

1 State of Arkansas  
2 80th General Assembly  
3 Regular Session, 1995  
4 By: Representatives Thicksten, Maddox, Miller, Cunningham, Newman, McGinnis  
5 and Baker

# A Bill

HOUSE BILL 1054

## For An Act To Be Entitled

"AN ACT TO AMEND VARIOUS SECTIONS OF TITLE 6 OF THE  
ARKANSAS CODE ANNOTATED DEALING WITH SCHOOL FINANCE; TO  
ESTABLISH A SPECIAL COMMITTEE TO PERIODICALLY REVIEW  
SCHOOL FUNDING FORMULA AND NON-FORMULA DISTRIBUTIONS OF  
STATE AID TO LOCAL SCHOOL DISTRICTS AND REPORT FINDINGS  
AND RECOMMENDATIONS BY AUGUST 30 OF EACH YEAR PRECEDING A  
REGULAR SESSION OF THE ARKANSAS GENERAL ASSEMBLY; AND TO  
DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."

## Subtitle

"TO AMEND VARIOUS SECTIONS OF THE  
ARKANSAS CODE ANNOTATED DEALING WITH  
SCHOOL FINANCE."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Annotated § 6-20-302 is hereby amended to  
read as follows:

"6-20-302. Definitions. As used in this subchapter, unless the context  
otherwise requires:

(1) Average daily membership or ADM means the total number of days  
attended plus the total number of days absent by students in grades  
kindergarten through twelve (K-12) during the first three (3) quarters of  
each school year, divided by the number of school days actually taught in the  
district during that period of time. For aid purposes, the average daily  
membership of growing school districts shall be the average daily membership  
of the previous year plus the total average daily membership increase for the

1 first three (3) quarters of the current year. The initial aid computation  
2 for all districts shall be made using the average daily membership of the  
3 previous year. At the end of the first quarter, an adjustment shall be made  
4 in the aid *using the following formula:*

5 *Aid equals (Previous year's third quarter average ADM divided by*  
6 *previous year's first quarter ADM) times (current year's first-quarter ADM*  
7 *minus previous year's third quarter average ADM) times state base*  
8 *equalization rate times .77.*

9 *For all school districts that have grown by one (1) average daily*  
10 *membership or more during the current year, the aid shall be adjusted at the*  
11 *end of the first three (3) quarters of the year in which the aid is*  
12 *distributed to include the actual growth of the affected districts for the*  
13 *current year. Such adjustments shall be determined by recalculating*  
14 *individually the aid due each affected district and shall be made before the*  
15 *end of the year in which the aid is distributed. No such adjustment, however,*  
16 *shall result in any school district's average daily membership for aid*  
17 *purposes in any year being less than that shown for the district in the first*  
18 *three (3) quarters of the previous year. For aid purposes, the average daily*  
19 *membership of school districts that are losing average daily membership shall*  
20 *be the average daily membership of the previous year or the average of the*  
21 *average daily membership for the three (3) previous years, i.e., the first*  
22 *three-quarter average for each of the three (3) years prior to the year in*  
23 *which the aid is distributed, whichever is larger. If the average daily*  
24 *membership is smaller than the average daily membership of the three (3)*  
25 *previous years, an adjustment in the aid shall be made as follows:*

26 *(Previous three (3) years' average ADM minus the previous year's three-*  
27 *quarter ADM) times state base equalization rate per ADM divided by 1.3.*

28 (A) As applied to this subchapter, students who may be counted  
29 for average daily membership are:

30 (i) Students who reside within the boundaries of the  
31 school district and are enrolled either within a public school operated by  
32 the district or in a public school operated by another district or a private  
33 school for special education students, with such attendance in both instances  
34 resulting from a written tuition agreement approved by the Department of  
35 Education; and

1 (ii) Legally transferred students living outside the  
2 district but attending a public school in the district.

3 (B) For purposes of this subchapter, kindergarten students  
4 enrolled in half-day programs shall be counted as half-time students;

5 (2) Previous year means the school year immediately preceding the  
6 school year in which funds authorized by this subchapter are allocated;

7 (3) Assessed valuation means the total valuation for tax purposes of  
8 the real, personal, and utility and carrier property, including mineral  
9 leases, as certified by the county clerk or the county board of education to  
10 the Department of Education;

11 (4) Total local resources means the sum of the charges levied  
12 against each school district's assessed valuation, seventy-five percent (75%)  
13 of its miscellaneous funds, and the sum of the previous fiscal year's local  
14 sales and use taxes collected and distributed to a school district pursuant  
15 to §26-73-114;

16 (5) Local resource rate per average daily membership means each  
17 school district's total local resources divided by the district's average  
18 daily membership of the previous year;

19 (6) State base equalization rate per average daily membership means  
20 an amount determined when the sum of the total local resources of all  
21 districts in the state and the total state aid available for distribution is  
22 divided by the state's total average daily membership of the previous year.  
23 In making this computation, the total local resources and the average daily  
24 membership of the districts whose adjusted local resource rate per average  
25 daily membership are above the state base equalization rate per average daily  
26 membership shall be removed prior to the final computation;

27 (7)(A) Miscellaneous funds charge means the charge of seventy-five  
28 percent (75%) of the funds received by the district during the current year  
29 which are classified as miscellaneous. Such funds shall include those  
30 received from federal forest reserves, federal grazing rights, federal  
31 mineral rights, federal flood control, wildlife refuge funds, funds received  
32 by the district in lieu of taxes, and severance taxes.

