

1 State of Arkansas
2 84th General Assembly
3 Second Extraordinary Session, 2003
4

Call Item 6

A Bill

HOUSE BILL 1058

5 By: Representative King
6
7

For An Act To Be Entitled

9 AN ACT TO PROVIDE ADEQUATE AND EQUITABLE FUNDING
10 TO PUBLIC SCHOOLS; TO PROVIDE A SYSTEM FOR
11 MONITORING PUBLIC SCHOOL EXPENDITURES; AND FOR
12 OTHER PURPOSES.
13

Subtitle

14 THE PUBLIC SCHOOL FUNDING ACT OF 2003.
15
16
17

18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
19

20 SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to read as
21 follows:

22 6-20-2001. Title.

23 This subchapter shall be known and may be cited as the "Public School
24 Funding Act of 2003".
25

26 6-20-2002. Legislative findings.

27 (a) The General Assembly recognizes that:

28 (1) Intelligence and virtue are the safeguards of liberty and
29 the bulwark of a free and good government; and

30 (2) The Arkansas Constitution, Article 14, § 1, requires the
31 state to ever maintain a general, suitable, and efficient system of free
32 public schools and to adopt all suitable means to secure to the people the
33 advantages and opportunities of education.

34 (b) The General Assembly finds that because of the decision of the
35 Arkansas Supreme Court in November 2002 in the case of Lake View v. Huckabee,
36 et al., it is the absolute duty of the State of Arkansas to provide all



1 public school children with an opportunity for an adequate education.

2 (c) The General Assembly finds that a suitable and efficient system of
3 public education should:

4 (1) Assure the availability of substantially equal and
5 constitutionally appropriate expenditures by the state for the education of
6 each similarly situated child in the public schools, regardless of where that
7 child resides within the state;

8 (2) Assure that each school-age child resides in a school
9 district that offers a competitive minimum salary for classroom teachers;

10 (3) Assure:

11 (A) That all students graduating from high school are able
12 to demonstrate a defined adequate level of competence in:

13 (i) English, oral communications, reading, and
14 writing;

15 (ii) Mathematics skills; and

16 (iii) Science and social studies disciplines; and

17 (B) That an adequate level of competence evolves over time
18 to higher levels;

19 (4) Assure that students with disabilities have the opportunity
20 to graduate from high school by demonstrating alternative competencies or
21 alternative levels of competency;

22 (5) Assure that students who are not on track for high school
23 graduation are identified at a sufficiently early date so that they may be
24 provided an opportunity at a reasonable cost to achieve the minimum levels of
25 competence necessary to graduate from high school;

26 (6) Recognize that graduating from high school requires that the
27 student, as well as the parents or guardian of the student, work hard and
28 assume appropriate responsibility for the student's success or failure;

29 (7) Encourage parental involvement in the public schools and in
30 public school activities; and

31 (8) Recognize that early attention to and correction of student
32 deficiencies are substantially less expensive and more effective than
33 remedial efforts in the later school grades.

34 (d) The General Assembly recognizes that the supervision of public
35 schools and the execution of the laws regulating the schools shall be vested
36 in such officers as the General Assembly provides.

1 (e) It is the intent of this subchapter to provide a system of school
 2 funding that provides to each public school child in the State of Arkansas an
 3 opportunity for an adequate education.

4
 5 6-20-2003. Definitions.

6 As used in this subchapter:

7 (1) “Additional education categories” means state funds
 8 distributed to school districts for alternative learning environments,
 9 English language learners, national school lunch students, professional
 10 development and technology;

11 (2) “Alternative learning environment” means a student
 12 intervention program in compliance with §§ 6-18-508 and 6-18-509 that seeks
 13 to eliminate traditional barriers to learning for students and includes a
 14 component for the education of gifted and talented students;

15 (3)(A) “Average daily membership” means the total number of days
 16 of school attended plus the total number of days absent by students in grades
 17 kindergarten through twelve (K-12) during the first three (3) quarters of
 18 each school year divided by the number of school days actually taught in the
 19 school district during that period of time rounded up to the nearest
 20 hundredth.

21 (B) In those instances in which the average daily
 22 membership for less than three (3) quarters is specified, the number of days
 23 used in the calculation shall be the days in the specified period of time.

24 (C) As applied to this subchapter, students who may be
 25 counted for average daily membership are:

26 (i) Students who reside within the boundaries of the
 27 school district and who are enrolled in a public school operated by the
 28 school district or a private school for special education students, with
 29 their attendance resulting from a written tuition agreement approved by the
 30 Department of Education;

31 (ii) Legally transferred students living outside the
 32 school district but attending a public school in the school district; and

33 (iii) Students who are eligible to attend and reside
 34 within the boundaries of a school district and who are enrolled in the
 35 Arkansas National Guard Youth Challenge Program, so long as the students are
 36 participants in the program;

1 (4) "Classroom teacher" means:

2 (A) An individual who is required to hold a teaching
 3 license from the department and who is engaged directly in instruction with
 4 students in a classroom setting for more than seventy percent (70%) of the
 5 individual's contracted time;

6 (B) A guidance counselor; or

7 (C) A librarian;

8 (5) "English language learners" means students identified by the
 9 State Board of Education as not proficient in the English language based upon
 10 approved English proficiency assessment instruments administered annually in
 11 the fall of the current school year, which assessments measure oral, reading,
 12 and writing proficiency;

13 (6) "Foundation funding" means an amount of money specified by
 14 the General Assembly for each school year to be expended by school districts
 15 for the provision of an adequate education for each student;

16 (7) "Legal revenues" means the revenues of a school district
 17 including current balances, unrestricted state and local funding for the
 18 current school year, proceeds from a revolving loan pursuant to § 6-20-801 et
 19 seq., proceeds from commercial bonds pursuant to § 6-20-1201 et seq., and
 20 proceeds from funds received pursuant to § 6-20-402;

21 (8) "Millage rate" means the millage rate listed in the most
 22 recent tax ordinance approved by the county quorum court under the authority
 23 of § 14-14-904;

