

1 State of Arkansas  
2 80th General Assembly  
3 Regular Session, 1995  
4 By: Senator Hardin

# A Bill

SENATE BILL 719

## For An Act To Be Entitled

"AN ACT TO PROVIDE AN \_EQUITY FUNDING BASE\_ FOR SCHOOL  
DISTRICTS AND A METHOD FOR DISTRIBUTING STATE FUNDS TO  
LOCAL SCHOOL DISTRICTS; AND FOR OTHER PURPOSES."

## Subtitle

"TO PROVIDE AN EQUITY FUNDING BASE FOR  
SCHOOL DISTRICTS AND A METHOD OF  
DISTRIBUTING STATE FUNDS TO LOCAL SCHOOL  
DISTRICTS."

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

SECTION 1. It is the intention of the General Assembly by this act to provide a simple and more equitable system of distributing state funds to the local school districts of this state for the benefit of the children therein and to meet the requirement of the Arkansas Constitution and the court that the State provide a general, suitable, and efficient system of public schools. It is further the intention of the General Assembly to give more authority to local school boards in determining the educational purposes for which these funds may be used.

SECTION 2. Equitable funding for local school districts shall be based on Revenue per Average Daily Membership (ADM). Such funding shall be based on an Equity Funding Base (EFB), which shall include the total funds that are identified within this act and available to school districts during the 1995-96 school year, plus the funds necessary to raise the EFB to a minimum level of three thousand four hundred dollars (\$3,400) during the 1996-97 school year.

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SECTION 3. (a) Funding for the school districts of the state shall be based on those precepts found in the Arkansas Constitution that require the State to provide for a general, suitable, and efficient system of free public schools. Each child in the state shall have access to a general and suitable program of education as defined within the general term "Adequate Educational Program".

(b) As used in this act, "Adequate Educational Program" means those services and related programs provided through local school districts during the 1994-95 school year under state and federal law or regulation and policies established by local school boards, plus the laws, regulations, and policies required for additional services and programs based on equity funding beginning with the 1996-97 school year and each year thereafter.

(c) By July 1, 1996, the State Department of Education shall prepare a listing of all statutory and regulatory provisions for expending of funds by school districts, separately including any statutes or regulations pertaining to forbidden expenditures, and shall distribute such listing to the school districts of Arkansas.

SECTION 4. The State shall establish through statutory and regulatory authority the additional services and programs as required for the Adequate Educational Program in the school districts of Arkansas. The State shall provide those funds necessary for the full implementation of additionally required programs. Without additional funds for any new mandates, the local school districts shall have no obligation to provide such programs. Beginning with the 1996-97 school year, sufficient funds as are required to fund obligations created by the State through additional laws and regulations will follow the establishment of the Adequate Educational Program herein defined.

SECTION 5. (a) The term "efficient" as it relates to the operation of the school districts and Funding Equity shall include the term "efficiency" and the two terms, efficient and efficiency, will be used interchangeably in this act.

(b) Each school district in the state shall possess the minimum

1 efficiencies so listed below:

2           (1) Millage - A minimum total millage shall be levied by each  
3 school district at the rate of thirty (30) mills beginning with the 1996-97  
4 school year.

5           (2) Administrative expense - Administrative expenses shall not  
6 exceed five percent (5%) of the total annual revenues as reflected in the  
7 financial records of the school district. Administrative expenses shall be  
8 reflected in the financial records of the school district.

9           (3) Pupil/Teacher ratio - The pupil/teacher ratio shall be no  
10 less than thirteen (13) to one (1), except in special education, alternative  
11 education, or compensatory education classes.

12           (4) Program requirement - The Adequate Educational Program as  
13 established by this act.

14           (5) Teacher salaries - (A) The board of directors in each  
15 school district shall pay their teachers upon a salary schedule which has  
16 annual increments for education and for experience and which provides for a  
17 base salary, a minimum salary for a teacher with a master's degree, and at  
18 least fourteen (14) years of experience as described herein.

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

23                   (C) In school year 1996-97, school districts shall pay a  
24 teacher with a master's degree and no experience at least one hundred fifteen  
25 percent (115%) of the minimum base salary prescribed in subdivision (B).

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

29                   (E) After a school district has met the minimum salary  
30 requirements of this act, such district shall adopt as a goal and make  
31 progress toward implementing a salary schedule which provides fourteen (14)  
32 annual equal increments of not less than four hundred dollars (\$400) each  
33 over the base salary of the district.

34                   (F) In school year 1997-98, the average salary for  
35 teachers in the state shall be thirty thousand dollars (\$30,000) provided

1 that additional state funds are available to local school districts.