33 (B) When Arkansas meets the federal definition of equity, school  
34 assistance in federally affected areas shall also be included in the  
35 miscellaneous funds category.

1 (i) In making initial state aid allocations, each district  
2 shall be charged seventy-five percent (75%) of the lesser of the amount of  
3 miscellaneous funds it received the previous year or the amount which equals  
4 the average of the previous four (4) years excluding the highest year and the  
5 lowest year.

6 (ii) Upon determination of total miscellaneous funds for  
7 the current year, the Department of Education shall immediately determine  
8 whether any school districts have experienced an increase or a decrease in  
9 Minimum Foundation Program Aid as a result of the miscellaneous funds charge  
10 being computed as set forth in subdivision (9)(B)(i) of this section.  
11 Adjustments for increases and decreases shall be made in the distribution of  
12 Minimum Foundation Program Aid for those districts. The Department of  
13 Education shall withhold sufficient funds to make those adjustments;

14 (8) State aid index means a figure obtained by dividing the total  
15 local resources per average daily membership by the state base equalization  
16 rate and subtracting the result from one (1).

17 (9) State aid table rate per average daily membership means the  
18 difference between the state base equalization rate and the adjusted local  
19 resource rate per average daily membership;

20 (10)(A) *'Facilities'* means repair and major maintenance.

21 (B) (1) The State Board of Education may distribute an amount  
22 not to exceed thirteen million dollars (\$13,000,000) to local school  
23 districts subject to the following conditions:

24 (i) Any application for more than one hundred  
25 thousand dollars (\$100,000) shall be subject to approval on a needs-  
26 assessment basis by the Department of Education.

27 (ii) Any application for less than one hundred  
28 thousand dollars (\$100,000) shall be subject only to reporting and compliance  
29 guidelines established by the Department of Education.

30 (iii) Any application from a school district  
31 contiguous to Pulaski County shall be subject to approval on a needs-  
32 assessment basis by the Department of Education.

33 (iv) No funds distributed under this subsection  
34 shall be expended for athletic facilities.

35 (v) No school district whose current-year local

1 resource rate is fifteen percent (15%) or more above the current-year state  
2 base equalization rate shall be eligible to receive funding under this  
3 subsection.

4                   (2) *The following formula shall be used in the*  
5 *computation:*

6           *Two dollars (\$2.00) multiplied by the average daily membership*  
7 *multiplied by each one-tenth (1/10) mill above twenty-five (25) mills, up to*  
8 *thirty (30) mills, multiplied by the state aid index.*

9           (11)(A) Local sales and use tax means any local sales and use tax  
10 adopted pursuant to § 26-74-201 et seq., § 26-74-301 et seq., § 26-75-201 et  
11 seq., § 26-75-301 et seq., and § 14-164-301 et seq., or any other local sales  
12 and use tax administered in the same manner as the state sales and use tax.

13           (B)(i) Upon determination of the total collected sales and use  
14 taxes for the current year, the Department of Education shall make a current  
15 year adjustment in state aid.

16                   (ii) Adjustments for increases and decreases shall be made  
17 in the distribution of Minimum Foundation Program Aid for those districts.

18                   (iii) The Department of Education shall withhold  
19 sufficient funds to make those adjustments."  
20

21           SECTION 2. Arkansas Code Annotated § 6-20-306 is hereby amended to  
22 read as follows:

23           "6-20-306. Computation of state aid for allocation to school districts.

24           (a)(1) A charge shall be levied against each district's assessed  
25 valuation, as defined in § 6-20-302(4), at the rate *in effect on December 30,*  
26 *1994.*

27                   (2) The charge level as provided by this subsection shall be  
28 increased by one-tenth (1/10) mill for each two million five hundred thousand  
29 dollar (\$2,500,000) increase in funding by the state for Minimum Foundation  
30 *Program Aid, excluding growth funding. The charge level shall not exceed*  
31 *thirty (30) mills, unless otherwise changed by law.*

32                   (3) *For purposes of distributing monies from the Educational*  
33 *Excellence Trust Fund, the first ninety million dollars (\$90,000,000) shall*  
34 *be distributed on the basis of average daily membership.*

35                   (4) For purposes of calculating state aid to school districts

1 for second-tier funding, the *millage requirement* as of December 30, 1994,  
2 shall remain in effect through June 30, 1997.

3           (5) *The school districts are required to vote a minimum of*  
4 *twenty-five (25) mills at the 1995 annual school election, twenty-seven and*  
5 *five-tenths (27.5) mills at the 1997 annual school election, and thirty (30)*  
6 *mills at the 1999 annual school election. A school district which raises its*  
7 *millage to comply with the millage requirements of this act during the fiscal*  
8 *year shall receive funding retroactive to the beginning of that school year.*  
9 *Beginning with the 1996-97 school year, school districts that have not*  
10 *attained the minimum millage required by this section shall lose state funds*  
11 *for facilities, isolated aid, gifted and talented, vocational education,*  
12 *transportation, and health insurance.*

13           (b) Each district's state aid allocation shall be an amount determined  
14 when its local resource rate per average daily membership is subtracted from  
15 the state base equalization rate per average daily membership and the  
16 difference is multiplied by its average daily membership of the previous  
17 year.

