

1 State of Arkansas
2 80th General Assembly
3 Regular Session, 1995

A Bill

SENATE BILL 22

4 By: Senators Hopkins, Mahony, Edwards, Canada, *Walters and Hunter*

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7

For An Act To Be Entitled

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

16

17

Subtitle

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

21

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

23

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

26 "6-20-302. Definitions. As used in this subchapter, unless the context
27 otherwise requires:

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

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

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

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

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

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

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

1 Education; and

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

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

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

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

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

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

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

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

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

1 miscellaneous funds category.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21

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

24 "6-20-306. Computation of state aid for allocation to school districts.

25 (a)(1) A charge shall be levied against each district's assessed
26 valuation, as defined in § 6-20-302(4), at the rate *in effect on December 30,*
27 *1994.*

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

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

1 (4) For purposes of calculating state aid to school districts
2 for second-tier funding, the *millage requirement* as of December 30, 1994,
3 shall remain in effect through June 30, 1997.

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

14 (b) Each district's state aid allocation shall be an amount determined
15 when its local resource rate per average daily membership is subtracted from
16 the state base equalization rate per average daily membership and the
17 difference is multiplied by its average daily membership of the previous
18 year. (c) The charge level set forth in this section shall be applied
19 to all distributions of Minimum Foundation Program Aid made after February 1,
20 1994. If any distribution made after February 1, 1994, is not made in
21 accordance with this section, the same shall be adjusted to the correct
22 amount."

23

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

26 "(c) For each school year, each district in the state shall pay its
27 qualifying certified personnel an amount at least equal to seventy percent
28 (70%) of its net current revenue.

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

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

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

35 (C) Tuition from all sources;

1 (D) County apportionment, severance taxes;

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

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

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

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

12 (A) State transportation aid;

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

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

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

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

32 (F) Twenty-five percent (25%) of federal forest reserve
33 revenues;

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

1 (H) *The amount required to pay the employer's contribution*
2 *to the Teacher Retirement System;*

3 (I) *The amount required to pay for workers' compensation;*
4 *and*

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

8

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

11 "6-20-313. Other set-aside funds. Other set-aside funds shall be as
12 follows:

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

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

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

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

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

34 (A) The educational costs of children without disabilities who
35 have been placed in approved residential treatment facilities, as defined by

1 the Department of Education, Special Education Section, up to an amount equal
2 to the product of the regular average daily membership count plus an add-on
3 weight of three and one-tenth (3.1) for residential placement and the state
4 base equalization rate; and

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

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

28

29 *SECTION 5. The State Department of Education shall provide any*
30 *additional state funding necessary to ensure that the total state and local*
31 *revenue per ADM for each local school district is no less than the minimum*
32 *state and local revenue per ADM necessary to meet the twenty-five percent*
33 *(25%) differential required by the November 1994 order of the court.*

34

35 *SECTION 6.*

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

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

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

18

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

21 "6-20-314. Set-aside funds - Second-tier equalization for poorer school
22 districts.

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

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

33 (b) To determine the districts that are eligible for this funding, the
34 school districts in the state shall be arranged in descending order by school
35 districts according to the local resource rate per average daily membership,

1 as defined in § 6-20-302. In order to be eligible for second-tier funding,
2 school districts must have voted a millage the previous year at least equal
3 to the millage charge for the year in which the aid is distributed, except
4 that for the 1995-96 school year all eligible school districts, whether or
5 not they voted the required millage in 1994, shall participate in second tier
6 funding to the extent that such funds are available. Beginning in the 1996-
7 97 school year, those school districts that did not vote the required millage
8 the previous year shall have the amount of second tier funding for which the
9 district is eligible reduced by one-third for that year and each consecutive
10 year thereafter that they do not vote the required millage.

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

16

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

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

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

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

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

1 (d) An amount, not to exceed fifteen percent (15%) of the total state
2 resources for children with disabilities in each district, may be allowable
3 expenditures for funding services such as specialized pre-referral
4 interventions; related services for students eligible under Section 504 of
5 the Rehabilitation Act, as amended, 29 U.S.C. § 794, but not eligible under
6 the Individuals with Disabilities Education Act, as amended, 20 U.S.C. § 1400
7 et seq.; and post-dismissal follow-through.

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

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

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

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

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

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

1 amended, 20 U.S.C. § 1400 et seq.

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

12

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

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

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

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

28

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

31 "6-20-320. At-Risk Programs.

32 (a) *As used in this subchapter, unless the context otherwise requires,*
33 *'at-risk program' means a restricted state aid program that provides*
34 *additional educational benefits for students identified under criteria*
35 *established by the State Board of Education as being at-risk, including but*

1 not limited to compensatory education, alternative learning programs, ACT and
2 summer school remediation, programs for students with limited English
3 proficiency (LEP), and classroom management training for faculty.

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

9 (1) Low test scores within a district;

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

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

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

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

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

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

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

1 state funds expended for at-risk programs have been utilized during the
2 previous school year."

3

4 SECTION 11. *Special needs programs.*

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

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

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

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

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

1 the same amount of funds on vocational programs as in the previous year
2 unless there is a decrease in the number of students.

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

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

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

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

1 (h) A maximum of \$1.5 million dollars in Minimum Foundation Program
2 Aid funds may be allocated to school districts as determined by the State
3 Board of Education for the purpose of providing educational services to
4 students with limited English proficiency.

5

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

8 "6-20-603. Isolated funding factor - Exclusion of districts.

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

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/Hopkins et al

21

22

23

24

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