24 (9) "Miscellaneous funds" means those average funds collected in
 25 the previous five (5) school years or previous school year, whichever is
 26 less, from funds received by a school district from federal forest reserves,
 27 federal grazing rights, federal mineral rights, federal impact aid, federal
 28 flood control, wildlife refuge funds, severance taxes, funds received by the
 29 school district in lieu of taxes, and local sales and use taxes dedicated to
 30 education pursuant to §§ 26-74-201 et seq., 26-74-301 et seq., 26-75-302 et
 31 seq., and 14-164-301 et seq.;

32 (10) "National school lunch students" means those students from
 33 low socio-economic backgrounds as indicated by eligibility for free or
 34 reduced-priced meals under the National School Lunch Act as calculated on
 35 October 1 of each year and submitted to the department in the Arkansas public
 36 school computer network cycle 2 report;

1 (11) "Previous year" means the school year immediately preceding
2 the school year in which funds are allocated;

3 (12)(A) "Professional development" means a coordinated set of
4 planned learning activities for teachers and administrators that are
5 standards-based.

6 (B) Professional development shall result in individual,
7 school-wide, and system-wide improvement designed to ensure that all students
8 demonstrate proficiency in the state academic standards;

9 (13) "School district" means a geographic area with an elected
10 board of directors that qualifies as a taxing unit for purposes of ad valorem
11 property taxes under § 26-1-101 et seq. and which board conducts the daily
12 affairs of public schools pursuant to the supervisory authority vested in it
13 by the General Assembly and Title 6 of the Arkansas Code;

14 (14) "Special education catastrophic occurrences" means
15 individual cases where special education and related services required by the
16 individualized education program of a particular student with disabilities
17 are unduly expensive, extraordinary, or beyond the routine and normal costs
18 associated with special education and related services provided by a school
19 district and funding is pursuant to rules promulgated by the state board;

20 (15) "State foundation funding aid" means the amount of state
21 financial aid provided to each school district and computed as the difference
22 between the foundation funding amount established by the General Assembly and
23 the sum of ninety-eight percent (98%) of the uniform rate of tax times the
24 property assessment of the school district plus seventy-five percent (75%) of
25 miscellaneous funds of the school district;

26 (16) "Technology" means any equipment for instructional purposes
27 that is electronic in nature, including, but not limited to, computer
28 hardware, computer software, internet connectivity, distance learning, and
29 the necessary personnel to maintain and operate the equipment; and

30 (17) "Uniform rate of tax" means a uniform rate of ad valorem
31 property tax of twenty-five (25) mills to be levied on the assessed value of
32 all taxable real, personal, and utility property in the state to be used
33 solely for the maintenance and operation of the schools as required by
34 Amendment 74 of the Arkansas Constitution.

35
36 6-20-2004. Liberal construction.

1 All general provisions, terms, phrases, and expressions used in this
 2 subchapter or any related provisions of the Arkansas Code shall be liberally
 3 construed so as to effectuate the purposes of this subchapter.

4
 5 6-20-2005. Miscellaneous.

6 The State Board of Education shall have authority, acting pursuant to
 7 its rule-making powers, to adopt regulations for the implementation of the
 8 provisions of this subchapter.

9
 10 6-20-2006. School Funding.

11 (a)(1) For each school year, a school district shall receive state
 12 foundation funding aid computed as the difference between the foundation
 13 funding amount established by the General Assembly and the sum of ninety-
 14 eight percent (98%) of the uniform rate of tax times the property assessment
 15 of the school district plus seventy-five percent (75%) of miscellaneous funds
 16 of the school district.

17 (2) For the 2004-2005 school year, the foundation funding amount
 18 is five thousand six hundred dollars (\$5,600) times the greater of:

19 (A) The average daily membership for school year 2004-
 20 2005; or

21 (B) The average daily membership for the previous school
 22 year.

23 (b)(1) In addition to state foundation funding aid, each school
 24 district shall receive funding for additional education categories as
 25 provided in subdivisions (b)(2) through (b)(6) of this section.

26 (2)(A) For the 2004-2005 school year, alternative learning
 27 environment funding shall be two thousand three hundred ninety-six dollars
 28 (\$2,396) for each identified alternative learning environment student.

29 (B) Funding for students in alternative learning
 30 environments shall be distributed based on rules promulgated by the State
 31 Board of Education.

32 (3)(A) For the 2004-2005 school year the English language
 33 learners funding shall be one hundred eighty-five dollars (\$185) for each
 34 identified English language learner.

35 (B) Funding for English language learner students shall be
 36 distributed to school districts for students who have been identified as not

1 proficient in the English language based upon a state-approved English
2 proficiency assessment instrument.

3 (C) Funds allocated for English language learners to
4 school districts under this subchapter shall be expended only for eligible
5 activities as identified in current rules promulgated by the state board.

6 (4)(A) For the 2004-2005 school year, national school lunch
7 student funding for each identified national school lunch student shall be as
8 follows:

9 (i) For school districts in which ninety percent
10 (90%) or greater of the enrolled students are national school lunch students,
11 funding shall be one thousand four hundred forty dollars (\$1,440) per
12 student.

13 (ii) For school districts in which at least seventy
14 percent (70%) but less than ninety percent (90%) of the enrolled students are
15 national school lunch students, funding shall be nine hundred sixty dollars
16 (\$960) per student.

17 (iii) For school districts in which less than
18 seventy percent (70%) of the enrolled students are national lunch students,
19 funding shall be four hundred eighty dollars (\$480) per student.

20 (B) Funding for national school lunch students shall be
21 based on the number of students eligible for the free or reduced-price lunch
22 program under the National School Lunch Act identified on the Arkansas public
23 school computer network cycle two report.

24 (C) Funds allocated for national school lunch students to
25 school districts under this subchapter shall be expended only for eligible
26 activities as identified in current rules promulgated by the state board.

27 (5)(A) Professional development funding for the 2004-2005 school
28 year shall be equal to fifty dollars (\$50.00) times the school district's
29 prior school year average daily membership.

30 (B) Funding for professional development for teachers in
31 Arkansas public schools may be used for professional development training
32 conferences, materials, and other professional development activities as
33 outlined in rules promulgated by the state board.