18           (c) The charge level set forth in this section shall be applied to all  
19 distributions of Minimum Foundation Program Aid made after February 1, 1994.  
20 If any distribution made after February 1, 1994, is not made in accordance  
21 with this section, the same shall be adjusted to the correct amount."  
22

23           SECTION 3. Arkansas Code Annotated § 6-20-307(c) is hereby amended to  
24 read as follows:

25           "(c) For each school year, each district in the state shall pay its  
26 qualifying certified personnel an amount at least equal to seventy percent  
27 (70%) of its net current revenue.

28           (1) Gross current revenue shall consist of the following items:

29                   (A) All property taxes actually collected, including the  
30 forty percent (40%) pullback, delinquent taxes, excess commissions, and land  
31 redemption;

32                   (B) Revenue from any local government or in lieu of tax  
33 donations;

34                   (C) Tuition from all sources;

35                   (D) County apportionment, severance taxes;

1 (E) Sixteenth (16th) section rents;

2 (F) All unrestricted state aid, *which shall include*  
3 *employees' health insurance, the employers' contribution to the Teacher*  
4 *Retirement System, and workers' compensation; and*

5 (G) All unrestricted federal revenue, including Public Law  
6 81-874 categories A and B, forest reserve, wildlife refuge, flood control,  
7 mineral leases, federal grazing, and any other revenue that may be considered  
8 as in lieu of tax payments.

9 (2) Net current revenue shall be the gross current revenue as  
10 defined in subsection (c)(1) of this section less the following amounts:

11 (A) State transportation aid;

12 (B) Set-aside for textbook program aid *and instructional*  
13 *materials* and required secondary level science course offerings in chemistry,  
14 physics, and biology;

15 (C) The amount required to meet principal and interest on  
16 the state revolving loan program;

17 (D) The amount required to meet principal and interest on  
18 commercial bonds;

19 (E) For school years 1991-92 through school year 1998-99,  
20 the amounts required to meet the principal and interest payments on lease  
21 purchase agreements, installment contracts, or postdated warrants which are  
22 entered into, executed, or issued for the purchase of school buses on or  
23 after July 1, 1991, to replace school buses constructed prior to April 1,  
24 1977, may be deleted from gross current revenue as defined in subdivision  
25 (c)(1) of this section to determine net current revenue if during the  
26 preceding school year the district expended all transportation aid funds for  
27 the operation of the district's pupil transportation program, the purchase of  
28 school buses, and for no other purpose, and if the interest rate on the  
29 installment contract or lease purchase agreement is less than the interest on  
30 loans from the Revolving Loan Fund; and

31 (F) Twenty-five percent (25%) of federal forest reserve  
32 revenues.

33 (G) *The amount required to pay the state's portion for*  
34 *employees' health insurance.*

35 (H) *The amount required to pay the employers' contribution*

1 to the Teacher Retirement System.

2 (I) The amount required to pay for workers' compensation.

3 (J) Mimimum Foundation Program Aid that flows through a  
4 district to service providers for services requiring instruction approved by  
5 the State Board of Education."  
6

7 SECTION 4. Arkansas Code Annotated § 6-20-313 is hereby amended to  
8 read as follows:

9 "6-20-313. Other set-aside funds. Other set-aside funds shall be as  
10 follows:

11 (1) Two hundred fifty thousand dollars (\$250,000) annually for  
12 contingency aid to school districts undergoing hardships or emergencies  
13 identified by criteria approved by the State Board of Education and with an  
14 amount not to exceed fifteen thousand dollars (\$15,000) being awarded to any  
15 one (1) school district;

16 (2) One hundred seventy-five thousand dollars (\$175,000) for those  
17 districts identified as isolated by criteria approved by the State Board of  
18 Education, provided that any school district receiving such aid shall have  
19 voted at the previous school election a millage levy equal to at least the  
20 state millage charge, as set forth in § 6-20-306(a), and that no school  
21 district whose current-year local resource rate is fifteen percent (15%) or  
22 more above the current-year state base equalization shall be eligible to  
23 receive funds under this subdivision;

24 (3)(A) Funds for capital outlay growth funding to school districts,  
25 limited to new construction and debt service, subject to approval by the  
26 State Board of Education on a needs-assessment basis, and determined under  
27 the following computation:

28 Two dollars (\$2) multiplied by the average daily membership multiplied  
29 by the percent of growth during the immediately preceding five (5) years  
30 multiplied by one hundred (100).

