

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

*As Engrossed: S12/31/03 S1/5/04*

# A Bill

Call Item 6

SENATE BILL 42

5 By: Senators Bisbee, Broadway  
6  
7

## For An Act To Be Entitled

9 AN ACT TO PROVIDE EQUITABLE FUNDING TO PUBLIC  
10 SCHOOLS; TO PROVIDE A SYSTEM FOR MONITORING  
11 PUBLIC SCHOOL EXPENDITURES; TO INCREASE MINIMUM  
12 TEACHER SALARIES; TO ESTABLISH A KNOWLEDGE AND  
13 SKILLS-BASED PAY SYSTEM FOR TEACHERS; TO PROVIDE  
14 FOR SCHOOL-BASED PERFORMANCE AWARDS; AND FOR  
15 OTHER PURPOSES.  
16

## Subtitle

17 THE PUBLIC SCHOOL FUNDING ACT OF 2003.  
18  
19  
20

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

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

25 6-20-2001. Title.

26 This subchapter shall be known and may be cited as the "Public School  
27 Funding Act of 2003".  
28

29 6-20-2002. Legislative findings.

30 (a) The General Assembly recognizes that:

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

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



1           (b) The General Assembly finds that because of the decision of the  
2 Arkansas Supreme Court in November 2002 in the case of Lake View v. Huckabee,  
3 et al., it is the absolute duty of the State of Arkansas to provide all  
4 public school children with an opportunity for an adequate education.

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

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

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

13           (3) Assure:

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

16                   (i) English, oral communications, reading, and  
17 writing;

18                   (ii) Mathematics skills; and

19                   (iii) Science and social studies disciplines; and

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

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

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

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

32           (7) Encourage parental involvement in the public schools and in  
33 public school activities; and

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

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

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

7  
8       6-20-2003. Definitions.

9       As used in this subchapter:

10       (1) "Additional education categories" means state funds  
11 distributed to school districts for alternative learning environments,  
12 English language learners, national school lunch students, professional  
13 development and technology;

14       (2) "Alternative learning environment" means a student  
15 intervention program in compliance with §§ 6-18-508 and 6-18-509 that seeks  
16 to eliminate traditional barriers to learning for students;

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

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

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

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

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

35       (iii) Students who are eligible to attend and reside  
36 within the boundaries of a school district and who are enrolled in the

1 Arkansas National Guard Youth Challenge Program, so long as the students are  
2 participants in the program;

3 (4) "Classroom teacher" means:

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

8 (B) A guidance counselor; or

9 (C) A librarian;

10 (5) "Debt service funding" means the state financial aid  
11 provided to qualifying school districts for the purpose of reducing existing  
12 debt service burdens.

13 (6) "English language learners" means students identified by the  
14 State Board of Education as not proficient in the English language based upon  
15 approved English proficiency assessment instruments administered annually in  
16 the fall of the current school year, which assessments measure oral, reading,  
17 and writing proficiency;

18 (7) "Foundation funding" means an amount of money specified by  
19 the General Assembly for each school year to be expended by school districts  
20 for the provision of an adequate education for each student;

21 (8) "General facility funding" means the state financial aid  
22 provided to each school district from funds made available for that line item  
23 purpose;

24 (9) "Gifted and talented programs" means academic curriculum,  
25 courses, and options designed to improve educational opportunities for gifted  
26 and talented students pursuant to guidelines adopted by the State Board of  
27 Education in accordance with § 6-42-106;

28 (10) "Gifted and talented students" means those students who  
29 have been identified as meeting the criteria of the gifted program approval  
30 standards established by the State Board of Education;

31 (11) "Legal revenues" means the revenues of a school district  
32 including current balances, unrestricted state and local funding for the  
33 current school year, proceeds from a revolving loan pursuant to § 6-20-801 et  
34 seq., proceeds from commercial bonds pursuant to § 6-20-1201 et seq., and  
35 proceeds from funds received pursuant to § 6-20-402;

36 (12) "Mandatory callable bonds" means a bond issue in which all

1 net proceeds from debt service millage used to secure the issuance of that  
2 bond must be applied to payment of the issue and cannot be used for any other  
3 purposes;

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

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

15 (15) "National school lunch students" means those students from  
16 low socio-economic backgrounds as indicated by eligibility for free or  
17 reduced-priced meals under the National School Lunch Act as calculated on  
18 October 1 of each year and submitted to the department;

19 (16) "Previous year" means the school year immediately preceding  
20 the school year in which funds are allocated;

21 (17)(A) "Professional development" means a coordinated set of  
22 planned learning activities for teachers and administrators that are  
23 standards-based.

