provide additional funding for districts experiencing growth

Declining Enrollment

Started in 2006

Provide additional funding for districts with declining enrollment

Because loss of students does not automatically decrease financial need

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Adequacy Study Oversight Subcommittee's 2006 Report Adopted January 22, 2007

Adequacy Study Oversight Subcommittee began planning in fall 2005 for a 2006 interim study on adequacy

Subcommittee contracted with Picus and Associates to conduct a study in conjunction with the Bureau of Legislative Research staff

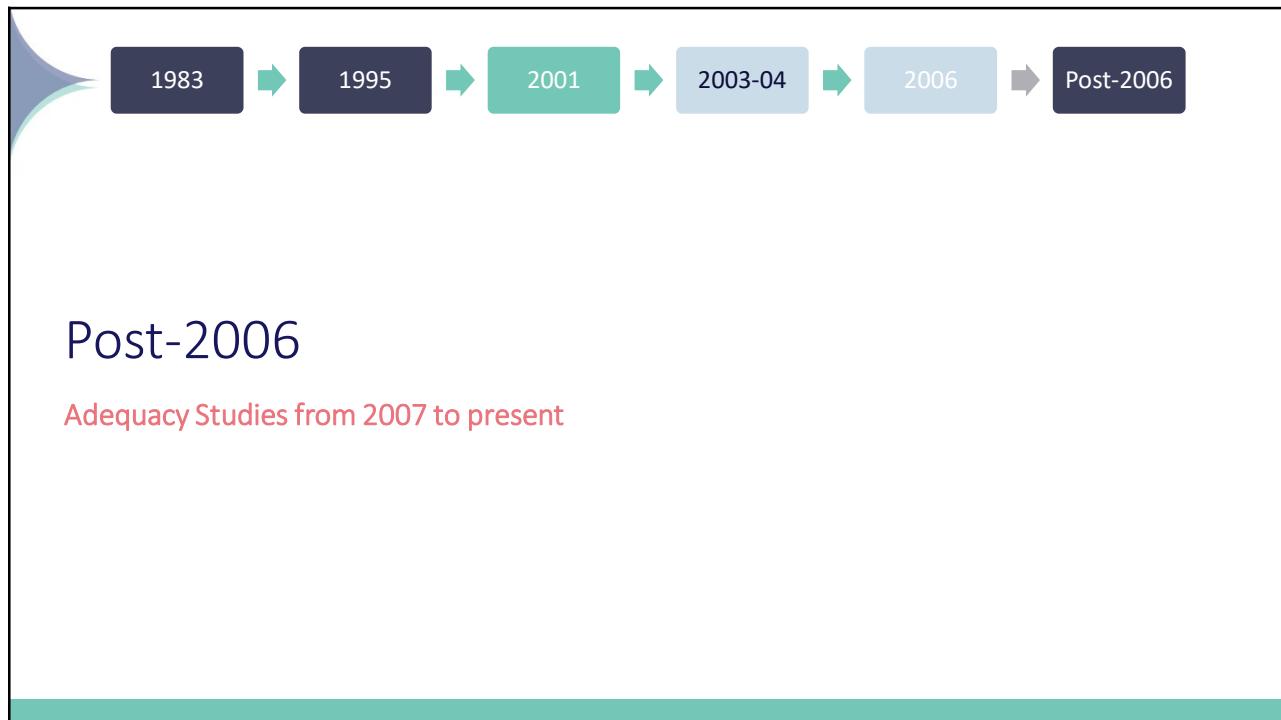
Supreme Court issued ruling on December 15, 2005

Subcommittee heard testimony from Bureau of Legislative Research, Department of Education, other state agencies, education organizations, and educators

Picus and Associates and BLR surveyed superintendents and conducted site visits

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Post-2006

Adequacy Studies from 2007 to present

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Adequacy Studies After 2006

Participants

Every Cycle	Every Cycle	Consultants
<ul style="list-style-type: none"> • Committees • Bureau of Legislative Research • Department of Education 	<ul style="list-style-type: none"> • Arkansas Legislative Audit • Stakeholders • Educators 	<ul style="list-style-type: none"> • Picus and Associates (Desk Audit 2014) • Augenblick, Palaich and Associates (2020)

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Adequacy Studies After 2006

Components

- Data from the Bureau of Legislative Research, Department of Education, and Arkansas Legislative Audit
- Stakeholder testimony
- Superintendent survey
- Site visits
- Teacher surveys
- Principal surveys

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Adequacy Definition

Adequacy definition does not appear in statute.

2017

- Career readiness skills language added

2018

- Career and technical frameworks language added

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Supplemental Funding

	Intent	Started	Ended	Original Funding	2025 Funding
Enhanced Transportation	Support extraordinary transportation needs of districts	2015	n/a	\$3 million	\$8 million
Additional PD	Development and administration of Professional Learning Communities	2017	2026	\$4 million	\$16.5 million (reallocated)
Additional ESA	Provide tutoring services, pre-kindergarten programs, and before- and after-school programs	2018	n/a	\$4.3 million	\$5.3 million
Enhanced Teacher Salary	Assist districts in meeting new minimum salary requirements passed in 2019	2019	2023	\$60 million over four years	\$0
Teacher Salary Equalization	Increasing teacher salaries and reducing disparities in teacher salaries within the state and compared to surrounding states	2021	n/a	\$185 x prior-year ADM	\$185 x prior-year ADM

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THANK YOU

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