34 (6)(A) Technology support funding for the 2004-2005 school year
35 shall be equal to two hundred fifty dollars (\$250) times the school
36 district's prior school year average daily membership.

1 (B) Funding for technology may include, but is not limited
 2 to, purchases of hardware, software, technology training, technology
 3 infrastructure, electronic learning devices, training materials, technology
 4 textbooks, courses, and technology personnel.

5 (C) Unexpended technology funds may be carried forward for
 6 up to two (2) school years based on needs identified in the school district's
 7 technology plan.

8 (c) Isolated funding under § 6-20-601, special education-catastrophic
 9 occurrences, and all other line item funding shall be allocated and funded to
 10 school districts pursuant to law and rules governing the funding and from
 11 available funds in a line item appropriation within the Public School Fund.

12 (d) Funds distributed to school districts under subsection (b) of this
 13 section shall be expended only for students in those categories under rules
 14 promulgated by the state board.

15
 16 6-20-2007. Department of Education to provide funding -- Adjustments
 17 for overpayments.

18 (a) If the Department of Education determines that an overpayment has
 19 been made to a school district under any appropriation authorized by this
 20 subchapter, the department is authorized to:

21 (1) Withhold the overpayment from subsequent state funding;

22 (2) To transfer the amount withheld for the overpayment to the
 23 line item appropriation from which the overpayment was initially made; and

24 (3) To request a refund from the school district in the amount
 25 of the overpayment.

26 (b) The school district shall comply as directed by the department.

27
 28 6-20-2008. Monitoring of expenditures.

29 (a) The General Assembly determines that although funds may be
 30 distributed to school districts under this subchapter, it is the duty and
 31 responsibility of the State of Arkansas to monitor such expenditures to
 32 ensure that each public school child in Arkansas is provided with an adequate
 33 education.

34 (b) Each school district shall ensure that funds distributed by the
 35 State of Arkansas to the district are utilized in an efficient manner in
 36 order to provide an adequate education.

1 (c) Each school district shall:

2 (1) Expend sums for teacher salaries in order to meet the
 3 requirements of Arkansas law;

4 (2)(A) Expend the sums allocated to the school district under
 5 each category of additional educational categories solely and exclusively for
 6 salaries and other instructional aid components to benefit the students in
 7 the categories within the school district.

8 (B) The school district shall further ensure that those
 9 sums are used to improve the educational opportunity of those children, with
 10 a primary emphasis on improving each student's proficiency;

11 (3) Expend other sums as may be allocated under this subchapter
 12 and as may be required by law in order to provide an equal opportunity for an
 13 adequate education;

14 (4) Ensure that sums appropriated by law and allocated to the
 15 school district are used to meet standards for accreditation and to provide
 16 the required curriculum for all students in the district; and

17 (5) Ensure that sums allocated for facilities or other capital
 18 needs are spent in accordance with law.

19 (d)(1) During the appropriate Arkansas public school computer network
 20 reporting cycle each year, each school district shall submit appropriate data
 21 to the Department of Education establishing the school district's compliance
 22 with this section.

23 (2) The data shall be timely, accurate, and in the format
 24 required by rules promulgated by the State Board of Education. The rules
 25 shall require a uniform, consistent, and fully defined reporting mechanism
 26 that will ensure that comparisons between school districts shall in all
 27 respects be accurate and uniform.

28 (3) The data reported shall reflect the expenditure of each
 29 category of additional education categories.

30 (4) Reports for each school district shall be developed by the
 31 department and transmitted to the Governor, the Senate Interim Committee on
 32 Education, and the House Interim Committee on Education.

33
 34 6-20-2009. Other requirements for state aid.

35 Each school district shall:

36 (1) Expend in a school year no more than the legal revenues that

1 are available for the school year to the school district as determined by
 2 state law or regulation of the State Board of Education;

3 (2) Maintain records and make reports concerning attendance,
 4 receipts, disbursements, and any other reports required by the Department of
 5 Education for the administration of this subchapter;

6 (3) Maintain proper financial records in accordance with the
 7 department's school accounting manual and regulations promulgated by the
 8 state board;

9 (4) Annually file with the state board a salary schedule for the
 10 school district's certified employees that recognizes a minimum level of
 11 training and experience. The schedule shall reflect the actual pay practices
 12 of the school district. Salary increments for experience or education, or
 13 both, shall be identified on the schedule; and

14 (5)(A) Maintain all pupil attendance records in their original
 15 form, either on paper or in an electronic format furnished or approved by the
 16 department and in accordance with law and regulations. The records shall be
 17 available for monitoring purposes during any day of the school term by the
 18 teachers or other persons designated to keep attendance.

19 (B) Original attendance records shall be kept on file in
 20 the office of the superintendent of the school district after the school term
 21 is ended for a period of three (3) years.

22
 23 6-20-2010. Computation of classroom teacher salaries.

24 School districts may not include the cost of substitute teachers,
 25 extended contracts for extracurricular activities, or supplementary pay for
 26 extracurricular activities in meeting the expenditure requirements for
 27 classroom teacher salaries pursuant to § 6-17-2301 et seq.

28
 29 6-20-2011. Calculation and disbursement of funds authorized.

30 (a) On or before July 1 of every school year, the Department of
 31 Education shall establish a schedule of payments to school districts of funds
 32 authorized under this subchapter.

33 (b) The department shall calculate the amount of funds authorized by
 34 this subchapter:

35 (1) At the beginning of the school year;

36 (2) At any point during the school year for the purpose of

1 making corrections for clerical errors and student growth; and

2 (3) At the end of the school year for the purpose of settling
 3 amounts due to school districts under this subchapter.

4 (c) If statistical data required by this subchapter is not available
 5 at the time the data is required for calculations, or if the school program
 6 is disrupted for any cause not controlled by the local board of education,
 7 the State Board of Education develop procedures that will ensure that the
 8 provisions of this subchapter are properly enforced.

9
 10 SECTION 2. Arkansas Code Title 6, Chapter 20, Subchapter 3 is
 11 repealed.