2 (G) The term "teacher" as used in this act shall include  
3 any full-time employee of a local public school district who is compelled by  
4 law to secure a license from the State Board of Education as a condition  
5 precedent to employment in a position in or related to grades pre-  
6 kindergarten through twelve (12) of the public schools of this state.

7 (H) All minimum salary requirements of this act shall be  
8 implemented as prescribed herein by each school district if funds are  
9 available from state revenues.

10 (6) Property assessment - It shall be the duty of each County Assessor  
11 and his deputies to use and follow the manuals, standards, and methodologies  
12 promulgated or approved by the Assessment Coordination Division (ACD) of the  
13 Public Service Commission and to use the forms prescribed, furnished, or  
14 approved by the ACD in making appraisals of the fair market value of real  
15 property for assessment purposes. It shall also be the duty of the County  
16 Equalization Board, in performing its duties, to recognize and follow such  
17 manuals and standards, and the County Equalization Board shall not change an  
18 assessment made through use of such manuals, methodologies, and standards by  
19 the County Assessor unless such change is to correct clear error or is  
20 necessary to provide uniformity in the assessment of similar classes of  
21 property. The specific reason for any change in an assessment ordered by the  
22 County Equalization Board shall immediately be entered in detail in writing  
23 in the records of its proceedings. It shall also be the duty of the County  
24 Judge, in hearing appeals from the decisions of the County Equalization  
25 Board, to recognize and follow such manuals, methodologies, and standards,  
26 and a County Judge shall not change an assessment of the County Assessor  
27 arrived at using approved manuals, standards, or methodologies unless such  
28 change is to correct clear error or is necessary to provide uniformity in the  
29 assessment of similar classes of property.

30 It shall further be the duty of each County Assessor to conduct and  
31 carry out a continuing program of valuation of all properties under his  
32 jurisdiction pursuant to such rules and regulations as the ACD may prescribe,  
33 to the end that all parcels of property under the assessor's jurisdiction are  
34 appraised at current market value for assessment purposes.

35 If the review cycle of a county's cyclical review program is two (2) or

1 more years, then normal carrying out of such physical review program and  
2 adjustments to valuations thereunder shall not constitute a comprehensive  
3 countrywide reappraisal for purposes of triggering the provisions of  
4 Amendment 59 to the Constitution of the State of Arkansas.

5 (7) Tax collection - The tax collections of a district shall be at the  
6 ninety-five percent (95%) collection rate or higher.

7 (8) Fiscal distress - Tax collections of a district fall below the  
8 ninety-five percent (95%) collection rate or the county assessor or County  
9 Equalization Board violates the provisions of this section, the Director of  
10 the General Education Division of the State Department of Education is  
11 authorized to require the local board and the superintendent to relinquish  
12 all authority with respect to the district and to appoint an individual to  
13 operate the district under the supervision of the State Department of  
14 Education, and to compensate non-Department of Education employees for  
15 operating the district using the salary formerly given to the superintendent,  
16 until such time as the State Board of Education determines otherwise. A  
17 local school board may appeal to the State Board of Education the decision of  
18 the Director if such appeal is made within thirty (30) days of the ruling,  
19 and the State Board shall act on the appeal within sixty (60) days.

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21 SECTION 6. The concept of Equity of Educational Opportunity in  
22 Arkansas shall be implemented through the distribution of funds, beginning  
23 with the 1996-97 school year, to the local school districts based on a  
24 minimum Equity Funding Base (EFB) of three thousand four hundred dollars  
25 (\$3,400) per Average Daily Membership (ADM) of each district. The EFB shall  
26 be so leveled to include the following revenue:

27 (1) The funds available to the school districts for maintenance and  
28 operations and identified as local, state, and federal revenues. The State  
29 Department of Education shall annually certify such amounts.

30 (2) The funds generated through increased millage rates of the school  
31 districts in the state beginning with the 1996-97 school year at a minimum  
32 rate of thirty (30) mills and including the revenue generated through the  
33 debt service millage of the individual school districts but not required for  
34 payment of debt.

35 (3) Additional state funds necessary to establish EFB beginning with

1 the 1996-97 school year. The additional state funds may be adjusted by the  
 2 amount a school district gains in local revenue up to the minimum millage of  
 3 thirty (30) mills beginning with the 1996-97 school year.

4 (4) Districts shall be funded for growth at the current year EFB  
 5 level, based on the current year ADM. Loss funding shall be phased in over a  
 6 three (3) year period.

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 8 SECTION 7. (a) Funding for special education shall exist within the  
 9 Equity Funding Base formula and, beginning with the 1996-97 school year shall  
 10 be distributed in the following manner:

11 (1) The three (3) immediately preceding December 1 counts of  
 12 students receiving special education services averaged to a percent of the  
 13 district's current ADM;

14 (2) The average shall be capped at twelve and five tenths  
 15 percent (12.5%) of a district's current ADM;

16 (3) The three (3) year average shall be multiplied by the  
 17 district's most recent ADM calculation.