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

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

32 (19) "Special education catastrophic occurrences" means  
33 individual cases where special education and related services required by the  
34 individualized education program of a particular student with disabilities  
35 are unduly expensive, extraordinary, or beyond the routine and normal costs  
36 associated with special education and related services provided by a school

1 district and funding is pursuant to rules promulgated by the state board;

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

8 (21)(A) "Student growth funding" means the amount of state  
9 financial aid provided to each school district from the funds made available  
10 for that purpose.

11 (B) For school year 2004-2005, student growth funding is  
12 calculated as five thousand four hundred dollars (\$5,400) multiplied by the  
13 increase, if any, in the school district's two-quarter average of the average  
14 daily membership of the current school year over the local school district's  
15 average daily membership for the previous school year, excluding any increase  
16 resulting solely from consolidation or annexation with another school  
17 district;

18 (22) "Teachers of the gifted and talented" means individuals  
19 certified by the State Board of Education to teach identified gifted and  
20 talented students.

21 (23) "Technology" means any equipment for instructional purposes  
22 that is electronic in nature, including, but not limited to, computer  
23 hardware, computer software, internet connectivity, and distance learning;  
24 and

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

30  
31 6-20-2004. Miscellaneous.

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

35  
36 6-20-2005. School funding.

1        (a)(1) For each school year, a school district shall receive state  
2 foundation funding aid computed as the difference between the foundation  
3 funding amount pursuant to subdivision (a)(2) of this section and the sum of  
4 ninety-eight percent (98%) of the uniform rate of tax times the property  
5 assessment of the school district plus seventy-five percent (75%) of  
6 miscellaneous funds of the school district.

7        (2) For the 2004-2005 school year, the foundation funding amount  
8 is equal to five thousand four hundred dollars (\$5,400) times the average  
9 daily membership of the previous school year.

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

13       (2)(A) For the 2004-2005 school year, alternative learning  
14 environment funding shall be three thousand two hundred fifty dollars  
15 (\$3,250) for each identified alternative learning environment student.

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

19       (3)(A) For the 2004-2005 school year the English language  
20 learners funding shall be one hundred ninety-five dollars (\$195) for each  
21 identified English language learner.

22       (B) Funding for English language learner students shall be  
23 distributed to school districts for students who have been identified as not  
24 proficient in the English language based upon a state-approved English  
25 proficiency assessment instrument.

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

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

32               (i) For school districts in which ninety percent  
33 (90%) or greater of the enrolled students are national school lunch students,  
34 funding shall be one thousand four hundred forty dollars (\$1,440);

35               (ii) For school districts in which at least seventy  
36 percent (70%) but less than ninety percent (90%) of the enrolled students are

1 national school lunch students, funding shall be nine hundred sixty dollars  
2 (\$960); and

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

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

10 (C)(i) By June 1, 2004, the State Board of Education shall  
11 establish by rule a list of approved programs and purposes for which funds  
12 allocated under this subdivision (b)(4) may be expended. School districts  
13 shall expend funds allocated under this subdivision (b)(4) only on the  
14 approved programs or purposes which include, but are not limited to:

15 (a) Classroom teachers;

16 (b) Before and after-school academic programs,  
17 including transportation to and from the programs;

18 (c) Pre-kindergarten programs coordinated by  
19 the Department of Human Services;

20 (d) Tutors, teacher's aides, counselors,  
21 social workers, and nurses;

22 (e) Parent education; and

23 (f) Summer programs.

24 (ii) However, notwithstanding any other provision of  
25 law, if the Department of Education determines that a school district's  
26 expenditure of funds allocated under this subdivision (b)(4) would result in  
27 the school district losing funding under any federal law, then the funds  
28 allocated to a school district under this subdivision (b)(4) may be expended  
29 for other academic programs or salaries.

30 (D) By the end of each school year, each school district  
31 shall submit to the department a report listing each program upon which funds  
32 allocated under this subdivision (b)(4) were expended, the amount expended,  
33 and any other information required by the department. The department shall  
34 develop appropriate reporting forms for use by school districts.

35 (5)(A) Professional development funding for the 2004-2005 school  
36 year shall be equal to fifty dollars (\$50.00) times the school district's

1 previous school year average daily membership.

2 (B) Funding for professional development for teachers in  
3 Arkansas public schools may be used for professional development training  
4 conferences, materials, and other professional development activities as  
5 outlined in rules promulgated by the state board.

6 (c)(1) General facilities funding, debt service funding, isolated  
7 funding under § 6-20-601, student growth funding and special education-  
8 catastrophic occurrences funding shall be allocated and funded to school  
9 districts in a line item appropriation within the Public School Fund pursuant  
10 to law or rules promulgated by the State Board of Education.

11 (2) A school district shall only use general facilities funding  
12 for:

13 (A) The purchase of school buses, furniture, equipment,  
14 and computer software;

15 (B) The renovation or repairs of existing facilities; or

16 (C) The repayment of commercial bonds or revolving loans.