12 ~~6-20-301. Title.~~

13 ~~This subchapter shall be known as the "Equitable School Finance System~~
 14 ~~Act of 1995".~~

15
 16 ~~6-20-302. Legislative findings.~~

17 ~~(a) The General Assembly recognizes that intelligence and virtue are~~
 18 ~~the safeguards of liberty and the bulwark of a free and good government and~~
 19 ~~that the Arkansas Constitution, Article 14, § 1 requires the state to ever~~
 20 ~~maintain a general, suitable, and efficient system of free public schools and~~
 21 ~~to adopt all suitable means to secure to the people the advantages and~~
 22 ~~opportunities of education.~~

23 ~~(b) The General Assembly finds that the education of the children of~~
 24 ~~this state is best secured by maintaining as much local control over the day-~~
 25 ~~to-day management of school operations as is consistent with state~~
 26 ~~constitutional requirements, and it is the intent of this subchapter to~~
 27 ~~maintain and foster such local control consistent with the state's~~
 28 ~~constitutional mandate to assure suitability and efficiency in the public~~
 29 ~~school system.~~

30 ~~(c) The General Assembly finds that a suitable and efficient system of~~
 31 ~~public education should:~~

32 ~~(1) Assure the availability of substantially equal and~~
 33 ~~constitutionally appropriate revenue for the education of each similarly~~
 34 ~~situated child in the public schools, regardless of where that child resides~~
 35 ~~within the state;~~

36 ~~(2) Assure that each school-age child resides in a school~~

1 ~~district that offers a competitive minimum salary for classroom teachers;~~

2 ~~(3) Assure that there is incentive and opportunity for patrons~~
 3 ~~of each school district to provide a greater degree of financial support for~~
 4 ~~students of the district than may be provided in other districts;~~

5 ~~(4) Assure that:~~

6 ~~(A) All students graduating from high school are able to~~
 7 ~~demonstrate a defined minimum level of competence in:~~

8 ~~(i) English communications, oral, reading, and~~
 9 ~~writing;~~

10 ~~(ii) Mathematics skills; and~~

11 ~~(iii) Science and social studies disciplines; and~~

12 ~~(B) Such minimum level of competence evolves over time to~~
 13 ~~higher levels;~~

14 ~~(5) Assure that students with disabilities have the opportunity~~
 15 ~~to graduate from high school by demonstrating alternative competencies or~~
 16 ~~alternative levels of competency;~~

17 ~~(6) Assure that students who are not on track for high school~~
 18 ~~graduation are identified at a sufficiently early date that they may be~~
 19 ~~provided an opportunity at a reasonable cost to achieve the minimum levels of~~
 20 ~~competence necessary to graduate from high school;~~

21 ~~(7) Recognize that graduating from high school requires that the~~
 22 ~~student, as well as the parent, parents, or guardian of the student, work~~
 23 ~~hard and assume appropriate responsibility for the student's success or~~
 24 ~~failure;~~

25 ~~(8) Encourage parental involvement in the public schools and~~
 26 ~~public school activities;~~

27 ~~(9) Recognize that public schools must provide a safe,~~
 28 ~~disciplined, and drug free environment for students and teachers;~~

29 ~~(10) Avoid disproportionate variances among school districts in~~
 30 ~~the financial support burden imposed on taxpayers;~~

31 ~~(11) Avoid unnecessary duplication of administrative and~~
 32 ~~operational expenses;~~

33 ~~(12) Avoid disproportionate variances among school districts in~~
 34 ~~the use of classroom teachers and capital resources; and~~

35 ~~(13) Recognize that early attention to and correction of student~~
 36 ~~deficiencies are substantially less expensive and more effective than~~

1 remedial efforts in the later school grades.

2 (d)(1) The General Assembly acknowledges that the Arkansas
3 Constitution requires the state to provide a general, suitable, and efficient
4 system of free public schools.

5 (2) Such obligation has been held by the Arkansas courts to be a
6 paramount duty of the state.

7 (e) The General Assembly recognizes that the supervision of public
8 schools and the execution of the laws regulating the schools shall be vested
9 in such officers as the General Assembly provides.

10 (f) The state has a limited pool of resources to provide a general,
11 suitable, and efficient system of free public schools.

12 (g) The state recognizes the importance of local decision-making in
13 the education process.

14
15 ~~6-20-303. Definitions.~~

16 As used in this subchapter, unless the context otherwise requires:

17 (1) "Additional base funding" means the state funding to local
18 school districts to ensure that a local school district's total state and
19 local revenue per average daily membership is no less than the minimum state
20 and local revenue per average daily membership;

21 (2) "Additional mills for maintenance and operation" means
22 millage levied by the electors of a local school district for maintenance and
23 operation in excess of those allocated to the uniform rate of tax;

24 (3) "Alternative learning environment" means an intervention
25 program in compliance with §§ 6-18-508 and 6-18-509 that seeks to eliminate
26 traditional barriers to learning for students and includes a component for
27 the education of gifted and talented students;

28 (4) "Average daily membership" 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 rounded up to the nearest hundredth. In
33 those instances in which the average daily membership for less than three (3)
34 quarters is specified, the number of days used in the calculation shall be
35 the days in the specified period of time. As applied to this subchapter,
36 students who may be counted for average daily membership are:

1 ~~(A) — Students who reside within the boundaries of the~~
 2 ~~school district and who are enrolled in a public school operated by the~~
 3 ~~district or a private school for special education students, with their~~
 4 ~~attendance resulting from a written tuition agreement approved by the~~
 5 ~~Department of Education;~~

6 ~~(B) — Legally transferred students living outside the~~
 7 ~~district but attending a public school in the district; and~~

8 ~~(C) — Students who reside within the boundaries of the~~
 9 ~~school district and who are enrolled in the Arkansas National Guard Youth~~
 10 ~~Challenge Program, so long as the students are participants in the program;~~

11 ~~(5) — "Base local revenue per student" means:~~

12 ~~(A) — If Category 1 is fully funded, the local revenue per~~
 13 ~~student in the local school district with the highest amount of local revenue~~
 14 ~~per student; or~~