31 (4) Funds shall also be set aside to pay for:

32 (A) The educational costs of children without disabilities who  
33 have been placed in approved residential treatment facilities, as defined by  
34 the Department of Education, Special Education Section, up to an amount equal  
35 to the product of the regular average daily membership count plus an add-on



1 weight of three and one-tenth (3.1) for residential placement and the state  
2 base equalization rate; and

3           (B) The educational costs of children without disabilities in  
4 school districts not qualifying for any Minimum Foundation Program Aid who  
5 have been placed in approved residential treatment facilities as defined by  
6 the Department of Education, Special Education Section, up to an amount equal  
7 to the product of the regular average daily membership count plus an add-on  
8 weight of three and one-tenth (3.1) for residential placement and the state  
9 base equalization rate; and

10           (5) Funds shall also be set aside to pay for the educational costs of  
11 children with disabilities, including those in school districts not  
12 qualifying for any Minimum Foundation Program Aid, who have been placed in  
13 approved residential treatment facilities, as defined by the Department of  
14 Education, Special Education Section, including human development centers  
15 operated by Developmental Disabilities Services when a child's individualized  
16 education program calls for placement in a public school, up to an amount  
17 equal to the product of the regular average daily membership count plus an  
18 add-on weight of three and one-tenth (3.1) and the state base equalization  
19 rate, regardless of the setting in which the education is provided. An  
20 add-on weight of three and one-tenth (3.1) is to be used if the student must  
21 receive his or her educational program in a special residential school. An  
22 add-on weight of two and thirty-five one hundredths (2.35) and the state base  
23 equalization rate is to be used if the student must receive his education in  
24 a special day school. Educational costs funded under this subsection are  
25 specifically covered by § 6-20-316(b)."

26

27           *SECTION 5. The State Department of Education shall provide any*  
28 *additional state funding necessary to ensure that the total state and local*  
29 *revenue per ADM for each local school district is no less than the minimum*  
30 *state and local revenue per ADM necessary to meet the twenty-five percent*  
31 *(25%) differential required by the November 1994 order of the court.*

32

33           *SECTION 6.*

34           *(a) State aid to local school districts for teacher retirement, health*  
35 *insurance, and workers' compensation shall be computed and distributed*

1 according to each district's average daily membership. Additional amounts  
2 may be distributed from fund balances in the Public School Fund in an  
3 override process whereby a district having higher costs for teacher  
4 retirement and health insurance may receive such funding under criteria  
5 established by the State Board of Education.

6 (b) Each school district shall pay teacher retirement, health  
7 insurance, and workers' compensation in an amount at least equal to the  
8 amount required by law or State regulation.

9 (c) The State Department of Education shall pay to the Teacher  
10 Retirement Board, the insurer, and the Workers' Compensation Commission such  
11 sums that will hold harmless each school district, based upon the previous  
12 year's distribution, beginning with the 1994-95 school year, and the current  
13 year distribution. Any increase obtained by a district from the Public  
14 School Fund over the previous year's allocation shall be reduced by the  
15 amount of the hold harmless.

16

17 SECTION 7. Arkansas Code Annotated § 6-20-314 is hereby amended to  
18 read as follows:

19 "6-20-314. Set-aside funds - Second-tier equalization for poorer school  
20 districts.

21 (a)(1) Notwithstanding other provisions of this subchapter, an amount  
22 not to exceed *nine million dollars (\$9,000,000)* of any increased funds  
23 available in the 1995-96 school year, and *an amount not to exceed fifteen*  
24 *million dollars (\$15,000,000)* of any increased funds available in the 1996-97  
25 school year, shall be set aside from the total funds available for  
26 distribution under the provisions of this subchapter for funding a second  
27 tier of equalization.

28 (2) The amount set aside in any year for funding a second tier  
29 of equalization shall be carried forward to the next year and shall be added  
30 to any increased funds available the next year for funding a second tier of  
31 equalization. The amount brought forward each year shall be cumulative.

32 (b) To determine the districts that are eligible for this funding, the  
33 school districts in the state shall be arranged in descending order by school  
34 districts according to the local resource rate per average daily membership,  
35 as defined in § 6-20-302. In order to be eligible for second-tier funding,

1 school districts must have voted a millage the previous year at least equal  
2 to the millage charge for the year in which the aid is distributed, except  
3 that for the 1995-96 school year all eligible school districts, whether or  
4 not they voted the required millage in 1994, shall participate in second tier  
5 funding to the extent that such funds are available. Beginning in the 1996-  
6 97 school year, those school districts that did not vote the required millage  
7 the previous year shall have the amount of second tier funding for which the  
8 district is eligible reduced by one-third for that year and each consecutive  
9 year thereafter that they do not vote the required millage.

10 (c) Beginning with the bottommost school district, the amount of aid  
11 available shall be added to each district's local resource rate per average  
12 daily membership in such a manner that all districts participating will have  
13 the same amount per average daily membership, including the second-tier funds  
14 and the local resource rate."

15

16 SECTION 8. Arkansas Code Annotated § 6-20-316 is hereby amended to  
17 read as follows:

18 "6-20-316. Allocation and administration of funds - Aid to children  
19 with disabilities.

20 (a) The Special Education Section of the Department of Education shall  
21 require that each district qualifying for aid for children with disabilities  
22 present a projected budget of expenditures each year for programs for  
23 children with disabilities that will ensure the proper allocation of both  
24 state and local moneys for expenditures for this purpose.

25 (b) One hundred percent (100%) of state funds generated for children  
26 with disabilities in each district and that amount of other state and local  
27 resources per child multiplied by the number of children with disabilities  
28 shall be allocated and expended as required to meet the excess cost  
29 provisions of federal law.