17 (d) The sum of subsections (a)--(c) of this section shall be the total  
18 state aid allocated and funded to school districts pursuant to this section.

19 (e) Funds distributed to school districts under subsection (b) of this  
20 section shall be expended on:

21 (1) The students within each category of special needs for which  
22 the funds were allocated;

23 (2) Any students within any category of special needs under  
24 subsection (b) of this section as permitted by rules issued by the State  
25 Board of Education; or

26 (3) If the Department of Education determines that a school  
27 district's expenditure of funds allocated under subsection (b) of this  
28 section would result in the school district losing funding under any federal  
29 law, then the funds allocated to a school district under subsection (b) of  
30 this section may be expended for other academic programs or salaries as  
31 permitted by the department.

32  
33 6-20-2006. Department of Education to provide funding -- Adjustments  
34 for overpayments.

35 (a) If the Department of Education determines that an overpayment has  
36 been made to a school district under any appropriation authorized by this

1 subchapter, the department is authorized to:

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

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

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

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

8  
9 6-20-2007. Monitoring of expenditures.

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

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

18 (c) Each school district shall:

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

21 (2)(A) Expend the sums allocated to the school district under  
22 § 6-20-2005(b) for salaries and other instructional aid components to benefit  
23 students in the special needs categories within the school district unless  
24 other expenditures are allowed by law or rule of the State Board of Education  
25 or Department of Education.

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

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

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

35 (5) Ensure that sums allocated for facilities or other capital  
36 needs are spent in accordance with law; and

1           (6) Expend state and local revenues on gifted and talented  
2 programs:

3           (A) In an amount not less than fifteen hundredths percent  
4 (0.15%) of the foundation funding amount multiplied times the lesser of the  
5 previous year's average daily membership participating in gifted and talented  
6 programs in the school district or five percent (5%) of the school district's  
7 total average daily membership for the previous year; and

8           (B) In accordance with rules promulgated by the State  
9 Board of Education.

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

14          (2) The data shall be timely, accurate, and in the format  
15 required by rules promulgated by the State Board of Education.

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

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

21  
22          6-20-2008. School district budget and expenditure report.

23          (a)(1) The board of directors of each school district shall annually  
24 prepare a budget of expenditures and receipts that shall be filed with the  
25 Department of Education by August 15 of each year pursuant to the provisions  
26 of this subchapter.

27          (2) Each budget shall be approved by the school district board  
28 of directors at a legally held meeting and shall be signed by the president  
29 of the board and the ex officio financial secretary of the school district.  
30 The budget shall contain the information and be prepared in an electronic  
31 format prescribed by rules of the State Board of Education governing  
32 financial accounting for Arkansas school districts.

33          (3) A school district that utilizes an electronic format shall  
34 file the budget with the department no later than August 15 of each year.

35          (b)(1)(A) Warrants or checks of the school district issued after the  
36 date required by subsection (a) of this section shall be invalid unless a

1 budget has been filed as required by this subchapter and in compliance with  
2 appropriate rules.

3 (B) The ex officio financial secretary of the school  
4 district and his surety shall be liable for any warrants or checks  
5 countersigned after the date required by subsection (a) of this section if a  
6 budget has not been filed.

7 (2) Distribution of all grants and aids from the state for which  
8 the school district may be eligible shall be suspended until the requirements  
9 of this subchapter are met.

10 (c)(1) School district budgets filed pursuant to this section shall be  
11 reviewed by the auditors of the financial accountability office of the  
12 department to determine if the requirements of state law and the rules of the  
13 state board regarding the use of school funds and expenditure requirements  
14 are being met.

15 (2) Upon approval by the auditors, copies of the approved budget  
16 shall be filed with the school district, the county treasurer if serving as  
17 school treasurer, and the department.

18 (d)(1) The ex officio financial secretary of each school district  
19 shall keep a record of the daily expenditures and receipts of the school  
20 district in the manner and on the forms as may be specified by rules of the  
21 state board and the School Audit Section of the Division of Legislative  
22 Audit. An annual record shall be filed by August 15 of each year with the  
23 department.

24 (2) If the auditors of the financial accountability office of  
25 the department or the School Audit Section of the Division of Legislative  
26 Audit determine that the financial records of any school district are not  
27 properly maintained or that the financial affairs of the school district are  
28 not administered in accordance with state law or state board rules, grants  
29 and aids from the state to which the school district may be entitled shall be  
30 withheld until it is determined that the fiscal records of the school  
31 district are in order or that the financial affairs are being properly  
32 administered as established by statute or by rule promulgated by the board,  
33 provided that the department has met all deadlines for providing information  
34 to school districts.