15 ~~(B) — If Category 1 is not fully funded, the revenue per~~
 16 ~~student to which the state equalizes, which is calculated by:~~

17 ~~(i) — Taking the sum of:~~

18 ~~(a) — The total available state aid for state~~
 19 ~~equalization funding per student;~~

20 ~~(b) — Ninety eight percent (98%) of the uniform~~
 21 ~~rate of tax times the total state assessed valuation; and~~

22 ~~(c) — Seventy five percent (75%) of the average~~
 23 ~~miscellaneous funds collected in the previous five (5) years or previous~~
 24 ~~year, whichever is less; and~~

25 ~~(ii) — Dividing the sum by the total state average~~
 26 ~~daily membership for the previous year;~~

27 ~~(6) — "Classroom teacher" means:~~

28 ~~(A) — An individual who is required to hold a teaching~~
 29 ~~license from the department and who is engaged directly in instruction with~~
 30 ~~students in a classroom setting for more than seventy percent (70%) of the~~
 31 ~~individual's contracted time;~~

32 ~~(B) — A guidance counselor; or~~

33 ~~(C) — A librarian;~~

34 ~~(7) — "Debt service funding supplement" means the state financial~~
 35 ~~aid provided to qualifying local school districts for the purpose of reducing~~
 36 ~~existing debt service burdens and increasing the amount of local revenue~~

1 available for maintenance and operations expenditures and calculated as
 2 follows: For each mill of eligible debt service millage required, the local
 3 school shall be provided a dollar amount of no less than fifteen dollars
 4 (\$15.00) per average daily membership times the state wealth index;

5 (8) "~~Debt service millage~~" means the total number of mills voted
 6 by the electors of a school district to be pledged as security for the
 7 retirement of bonded indebtedness;

8 (9) "~~Debt service millage required~~" means the calculated millage
 9 rate equal to the amount of millage pledged to mandatory callable bonds plus
 10 the result of the scheduled calendar year bonded debt payment divided by the
 11 total assessed value of real, personal, and utility property in the local
 12 school district;

13 (10) "~~Eligible debt service millage required~~" means, in the
 14 computation of the debt service funding supplement, the debt service millage
 15 required for bonds issued before May 30 of each year;

16 (11) "~~Excess debt service millage~~" means the difference between
 17 the debt service millage levied and the debt service millage required. This
 18 amount shall be presumed to be available for maintenance and operation but
 19 may be used for other school purposes provided that the district is in
 20 compliance with the uniform rate of tax;

21 (12) "~~General facility funding~~" means the state financial aid
 22 provided to each local school district from funds made available for that
 23 purpose and based on a facilities needs assessment justification approved by
 24 the department and calculated as follows: Multiply the local school
 25 district's average daily membership for the previous year by the state wealth
 26 index, times a rate established by the State Board of Education;

27 (13) "~~Incentive funding~~" means the state financial aid provided
 28 to local school districts below the ninety fifth percentile for the purpose
 29 of eliminating the incentive a local school district may have to reduce its
 30 additional mills available for maintenance and operations and which is
 31 calculated by taking one half (1/2) of the difference between the amount of
 32 additional base funding a local school district would have received if it
 33 only levied the uniform rate of tax and the additional base funding the
 34 district receives in the current school year. For purposes of the calculation
 35 of the amount of additional base funding a district would have received if it
 36 had only levied the uniform rate of tax, twenty five percent (25%) of the

1 ~~miscellaneous funds received by any local school district shall be excluded~~
 2 ~~from the calculation;~~

3 ~~(14) "Isolated funding" means the state financial aid provided~~
 4 ~~to local school districts with an average daily membership of fewer than~~
 5 ~~three hundred fifty (350) from funds made available for that purpose and~~
 6 ~~which is calculated as follows:~~

7 ~~(A) (350 Previous year's average daily membership) divided~~
 8 ~~by eight hundred fifty (850) times previous year's average daily membership~~
 9 ~~times the base local revenue per student;~~

10 ~~(B) Local school districts with an average daily~~
 11 ~~membership density of less than one and two tenths (1.2) shall receive~~
 12 ~~additional funds equal to fifty percent (50%) of aid received under~~
 13 ~~subdivision (14)(A) of this section;~~

14 ~~(C) For the purpose of calculating isolated funding, any~~
 15 ~~local school district that has an average daily membership density greater~~
 16 ~~than 5.0 shall be excluded. Provided, however, if a local school district has~~
 17 ~~a local revenue per student less than sixty percent (60%) of the effective~~
 18 ~~average, it shall receive isolated funding;~~

19 ~~(D) No school district shall receive less isolated funding~~
 20 ~~in future years than the district received during the 1996-1997 school year~~
 21 ~~because of subdivision (14)(C) of this section; and~~

22 ~~(E) If the statewide amount for isolated funding~~
 23 ~~calculated pursuant to this section is less than the amount appropriated for~~
 24 ~~isolated funding, the state board may include a funding factor to the~~
 25 ~~calculation in subdivision (14)(A) of this section in order to expend up to~~
 26 ~~the appropriated amount;~~

27 ~~(15) "Local revenue per student" means in each year ninety-eight~~
 28 ~~percent (98%) of the amount of revenue available, whether or not collected,~~
 29 ~~in a local school district solely from the levy of the uniform rate of tax~~
 30 ~~plus seventy five percent (75%) of the average miscellaneous funds collected~~
 31 ~~in the previous five (5) years or the previous year, whichever is less,~~
 32 ~~divided by the average daily membership of the local school district for the~~
 33 ~~previous year;~~

34 ~~(16) "Local school district" means a geographic area with an~~
 35 ~~elected board of directors that qualifies as a taxing unit for purposes of ad~~
 36 ~~valorem property taxes under § 26-1-101 et seq. and which board conducts the~~

1 ~~daily affairs of public schools pursuant to the supervisory authority vested~~
 2 ~~in it by the General Assembly;~~

3 ~~(17) "Local school district at the ninety fifth percentile"~~
 4 ~~means, when ranking districts in descending order by the total state and~~
 5 ~~local revenue per average daily membership, a district that falls at the~~
 6 ~~ninety fifth percentile of the total number of pupils in attendance in the~~
 7 ~~schools of this state, as described by 34 C.F.R. § 222.63 (1994);~~