30 (c) The proposed budget of expenditures form prepared by the Special  
31 Education Section of the Department of Education for this purpose shall  
32 include space for information concerning the expenditure of all federal  
33 moneys that might be received by the district for education of children with  
34 disabilities.

35 (d) An amount, not to exceed fifteen percent (15%) of the total state

1 resources for children with disabilities in each district, may be allowable  
2 expenditures for funding services such as specialized pre-referral  
3 interventions; related services for students eligible under Section 504 of  
4 the Rehabilitation Act, as amended, 29 U.S.C. § 794, but not eligible under  
5 the Individuals with Disabilities Education Act, as amended, 20 U.S.C. § 1400  
6 et seq.; and post-dismissal follow-through.

7 (e) Any amount of state funds generated *for special education* in a  
8 district may be used for funding early childhood services for children with  
9 disabilities, ages three (3) to five (5).

10 (f) The Finance Section of the Department of Education shall disburse  
11 moneys from the Public School Fund to those school districts qualifying for  
12 state aid for education of children with disabilities.

13 (g) The Special Education Section of the Department of Education shall  
14 monitor local programs for the education of children with disabilities and  
15 ensure that all necessary records are kept locally for proper identification  
16 and classification of children with disabilities in each district.

17 (h) Each district shall make such reports as might be required by the  
18 Special Education Section of the Department of Education concerning  
19 information or progress of its educational program for children with  
20 disabilities.

21 (i) The evaluation file of each student classified as a child with  
22 disabilities shall be subject to monitoring by officials of the Department of  
23 Education to ensure that the child is classified in the proper category for  
24 weighting.

25 (j) The Department of Education may issue a waiver allowing the use of  
26 a limited amount of special education funds, generated under Minimum  
27 Foundation Program Aid for students not diagnosed as seriously emotionally  
28 disturbed under special education regulations, but who have been properly  
29 diagnosed as emotionally disturbed, who receive or need to receive services  
30 in an approved school-based day treatment program. Any such waivers shall be  
31 granted only in accordance with regulations established by the department.  
32 Such students shall not be eligible to be counted for generation of Minimum  
33 Foundation Program Aid under special education. Such students shall not be  
34 eligible for funds under the Individuals with Disabilities Education Act, as  
35 amended, 20 U.S.C. § 1400 et seq.

1 (k) Set-aside funds for the educational costs of children with  
2 disabilities placed in approved residential treatment facilities located  
3 outside the boundaries of the State of Arkansas may be used to fund the  
4 excess cost of such placement incurred by a school district. The excess cost  
5 to the district will be that amount remaining after the district has paid the  
6 funds available under the set-aside funds at the rate of four and one-tenth  
7 (4.1) times the state base equalization rate plus an amount equal to the  
8 greater of nine (9) times the state base equalization rate or fifty percent  
9 (50%) of the balance after the district applies the four and one-tenth (4.1)  
10 times the state base equalization rate to the total costs."

11

12 SECTION 9. Arkansas Code Annotated § 6-20-318 is hereby amended to  
13 read as follows:

14 "6-20-318. Administration of textbook funds *and instructional*  
15 *materials*.

16 (a) Funds required to meet the allocated amounts as determined by the  
17 State Board of Education for purchase of textbooks *and instructional*  
18 *materials* at both the elementary and secondary levels in each school district  
19 shall be retained at the Department of Education level after the state aid  
20 allocation is made and shall be administered in such manner as is provided by  
21 law.

22 (b) If a school district does not qualify for any state aid under the  
23 provisions of this subchapter, the Department of Education shall withhold  
24 sufficient funds from any other state aids for which the district qualifies  
25 to pay the cost of furnishing free textbooks *and instructional materials* to  
26 the students in that district."

27

28 SECTION 10. Arkansas Code Annotated § 6-20-320 is hereby amended to  
29 read as follows:

30 "6-20-320. At-Risk Programs.

31 (a) *As used in this subchapter, unless the context otherwise requires,*  
32 *'at-risk program' means a restricted state aid program that provides*  
33 *additional educational benefits for students identified under criteria*  
34 *established by the State Board of Education as being at-risk, including but*  
35 *not limited to compensatory education, alternative learning programs, ACT and*

1 *summer school remediation, programs for students with limited English*  
2 *proficiency (LEP), and classroom management training for faculty.*

3 *(b) There is hereby established an account within the State Department*  
4 *of Education, which shall provide a certain sum of money to each school*  
5 *district for the benefit of students identified as being at-risk and in need*  
6 *of at-risk programs. Such programs shall be developed by taking into account*  
7 *the following:*

8 *(1) Low test scores within a district;*

9 *(2) Number of students in a district that are eligible for free*  
10 *or reduced price school lunches; and*

11 *(3) Number of households in a district that fall below the*  
12 *federal poverty level.*

13 *(c)(1) Any district having one (1) or more students who would benefit*  
14 *from at-risk programs shall apply for program operation funds by submitting*  
15 *an application for such funds to the Department of Education in the form of a*  
16 *plan that is reasonably calculated to accomplish its goals and demonstrates*  
17 *how the success of such plan will be measured.*

18 *(2) The application shall include a detailed budget for the*  
19 *proposed program.*