18 (4) The product shall be multiplied by a factor determined by  
 19 the decimal equivalent of \$2,143 divided by the Equity Funding Base.

20 (b) Any additional funds that a district can receive as a result of  
 21 this method of computation is capped at five percent (5%) of special  
 22 education funds received the previous school year. Such cap shall continue  
 23 until removed by the State Board of Education.

24 (c) Any loss of special education funds under this act shall be  
 25 equalized over a three (3) year period. The State Board of Education shall  
 26 make adjustments as necessary to ensure that special education services are  
 27 provided for children requiring such services.

28 (d) Subject to approval of the State Board of Education, a local  
 29 district may use a maximum of fifteen percent (15%) of the funds generated  
 30 through special education funding to provide services to students identified  
 31 as having special needs. These services include, but are not limited to,  
 32 specialized interventions, student services required under Section 504 of the  
 33 federal Rehabilitation Act, and post-dismissal follow-through services.

34 (e) The State Department of Education shall have at its disposal  
 35 additional state funds for special situations not addressed in this section,

1 provided, however, that special education funding is required for eligible  
2 students in approved residential treatment facilities, increased enrollment  
3 of eligible students, students with low-incidence disabilities, location of  
4 specialized treatment, catastrophic impact of high cost students, early  
5 childhood services, and students with other needs as identified by the State  
6 Department of Education, Special Education Section.

7 (f) A district may receive a maximum of ten percent (10%) funding  
8 above the Equity Funding Base for special situations as determined by the  
9 State Department of Education, Special Education Section.

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11 SECTION 8. (a) There is hereby established the Arkansas Vocational  
12 Education Study Commission for the purposes of evaluating future student  
13 needs in vocational education and to recommend a method of distributing the  
14 funds required to meet these needs. Members of the commission shall be  
15 appointed by the Governor and shall include members of the General Assembly,  
16 the State Board of Vocational Education, local district administrators,  
17 vocational education teachers, general education teachers, representatives of  
18 higher education, representatives of the business community, parents,  
19 students, and other members so chosen by the Governor. The Director of the  
20 Vocational and Technical Division of the State Department of Education shall  
21 organize the meetings of the Commission, which shall present its  
22 recommendations to the Governor and the Joint Interim Committee on Education  
23 no later than August 30, 1996.

24 (b) In the event that the commission is unable to provide a new method  
25 for distributing funds, the following mechanism shall be used beginning with  
26 the 1997-98 school year: The funds generated within each school district  
27 during the 1995-96 school year, increased or decreased to a single weight of  
28 1.55 for each full-time equivalent student enrolled in vocational education,  
29 and that allows funding for vocational students to be inside the Equity  
30 Funding Base per ADM or not to exceed the base more than two (2) percent. In  
31 no case shall vocational funds plus other funds, both state and local, exceed  
32 the six hundred dollars (\$600) cap above the EFB available per ADM for  
33 maintenance and operation funds. Full-time equivalent students shall be  
34 determined by the total number of students enrolled in vocational education  
35 for no more than six (6) periods during the school day. Any deviation from

1 this calculation is subject to approval by the State Director of the  
2 Vocational and Technical Division of the State Department of Education.

3 (c) There shall be set aside a minimum of ten million dollars  
4 (\$10,000,000) in additional state funding for vocational education to provide  
5 for new programs and equipment.

6 (d) Secondary vocational centers shall be funded through the Division  
7 of Vocational and Technical Education of the State Department of Education  
8 and those funds required to fund the centers shall be above the amount  
9 required to fund the Equity Funding Base. Secondary vocational center  
10 funding during the 1996-97 school year shall be the amount received during  
11 the 1995-96 school year and increased fifteen percent (15%) to reflect the  
12 increase in the student funding within the EFB formula.

13 (e) There is hereby established a contingency fund within the Division  
14 of Vocational and Technical Division of the State Department of Education of  
15 ten percent (10%) of the funds budgeted for distribution to local school  
16 districts for vocational education.

17 (f) Adult education funds shall be in addition to and excluded from  
18 the computation of funds for the Equity Funding Base formula.

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20 SECTION 9. (a) Funds for transportation of students shall be  
21 appropriated to the extent that state funds are available and shall be  
22 distributed as a part of the Equity Funding Base per ADM. However, a  
23 district may receive up to one-tenth of one percent (.001) more than the EFB  
24 in the event that more funds are qualified for than are provided in base  
25 fund.

26 (b)(1) The following procedure shall be used in determining the funds  
27 available for transportation that may exceed the EFB: Transportation funds  
28 received during the 1995-96 school year plus the student density index of the  
29 district multiplied times the average number of students transported.