8 ~~(18) "Mandatory callable bonds" means a bond issue in which all~~
 9 ~~net proceeds from debt service millage used to secure the issuance of that~~
 10 ~~bond must be applied to payment of the issue and cannot be used for any other~~
 11 ~~purpose;~~

12 ~~(19) "Millage rate" means the millage rate listed in the most~~
 13 ~~recent tax ordinance approved by the county quorum court under the authority~~
 14 ~~of § 14-14-904;~~

15 ~~(20) "Minimum state and local revenue per average daily~~
 16 ~~membership" means an amount no less than eighty percent (80%) of the total~~
 17 ~~state and local revenue per average daily membership of the local school~~
 18 ~~district at the ninety fifth percentile;~~

19 ~~(21) "Miscellaneous funds" means those funds received by a local~~
 20 ~~school district from federal forest reserves, federal grazing rights, federal~~
 21 ~~mineral rights, federal impact aid, federal flood control, wildlife refuge~~
 22 ~~funds, severance taxes, funds received by the district in lieu of taxes, and~~
 23 ~~local sales and use taxes dedicated to education pursuant to §§ 26-74-201 et~~
 24 ~~seq., 26-74-301 et seq., 26-75-301 et seq., and 14-164-301 et seq.;~~

25 ~~(22) "Previous year" means the school year immediately preceding~~
 26 ~~the school year in which funds are allocated;~~

27 ~~(23) "State equalization funding per student" means the amount~~
 28 ~~of state financial aid per average daily membership for the previous year~~
 29 ~~provided to each local school district calculated by subtracting the local~~
 30 ~~revenue per student from the base local revenue per student;~~

31 ~~(24) "State wealth index" means the result of one (1) minus the~~
 32 ~~ratio of local revenue per student divided by state equalization funding per~~
 33 ~~student;~~

34 ~~(25) "Student classroom teacher funding" means the state~~
 35 ~~financial aid provided to each local school district calculated as an amount~~
 36 ~~equal to the amount allocated for student classroom teacher funding divided~~

1 by the total state average daily membership for the previous year times the
 2 receiving school district's average daily membership for the previous year;

3 (26) ~~"Student growth funding" means the amount of state~~
 4 ~~financial aid provided to each local school district from the funds made~~
 5 ~~available for that purpose calculated as the base local revenue per student~~
 6 ~~multiplied by the increase, if any, in the local school district's two-~~
 7 ~~quarter average of the average daily membership of the current year over the~~
 8 ~~local school district's average daily membership for the previous year;~~

9 (27) ~~"Student needs funding" means the amount of state financial~~
 10 ~~aid provided to each local school district from available special education~~
 11 ~~funding, vocational education funding, at risk funding, isolated funding,~~
 12 ~~transportation aid, and any other categories of student needs funding which~~
 13 ~~may be subsequently identified pursuant to rules and regulations promulgated~~
 14 ~~by the state board;~~

15 (28) ~~"Student unit funding" means the state financial aid~~
 16 ~~provided to each local school district, which is calculated as follows: By~~
 17 ~~dividing the total funds available for textbook aid, alternative education,~~
 18 ~~including gifted and talented education programs, restructuring, and staff~~
 19 ~~development by the total state average daily membership for the previous year~~
 20 ~~and multiplying by the local school district's average daily membership for~~
 21 ~~the previous year;~~

22 (29) ~~"Total state and local revenue per average daily~~
 23 ~~membership" means in each local school district, the amount calculated by:~~

24 (A) ~~Taking the sum of:~~

25 (i) ~~The local school district's uniform rate of tax~~
 26 ~~times ninety eight percent (98%) of the district's assessed valuation;~~

27 (ii) ~~The local school district's additional mills~~
 28 ~~for maintenance and operation times ninety eight percent (98%) of the~~
 29 ~~district's assessed valuation;~~

30 (iii) ~~The local school district's miscellaneous~~
 31 ~~funds; and~~

32 (iv) ~~State equalization funding, student classroom~~
 33 ~~teacher funding, student unit funding, vocational funding, general facilities~~
 34 ~~funding, and student growth funding available to the local school district;~~
 35 ~~and~~

36 (B) ~~By dividing by the average daily membership of the~~

1 ~~local school district; and~~

2 ~~(30) "Uniform rate of tax" means a uniform rate of ad valorem~~
 3 ~~property tax of twenty five (25) mills to be levied on the assessed value of~~
 4 ~~all taxable real, personal, and utility property in the state to be used~~
 5 ~~solely for the maintenance and operation of the schools. In calculating the~~
 6 ~~uniform rate of tax imposed by Arkansas Constitution, Article 14, § 3, as~~
 7 ~~amended by Amendments 11, 40, and 74, the following categories of millage may~~
 8 ~~be utilized to meet the minimum millage requirement:~~

9 ~~(A) The local school district's maintenance and operation~~
 10 ~~millage;~~

11 ~~(B) The dedicated maintenance and operation millage;~~

12 ~~(C) Excess debt service millage; and~~

13 ~~(D) The millage derived from the ratio of the debt service~~
 14 ~~funding supplements divided by the total assessment.~~

15
 16 ~~6-20-304. Liberal construction.~~

17 ~~All general provisions, terms, phrases, and expressions used in this~~
 18 ~~subchapter or any related provisions of this Code shall be liberally~~
 19 ~~construed so as to effectuate its purposes.~~

20
 21 ~~6-20-305. Miscellaneous.~~

22 ~~The State Board of Education shall have authority, acting pursuant to~~
 23 ~~its rule-making powers, to adopt regulations for the implementation of the~~
 24 ~~provisions of this subchapter.~~

25
 26 ~~6-20-306. School funding.~~

27 ~~(a)(1) Beginning with the 1996-1997 school year, the Department of~~
 28 ~~Education shall provide from available funds the following school funding~~
 29 ~~categories in the priorities listed to local school districts:~~

30 ~~(A) Category 1. State equalization funding per student;~~

31 ~~(B) Category 2. Student classroom teacher funding;~~

32 ~~(C) Category 3. Student unit funding; and~~

33 ~~(D) Category 4. Student needs funding.~~

34 ~~(2) No subsequent category of funding shall receive any funding~~
 35 ~~until each prior category is fully funded.~~

36 ~~(b)(1) If any category of funding excluding Category 1 is only~~

1 partially funded, each local school district shall receive a pro rata share.