20 *(d) Funds appropriated for at-risk programs but not distributed by the*  
21 *Department of Education may be used by the State Board of Education for*  
22 *monitoring and assessment and may be carried forward by the Department of*  
23 *Education. Funds for at-risk programs distributed to the districts shall be*  
24 *used solely for the support of at-risk programs.*

25 *(e) The Department of Education shall monitor at-risk programs to*  
26 *ensure that state funds allocated for at-risk programs are expended solely*  
27 *for the support of those programs. Any school district which expends funds*  
28 *for at-risk programs for any purpose other than those specified in the*  
29 *approved program application shall be subject to repayment of improper*  
30 *expenditures and to the loss of future funding pursuant to this subchapter.*

31 *(f) The State Board of Education shall promulgate rules and*  
32 *regulations to implement this subchapter, including criteria for determining*  
33 *student eligibility for at-risk programs and shall report to the Joint*  
34 *Interim Committee on Education no later than August 30 of each year as to how*  
35 *state funds expended for at-risk programs have been utilized during the*

1 previous school year."

2

3         SECTION 11. *Special needs programs.*

4         (a) *As used in this subchapter, unless the context otherwise requires,*  
5 *"special needs program" means a state aid program that provides additional*  
6 *educational benefits for students identified under criteria established by*  
7 *the State Board of Education as needing special education, vocational*  
8 *programs, gifted and talented programs, science enhancement programs and*  
9 *educational services due to limited English proficiency. A special needs*  
10 *program shall include aid for students in isolated school districts as*  
11 *identified under §§ 6-20-601 et seq. and 6-20-313.*

12         (b) *There is hereby established an account within the State*  
13 *Department of Education, which shall provide a certain sum of money to each*  
14 *school district for the benefit of students identified as needing special*  
15 *education, vocational programs, gifted and talented programs, educational*  
16 *services for limited English proficiency, and aid for isolated school*  
17 *districts.*

18         (c)(1) *For school years 1995-96 and 1996-97, school districts shall*  
19 *receive state aid for students evaluated as special education students based*  
20 *upon average daily membership and in accordance with regulations promulgated*  
21 *by the Department of Education.*

22                 (2) *A maximum of two million dollars (\$2,000,000) may be*  
23 *distributed from fund balances in the Public School Fund in an override*  
24 *process whereby a district may receive funding when appropriate on a greater*  
25 *percentage of the average daily membership than is established under Minimum*  
26 *Foundation Program Aid funding for special education. The State Board of*  
27 *Education is authorized to establish criteria whereby a district may qualify*  
28 *for funds distributed under this provision, including but not limited to*  
29 *increased enrollment, location of specialized treatment, and high numbers of*  
30 *students with low-incidence disabilities.*

31         (d)(1) *For school years 1995-96 and 1996-97, school districts shall*  
32 *receive state aid for students in vocational programs based upon average*  
33 *daily membership and in accordance with regulations promulgated by the*  
34 *Department of Education; provided, however, that each district shall expend*  
35 *the same amount of funds on vocational programs as in the previous year*

1 unless there is a decrease in the number of students.

2           (2) The Governor shall appoint a task force to study vocational  
3 education. Items to be studied shall include programs, governance, and a  
4 method of distributing funds that meets the requirements of Article 14, § 1  
5 of the Constitution of the State of Arkansas for a general, suitable, and  
6 efficient education. The task force shall make its recommendations regarding  
7 revisions to the funding structure to the Governor and the Joint Interim  
8 Committee on Education by November 1, 1996.

9           (e) When a local school district sends students to an approved  
10 vocational center, funds shall be transmitted by the home district to the  
11 vocational center during the year instruction is provided on the same  
12 schedule through which the home district receives its Minimum Foundation  
13 Program Aid from the State Department of Education or on some alternate  
14 schedule approved by the Vocational and Technical Education Division. For  
15 school years after 1986-87, the tuition shall be determined by the State  
16 Board of Vocational Education after an analysis of the impact of charging  
17 tuition on vocational centers' enrollments. Each school district  
18 participating in a vocational center shall submit to the Vocational and  
19 Technical Education Division by April 10 of each year the number of students  
20 enrolled in the current school year. The Vocational and Technical Education  
21 Division shall use current enrollments to determine the number of students to  
22 be certified, by April 25 of each year, to the General Education Division for  
23 use in the computation of state aid.

24           (f) School districts that operate approved educational programs for  
25 gifted and talented students shall receive state aid for such programs based  
26 upon average daily membership and in accordance with regulations promulgated  
27 by the Department of Education; provided, however, that each district shall  
28 expend the same amount of funds on gifted and talented programs as in the  
29 previous year unless there is a decrease in the number of students.

30           (g) A maximum of \$2.5 million dollars in Minimum foundation Program  
31 Aid funds may be allocated to school districts as determined by the State  
32 Board of Education in an amount up to one thousand dollars (\$1,000) per  
33 section or offering of a required secondary level science course in  
34 chemistry, physics, and biology.

35           (h) A maximum of \$1.5 million dollars in Minimum Foundation Program



1 *Aid funds may be allocated to school districts as determined by the State*  
2 *Board of Education for the purpose of providing educational services to*  
3 *students with limited English proficiency.*

4

5 SECTION 12. Arkansas Code Annotated § 6-20-603 is hereby amended to  
6 read as follows:

7 "6-20-603. Isolated funding factor - Exclusion of districts.

