



Foundation Funding and the Matrix

Foundation funding is the building block of public education funding in the state of Arkansas (A.C.A. § 6-20-2301 et seq.). Every year the state distributes foundation funding to each school district on a per-student basis. Unlike categorical funding, foundation funding is **unrestricted**. This means the state does not specify what school districts may or may not purchase with the foundation funding they receive. This flexibility is intended to provide for the specific needs of each school district, allowing some districts to spend more on teacher salaries, for example, while other districts may have higher transportation needs. The current foundation funding rate for 2017-18 is \$6,713 per student.

Foundation Funding	
	Per student
2015-16	\$6,584
2016-17	\$6,646
2017-18	\$6,713
2018-19	\$6,781

Where does the money come from?

Foundation funding is funded by two main components: the **uniform rate of tax (URT)** and **state foundation funding aid**. The URT is a constitutionally mandated minimum millage rate (or property tax rate) that school districts must levy at the local level. This rate is set at 25 mills and is used specifically for the operations of schools. [One mill equals .001 multiplied by the assessed value of the property (20% of the appraised value), or \$20 for a \$100,000 home.] State foundation funding aid is then provided to make up the difference between the amount of money raised through the URT and the funding level set by the legislature. For example, if a district's URT generates \$3,000 per student, the district would receive an additional \$3,713 in state foundation funding aid, for a total of

\$6,713. Eight districts in 2016-17 were expected to collect more than \$6,646 in URT and therefore received no state aid. Statewide, URT typically makes up about one third of foundation funding, while state aid makes up the remaining two thirds.

How is the funding distributed to school districts?

Foundation funding is distributed based on a school district's **average daily membership (ADM)**, the calculation representing a district's total number of students. Each school district receives the foundation funding amount set for each year multiplied by its prior year ADM. For example, the foundation funding amount per student for the 2017-18 school year is \$6,713. If a school district has an ADM of 1,000, its funding would be determined by multiplying \$6,713 by 1,000 for a total of \$6,713,000. Typically, this funding makes up 56% of districts' total revenue. (Districts also receive federal funding, as well as other types of state money, including categorical funding.)

The chart below shows the proportion of each matrix line item in the total per-student foundation funding amount for FY2017-18.

How is the foundation funding rate calculated?

Arkansas uses a specific formula to arrive at the per-student funding amount. This formula is known as the **matrix**. The matrix calculates the per-student funding rate based on the cost of personnel and other resources for operating a prototypical school of 500 students. Each year legislators involved in the adequacy study determine the dollar amount needed to fund each line item of the matrix, based on the money needed to adequately fund school districts' educational needs. Unlike the foundation funding amount (\$6,713 for 2017-18), the matrix is not established in statute. Instead it is used as a tool to set the foundation funding rate. The matrix is divided into three parts:

1. **School-level salaries** of teachers and other pupil support staff, a principal and a secretary. The matrix also determines how many of which type of teachers and other personnel are needed.
2. **School-level resources** including instructional materials and technology-related expenses.
3. **District-level resources**, which include funding for operations & maintenance, districts' central offices and transportation expenses.