2 (2) However, if the General Assembly determines that any element
 3 of Category 3 or 4 needs to be funded before full funding of any preceding
 4 category is achieved, then that subset of either Category 3 or Category 4
 5 shall be funded exclusive of the previously listed categories.

6
 7 ~~6-20-307. Facilities.~~

8 (a) General facilities funding, isolated funding, and student growth
 9 shall be provided to local school districts from available funds in a line
 10 item appropriation within the Public School Fund.

11 (b)(1) The state shall provide from available funds a debt service
 12 funding supplement to qualifying local school districts for the purpose of
 13 reducing debt service burdens issued before May 30 of each fiscal year and
 14 increasing the amount of local revenue available for maintenance and
 15 operations expenditures.

16 (2) The legislative intent is to continue providing a debt
 17 service funding supplement to qualifying local school districts through
 18 available funds in a line item appropriation within the fund.

19
 20 ~~6-20-308. Department of Education to provide funding—Adjustments for~~
 21 ~~overpayments.~~

22 (a)(1) After determining the amount of state equalization funding,
 23 student classroom teacher funding, student unit funding, vocational funding,
 24 general facilities funding, and student growth funding available to each
 25 local school district, the Department of Education shall provide any
 26 additional base funding necessary to ensure that the total state and local
 27 revenue per average daily membership of each local school district is no less
 28 than the minimum state and local revenue per average daily membership.

29 (2) For the purposes of additional base funding, any questions
 30 as to what revenue shall be included will be determined by reference to 34
 31 G.F.R. § 222.63 (1994).

32 (b) A school district shall not lose any state funding as a result of
 33 debt service savings produced by refunding outstanding bonds provided that:

34 (1) The yearly savings produced by the refunding is deposited
 35 into a refunding savings building fund and is used by the district for the
 36 building and equipping of school buildings, for major adaptations to a

1 facility, or for purchasing sites therefor; and that

2 (2) ~~Prior to the date that the refunding bonds are sold at~~
 3 ~~public sale, the district submits a certificate to the Director of the~~
 4 ~~Department of Education certifying that the yearly debt service savings will~~
 5 ~~be used for the purposes described in this subsection (b).~~

6 (c) ~~If the department shall determine that an overpayment has been~~
 7 ~~made to a local school district in any appropriation authorized by this~~
 8 ~~subchapter, the department is authorized to withhold the overpayment from~~
 9 ~~state equalization funding and is authorized to transfer the amount withheld~~
 10 ~~for the overpayment to the line item appropriation from which the overpayment~~
 11 ~~was initially made.~~

12
 13 ~~6-20-309. Local school districts—Restrictions on use of specific~~
 14 ~~funding.~~

15 ~~(a) Local school districts may expend Category 1 funds for student~~
 16 ~~classroom teacher funding, student unit funding, and student needs funding.~~

17 ~~(b) A local school district may only use general facilities funding~~
 18 ~~for the purchase of school buses, furniture, equipment, and computer software~~
 19 ~~or for the renovation or repairs of existing facilities.~~

20 ~~(c) Local school districts may not use student classroom teacher~~
 21 ~~funding to compensate anyone other than classroom teachers.~~

22
 23 ~~6-20-310. Local school districts—Required expenditures.~~

24 ~~(a) Local school districts shall expend state and local revenues on~~
 25 ~~students evaluated as special education students in accordance with existing~~
 26 ~~federal and state laws and Department of Education regulations.~~

27 ~~(b) Local school districts shall expend state and local revenues on~~
 28 ~~students in alternative learning environments and in gifted and talented~~
 29 ~~programs in accordance with existing state laws and department regulations.~~

30
 31 ~~6-20-311. Local school districts.~~

32 ~~(a) Beginning with the 1995-1996 school year, each local school~~
 33 ~~district shall prepare an annual certified audit of the financial condition~~
 34 ~~and transactions of the local school district as of June 30 of each year in~~
 35 ~~accordance with generally accepted accounting practices and containing any~~
 36 ~~other data as determined by the State Board of Education.~~

1 ~~(b) Nothing in this legislation shall be construed to authorize,~~
 2 ~~permit, or require consolidation of any school district.~~

3 ~~(c) [Repealed.]~~

4
 5 ~~6-20-319. Other requirements for state aid.~~

6 ~~In order for a district to be entitled to state aid under the~~
 7 ~~provisions of this subchapter, each district shall satisfy the following~~
 8 ~~requirements:~~

9 ~~(1) Expenditures for any fiscal year shall not exceed the legal~~
 10 ~~revenues for that year;~~

11 ~~(2) The district shall maintain such records and make such~~
 12 ~~reports relative to attendance, receipts, and disbursements and other reports~~
 13 ~~as required by the Department of Education for the administration of this~~
 14 ~~subchapter;~~

15 ~~(3) The district shall maintain proper financial records in~~
 16 ~~accordance with the state's school accounting manual and regulations~~
 17 ~~promulgated by the State Board of Education;~~

18 ~~(4) The district shall file with the board annually a salary~~
 19 ~~schedule for its certified employees which recognizes a minimum level of~~
 20 ~~training and experience. This schedule shall reflect the actual pay practices~~
 21 ~~of the district, including all fringe benefits. Salary increments for~~
 22 ~~experience or education, or both, shall be identified on the schedule;~~

23 ~~(5) All pupil attendance records shall be kept in their original~~
 24 ~~form and shall be public records. They shall be kept according to law and~~
 25 ~~regulations, on paper or electronic forms either furnished or approved by the~~
 26 ~~department. Original attendance records shall be kept on file in the office~~
 27 ~~of the superintendent of schools after the school term is ended for a period~~
 28 ~~of three (3) years, and these records shall be available for monitoring~~
 29 ~~purposes during any day of the school term by the teachers or other persons~~
 30 ~~designated to keep attendance.~~