8 (a) In computing the state aid to which various school districts are  
9 entitled, school districts which qualify as isolated districts under the  
10 provisions of this subchapter shall be *provided \_isolated funding\_* based on  
11 the following formula with the average daily membership being that of the  
12 previous year:

13

14

15 
$$\text{\_Isolated funding\_} = \frac{\text{ADM} \times (350 - \text{ADM})}{775}$$

16

17 *times state base equalization rate per ADM*

18

19 (b) No school district whose current-year local resource rate is  
20 fifteen percent (15%) or more above the current-year state base equalization  
21 rate shall be eligible to receive funding under this subchapter *except that*  
22 *for the school year 1995-96, school districts which are designated as*  
23 *isolated school districts under the provisions of §§ 6-20-601 and 6-20-602,*  
24 *and which have a current-year local resource rate in excess of fifteen*  
25 *percent (15%) of the current-year state base equalization rate, will receive*  
26 *funding in an amount equal to that provided by the isolated formula. In*  
27 *subsequent years, the amount of aid provided for in this subsection shall be*  
28 *reduced by one-third (1/3) each school year until fully eliminated."*

29

30 SECTION 13. Arkansas Code Annotated § 6-15-205(a) is hereby amended to  
31 read as follows:

32 "(a)(1) Except as provided in subdivision (2) of this subsection, the  
33 State Board of Education shall have authority to designate, on an annual  
34 basis, any district or school within a district which in its judgment is so  
35 isolated as to make its consolidation, or operation if it is a school within

1 a district, with another district, in keeping with this subchapter,  
2 impractical or unwise.

3 (2) No school district whose current-year local resource rate is  
4 fifteen percent (15%) or more above the current-year state base equalization  
5 rate shall be eligible to receive funding under this section."  
6

7 SECTION 14. Arkansas Code Annotated § 6-20-219 is hereby amended to  
8 read as follows:

9 "6-20-219. State transportation aid funds - Operation of certain school  
10 buses prohibited.

11 (a) The State Board of Education is authorized to formulate  
12 regulations for the administration of State Transportation Aid funds for the  
13 public schools of Arkansas.

14 (b) Such regulations shall provide for a minimum of seventy dollars  
15 (\$70.00) and a maximum of not more than two hundred eighty dollars (\$280) of  
16 annual aid per average child transported under the pupil aid section of the  
17 transportation aid formula which shall be paid to each school district  
18 operating a transportation program, provided, however, that no school  
19 district whose current-year local resource rate is fifteen percent (15%) or  
20 more above the current-year state base equalization rate shall be eligible to  
21 receive transportation aid funds and, that in the event the State  
22 Transportation Aid funds during any fiscal year are inadequate to pay each  
23 school district eligible to receive funds the full amount of transportation  
24 aid according to the regulations of the State Board of Education, the board  
25 shall make a percentage reduction in the aid payable to the school district.

26 (c) Computation of annual aid per average child transported shall  
27 include students in grades kindergarten through twelve (12).

28 (d)(1) Any school district which owns or operates any school bus  
29 manufactured prior to April 1, 1977, shall cease operating such bus as a  
30 regular route bus prior to the beginning of the 1993-94 school year and shall  
31 cease to operate such bus for any purpose prior to the beginning of the  
32 1995-96 school year. For purposes of this section regular route bus means a  
33 bus that is regularly scheduled to transport students to and from school.

34 (2) The State Board of Education shall withhold all  
35 transportation aid due a district found in violation of this section until

1 such time as noncomplying school buses are replaced.

2 (e)(1) Any state transportation aid funds distributed to a school  
3 district under this section shall be used by the district only for those  
4 purposes as enumerated by the State Board of Education as permitted uses of  
5 state transportation aid.

6 (2) Any balance of state transportation aid funds on hand in any  
7 school district at the end of any biennium shall be returned to the State  
8 Department of Education for deposit in the state transportation aid account  
9 for redistribution under the transportation aid formula unless a waiver is  
10 granted for the purchase of a school bus by the department."

11

12 *SECTION 15. Excluding funds for growth, isolated aid, and*  
13 *consolidation incentives, any school district whose total maintenance and*  
14 *operations revenues per average daily membership for the previous year*  
15 *exceeds seventy-five percent (75%) of the range between the maintenance and*  
16 *operations revenues per average daily membership for the school district at*  
17 *the fifth percentile and the maintenance and operations revenues per average*  
18 *daily membership for the school district at the ninety-fifth percentile shall*  
19 *have any increase in Minimum Foundation Program Aid for which it is eligible*  
20 *reduced on a dollar per dollar basis.*

21

22 *SECTION 16. Arkansas Code Annotated § 6-17-1001 is hereby amended to*  
23 *read as follows:*

24 *"§ 6-17-1001. Minimum base salary - Master's degree.*

25 (a) *The board of directors in each school district in the state shall*  
26 *pay their teachers upon a salary schedule which has annual increments for*  
27 *education and for experience and which provides for a base salary, a minimum*  
28 *salary for a teacher with a master's degree, and at least fourteen (14) years*  
29 *of experience as described herein.*

30 (b) *In school year 1996-97 and each school year thereafter, no school*  
31 *district shall pay its teachers with a bachelor's degree and no experience*  
32 *less than twenty thousand dollars (\$20,000) per school year, which shall be*  
33 *the minimum base salary.*

34 (c) *In school year 1996-97 and each school year thereafter, school*  
35 *districts shall pay teachers with a master's degree and no experience at*

1 least one hundred and fifteen percent (115%) of the minimum base salary  
2 prescribed in subsection (b) of this section.