30 "Student density" shall mean the number of students per square mile in the  
31 district.

32 (2) Transportation funds will be capped at one-tenth of one  
33 percent (.001) above the EFB per ADM.

34 (c) Beginning with the 1996-97 school year, the amount of  
35 transportation aid received by a district shall be determined by using the



1 previous school year as a funding base, including the base year aid received  
2 during the 1995-96 school year, with a new EFB and the one-tenth of one  
3 percent (.001) cap as a rider for the density index.

4 (d) This method of funding shall continue until full funding for  
5 transporting the public school children of the State of Arkansas is in place.

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7 SECTION 10. (a) Additional state funds to provide EFB for the 1995-96  
8 school year shall come from the general revenues of the State. The  
9 additional funds shall provide the assurance for an Equity Funding Base by  
10 establishing a guarantee against loss of revenue within individual school  
11 districts so that the welfare of the educational welfare of the children of  
12 Arkansas can be addressed with confidence.

13 (b) The additional state funds required to ensure an Equity Funding  
14 Base may be reduced as additional local funds are generated as a result of  
15 revenue increases within the individual school districts, due to a district  
16 levying the required minimum rate of thirty (30) mills and as assessed  
17 valuation of property within each school district increases as a result of  
18 improved assessment procedures.

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20 SECTION 11. Any debt service millage increase by a local school  
21 district after the 1996 annual school election must be approved by the State  
22 Department of Education, which shall deny approval if a district is levying  
23 less than thirty (30) mills for maintenance and operations.

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25 SECTION 12. No local school district may levy a millage for capital  
26 outlay of more than four (4) mills until the district levies a minimum of  
27 thirty (30) mills for maintenance and operations.

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29 SECTION 13. Effective July 1, 1996, Subchapter 3, Chapter 20, of Title  
30 6 of the Arkansas Code Annotated is hereby repealed and the funding process  
31 for the school districts of Arkansas shall be based on an Equity Funding Base  
32 of a minimum of three thousand four hundred dollars (\$3,400) per ADM. All  
33 future increases in state funding for local school districts shall be added  
34 to the Equity Funding Base.

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1           SECTION 14. The Equity Funding Base shall consist of the local and  
2 state revenues necessary to provide local school districts with a minimum of  
3 three thousand four hundred dollars (\$3,400) per ADM. School districts may  
4 also use other funds in addition to the Equity Funding Base. These other  
5 funds may include local revenues received from any millage levied above the  
6 required thirty (30) mills and up to six hundred dollars (\$600) additional  
7 revenues approved by the voters of a school district as local incentive  
8 funding from maintenance and operation millage above the minimum thirty (30)  
9 mills.

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11           SECTION 15. (a) In addition to the excise tax levied upon the gross  
12 proceeds or gross receipts derived from all sales by the Arkansas Gross  
13 Receipts Act (Arkansas Code §26-52-101 et seq.), there is hereby levied an  
14 excise tax of one-half of one percent (1/2%) upon all taxable sales of  
15 property and services subject to the tax levied in that Act, and such tax  
16 shall be collected, reported, and paid in the same manner and at the same  
17 time as is prescribed by law for the collection, reporting and payment of all  
18 other Arkansas gross receipts taxes.

19           (b) In addition to the excise tax levied upon the privilege of  
20 storing, using, distributing or consuming tangible personal property within  
21 the State by the Arkansas Compensating Tax Act (Arkansas Code §26-53-101 et  
22 seq.), there is hereby levied an excise tax of one-half of one percent (1/2%)  
23 upon all tangible personal property subject to the tax levied in that Act,  
24 and such tax shall be collected, reported, and paid in the same manner and at  
25 the same time as is prescribed by law for the collection, reporting and  
26 payment of Arkansas compensating taxes.

27           (c) The monies collected pursuant to this act shall be deposited as  
28 special revenues into the Equity Funding Base Trust Fund which is hereby  
29 created on the books of the State Treasurer, State Auditor, and the Chief  
30 Fiscal Officer of the State to be used exclusively for the purposes set forth  
31 in this act.

32           (d) In the event the Arkansas Constitution is amended at the next  
33 general election to establish an ad valorem tax to be distributed on a  
34 statewide basis to the public school districts, the tax levied by this act  
35 shall expire effective July 1, 1997.

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2           SECTION 16. All provisions of this act of a general and permanent  
3 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas  
4 Code Revision Commission shall incorporate the same in the Code.

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6           SECTION 17. If any provision of this act or the application thereof to  
7 any person or circumstance is held invalid, such invalidity shall not affect  
8 other provisions or applications of the act which can be given effect without  
9 the invalid provision or application, and to this end the provisions of this  
10 act are declared to be severable.

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12           SECTION 18. All laws and parts of laws in conflict with this act are  
13 hereby repealed.