31
 32 ~~6-20-320. Computation of classroom teacher salaries.~~

33 ~~Local school districts may not include the cost of substitute teachers,~~
 34 ~~extended contracts for extracurricular activities, or supplementary pay for~~
 35 ~~extracurricular activities in meeting the expenditures requirement for~~
 36 ~~student classroom teacher salaries.~~

1
2 ~~6-20-323. Special needs students.~~

3 ~~(a) The Department of Education shall provide special assistance for~~
4 ~~students with special needs to local school districts from available revenues~~
5 ~~from line item appropriations in the Public School Fund.~~

6 ~~(b) Funding for students with limited English proficiency shall be~~
7 ~~based upon actual students who have been identified based on the use of an~~
8 ~~English proficiency assessment instrument. These funds shall be distributed~~
9 ~~pro rata based upon the number of students identified as limited English~~
10 ~~proficient.~~

11 ~~(c) Funding for special education catastrophic occurrences shall be~~
12 ~~based upon those individual cases where special education and related~~
13 ~~services required by the individualized education program of a particular~~
14 ~~student with disabilities are unduly expensive, extraordinary, or beyond the~~
15 ~~routine and normal costs associated with special education and related~~
16 ~~services provided by a local school district.~~

17 ~~(d)(1) Funding for students with low socioeconomic status shall be~~
18 ~~based on students in kindergarten through grade one (K-1) living in areas~~
19 ~~with high concentrations of low income families or from low income families~~
20 ~~as indicated by eligibility for the free or reduced price lunch program under~~
21 ~~the National School Lunch Act or any other act of Congress. These funds shall~~
22 ~~be used only for early intervention strategies sanctioned by the department~~
23 ~~in reading and writing literacy or mathematics for students in pre-~~
24 ~~kindergarten through grade one (preK-1).~~

25 ~~(2) Funding for students with low socioeconomic status shall~~
26 ~~only be funded through June 30, 2005.~~

27 ~~(e) Funding for students in alternative learning environments shall be~~
28 ~~distributed either through grants, competitive or otherwise, or pro rata~~
29 ~~based upon the number of full time equivalent students participating in a~~
30 ~~nontraditional or flexible instructional program designed to improve student~~
31 ~~achievement in the core academic subjects which the students could not~~
32 ~~achieve in a regular classroom environment.~~

33 ~~(f) The State Board of Education shall promulgate rules and~~
34 ~~regulations for the disbursement of available funds for special needs~~
35 ~~students explicated in this section.~~

36

~~6-20-324. Incentive revenues to encourage local millage.~~

~~After the calculation and provision of additional base funding, the Department of Education shall provide incentive funding to local school districts below the district at the ninety fifth percentile in order to reward local school districts for levying additional mills available for maintenance and operations and in order to remove the potential disincentive for a local school district to reduce its additional mills available for maintenance and operations in order to receive additional base funding or in order to receive an increase in additional base funding.~~

~~6-20-325. State equalization funding for natural disaster areas.~~

~~(a) When any county in the State of Arkansas is declared a disaster area by the Federal Emergency Management Administration, the school districts that experienced loss of students due to the disaster and that are located within that county shall receive funding.~~

~~(b)(1) The school district shall be responsible for requesting these funds and for providing documentation required by the Department of Education.~~

~~(2) The school district is required to document the loss in enrollment specifically due to the disaster.~~

~~(c)(1) Funding shall be provided for two (2) years, based on the loss in revenues from the loss in average daily membership in the first year subsequent to the natural disaster as compared to the year in which the natural disaster occurred.~~

~~(2) Funding shall be calculated each fiscal year, with each qualifying school district receiving either full reimbursement or a pro-rata share of the total funds available.~~

~~(d) A school district may not receive funds both for a loss in students due to a natural disaster and for a loss in revenues due to a loss in students.~~

~~(e) These funds shall be distributed in accordance with rules and regulations promulgated by the department.~~

~~6-20-326. Districts losing revenues.~~

~~(a) The Department of Education shall provide funding to local school districts from available funds to aid local school districts which have~~

1 ~~suffered a significant loss of revenues. The loss of revenues considered~~
 2 ~~under this section shall have occurred in a one year period. Funding under~~
 3 ~~this section shall only be for one (1) year and shall be considered~~
 4 ~~nonrestricted revenues included in the calculation of total state and local~~
 5 ~~funding per average daily membership.~~

6 ~~(b) Under no circumstances may a school district receive both student~~
 7 ~~growth funding and loss funding authorized by this section. If a school~~
 8 ~~district qualifies for both student growth funding and loss funding, then the~~
 9 ~~school district shall receive the greater of the two (2) amounts.~~

10 ~~(c) The State Board of Education shall promulgate rules and~~
 11 ~~regulations for the disbursement of available funds for local school~~
 12 ~~districts' lost revenues.~~

13
 14 ~~6-20-327. Calculation and disbursement of funds authorized.~~

15 ~~(a) The Department of Education shall calculate the amount of funds~~
 16 ~~authorized by this subchapter on three (3) occasions during the year. The~~
 17 ~~first of these shall be done at the beginning of the year. A second~~
 18 ~~calculation shall occur at some point during the year, making corrections for~~
 19 ~~clerical errors and student growth. The third of these calculations shall be~~
 20 ~~done at the end of the year and shall settle all funding amounts due to~~
 21 ~~school districts under this subchapter.~~

22 ~~(b) On or before July 1 of every year, the department shall set a~~
 23 ~~schedule of payments of funds authorized under this subchapter to school~~
 24 ~~districts.~~

25 ~~(c) If statistical data required in this subchapter are not available~~
 26 ~~at the time they are required for calculations or if the school program is~~
 27 ~~disrupted for any cause not controlled by the local board of education, the~~
 28 ~~State Board of Education shall cause procedures to be developed which will~~
 29 ~~ensure that the provisions of this subchapter are properly enforced.~~

30
 31 SECTION 3. Effective Date. This act shall become effective on July 1,
 32 2004.