3 (d) In school year 1996-97, school districts shall pay a teacher with  
4 a master's degree and at least fourteen (14) years of experience at least one  
5 hundred fifty percent (150%) of the state minimum base salary.

6 (e) In school year 1993-94 and each school year thereafter, each  
7 school district in the state shall have in place a salary schedule which  
8 provides at least fourteen (14) annual increments for experience.

9 (f) After a school district has met the minimum salary requirements of  
10 this subchapter, such district shall adopt as a goal and make progress toward  
11 implementing a salary schedule which provides fourteen (14) annual equal  
12 increments of not less than four hundred dollars (\$400) each over the base  
13 salary of the district.

14 (g) The term 'teacher' as used in this section shall include any  
15 full-time employee of a local public school district who is compelled by law  
16 to secure a license from the State Board of Education as a condition  
17 precedent to employment in a position in or related to grades  
18 pre-kindergarten through twelve (12) of the public schools of this state.

19 (h) All minimum salaries set forth in this section shall be for a  
20 contract number of days that is not more than the number of days in the  
21 school year required by State Board of Education regulations for  
22 accreditation for the school year in which the contract is effective.

23 (i) All minimum salary requirements of this section shall be  
24 implemented as prescribed herein by each school district if funds are  
25 available from the percentage of net current revenue and the Educational  
26 Excellence Trust Fund which must be expended for payment of salaries to  
27 certified personnel. A district which determines that it cannot meet the  
28 minimum salary requirements of this section from funds available from the  
29 percentage of net current revenue and the Educational Excellence Trust Fund  
30 which must be expended for payment of salary to certified personnel may  
31 petition the Department of Education for a waiver of the requirements of this  
32 section for up to two (2) school years, based on regulations promulgated by  
33 the State Board of Education. The State Department of Education shall not  
34 grant a waiver to any district which is not in compliance with the minimum  
35 millage levy requirements contained in § 6-20-306.

1           (j) *Salaries distributed to meet the requirements of this section*  
2 *shall not be subject to the equal distribution requirements of §*  
3 *6-20-319(4)(A)."*

4  
5           SECTION 17. (a) During each biennium, a special committee composed of  
6 members of the Joint Interim Committee on Education, appointed by the House  
7 and Senate Co-Chairmen, and members of the State Board of Education,  
8 appointed by the President of the State Board, shall review the school  
9 funding formula and non-formula distribution of state aid to local school  
10 districts, in light of recent court decisions, current economic forecasts,  
11 shifts in population, and other factors as are relevant. *The committee shall*  
12 *further study the costs per student necessary to meet the requirement of*  
13 *providing "a general, suitable and efficient" system of public schools.*

14           (b) The special committee appointed under this act shall report its  
15 findings and recommendations to the Governor, the Joint Interim Committee on  
16 Education, and the State Board of Education no later than August 30 of each  
17 year preceding a Regular Session of the General Assembly.

18  
19           SECTION 18. *Arkansas Code Annotated § 26-80-110(b) is hereby amended*  
20 *to read as follows:*

21           "*(b) Capital outlay shall be defined as the following:*

22                   (1) *Acquisition of sites or construction of facilities to*  
23 *support the institutional program of the district;*

24                   (2) *Purchase of school buses;*

25                   (3) *Purchase of furniture or equipment to support the*  
26 *instructional program;*

27                   (4) *Purchase of computer software; or*

28                   (5) *Repaying revolving loans."*

29  
30           SECTION 19. All provisions of this act of a general and permanent  
31 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas  
32 Code Revision Commission shall incorporate the same in the Code.

33  
34           SECTION 20. If any provision of this act or the application thereof to  
35 any person or circumstance is held invalid, such invalidity shall not affect

1 other provisions or applications of the act which can be given effect without  
2 the invalid provision or application, and to this end the provisions of this  
3 act are declared to be severable.

4

5       SECTION 21. All laws and parts of laws in conflict with this act are  
6 hereby repealed.

7

8       SECTION 22. EMERGENCY. It is hereby found and determined by the  
9 Eightieth Arkansas General Assembly that the effectiveness of this act on  
10 July 1, 1995, is essential to the operation of the Arkansas Department of  
11 Education and the various school districts of this state; that the changes in  
12 law reflected in this act require implementation before the beginning of the  
13 upcoming school year; and that in the event of an extension of the Regular  
14 Session, any delay in the effective date of this act beyond July 1, 1997,  
15 could work irreparable harm upon the proper administration and provision of  
16 essential programs. Therefore, an emergency is hereby declared to exist and  
17 this act being necessary for the immediate preservation of the public peace,  
18 health and safety, shall be in full force and effect from and after July 1,  
19 1995.

20

*/s/E. Thicksten, et al*

21

22

23

24

25