35 (e)(1) The department may withhold state aid from any school district  
36 that fails to file its budget or any other required report with the

1 department by the deadline established by statute or by rule promulgated by  
2 the state board, provided that the department has met all deadlines for  
3 providing pertinent information to school districts.

4 (2) The department shall submit a list of all required financial  
5 accountability reports along with due dates to each school district by July 1  
6 of each year.

7 (f) The state board shall promulgate the necessary rules to fully  
8 implement the provisions of this section.

9 (g) The Treasurer of State shall withhold the monthly distribution of  
10 county aid provided under § 19-5-602(b) from any county that fails to provide  
11 in a timely manner information to the department concerning the annual  
12 abstract of assessment for each school district located wholly or in part in  
13 the county.

14  
15 6-20-2009. Uniform budget and accounting system required.

16 (a) The State Board of Education shall adopt by rule a uniform budget  
17 and accounting system as presented in the Handbook IIR2 or future revisions  
18 as published by the U.S. Department of Education, Office of Educational  
19 Research and Improvements, for school districts, education service  
20 cooperatives, and open enrollment charter schools. The rules shall be  
21 developed by the Department of Education in cooperation with representatives  
22 from the Arkansas Association of School Administrators, the Arkansas  
23 Association of School Business Officials, and the Legislative Joint Auditing  
24 Committee.

25 (b) The definitions contained in the Federal Handbook IIR2 shall be  
26 used for school districts in Arkansas and shall be used to allow for valid  
27 comparisons of expenditures among schools and among school districts.

28 (c) In addition the State Board of Education shall adopt by rule  
29 “Arkansas Revisions” to the Federal Handbook IIR2. The rules shall be  
30 developed by the Department of Education in cooperation with representatives  
31 from the Arkansas Association of School Administrators, the Arkansas  
32 Association of School Business Officials, and the Legislative Joint Auditing  
33 Committee. Arkansas Revisions shall include, but not be limited to:

34 (1) Categories to allow for the gathering of data on separate  
35 functions and programs;

36 (2) Categories and descriptions of expenditures that each school

1 or school district shall report on its annual school performance report  
 2 authorized by the School Performance Report Act, § 6-5-1401 et seq. The  
 3 reported expenditures shall include, but not be limited to, the following  
 4 categories:

5 (A) Total expenditures;

6 (B) Instructional expenditures;

7 (C) Administrative expenditures;

8 (D) Extracurricular expenditures;

9 (E) Capital expenditures; and

10 (F) Debt service expenditures; and

11 (3) Categories and descriptions of school and school district  
 12 expenditures that allow for the gathering of data on separate functions and  
 13 programs as described in the Education Funding Reform Act of 2003, § 6-20-  
 14 2001 et seq.

15 (d) The Department of Education shall have the authority to analyze  
 16 and inspect the financial records of any school or school district in order  
 17 to verify that a school or school district is correctly and accurately  
 18 reporting expenditures.

19 (e) By November 1 of each year, the Department of Education shall  
 20 submit a summary report to the State Board of Education, the Governor, and  
 21 the Senate and House Interim Committees on Education concerning public school  
 22 and public school district expenditures as described in the Education Funding  
 23 Reform Act of 2003, § 6-20-2001 et seq.

24 (f) All rules, regulations, and revisions adopted under this  
 25 subchapter shall be adopted and published prior to the start of any school  
 26 year for which they are applicable and shall allow for an implementation  
 27 schedule consistent with the method outlined in § 6-20-2012.

28  
 29 6-20-2010. Required training.

30 (a)(1) Any person whose job responsibility includes preparing the  
 31 budget or recording expenditures of a school or school district shall obtain  
 32 training and instruction necessary to demonstrate basic proficiency, as  
 33 determined by the Arkansas Public School Computer Network Division of the  
 34 Department of Education, in areas including, but not limited to:

35 (A) School laws of Arkansas;

36 (B) Laws and rules governing the expenditure of public

1 education funds, fiscal accountability, and school finance; and

2 (C) Ethics.

3 (2) Each year thereafter, any person whose job responsibility  
4 includes preparing the budget or recording expenditures of a school or school  
5 district shall obtain by December 31 of each calendar year, additional hours  
6 of training and instruction in, including but not limited to, the topics  
7 described in subdivision (a)(1) of this section. Hours of training and  
8 instruction obtained in excess of the minimum requirements may cumulate and  
9 be carried over from year to year. The State Board of Education shall  
10 establish by rule the number of hours of training required by this subsection  
11 (a).

12 (3)(A) The instruction shall be received from the Arkansas  
13 Public School Network Division of the Department of Education, which may  
14 approve other providers.

15 (B) Any instruction provider other than the department  
16 shall request pre-approval as to form and content from the department.

17 (4)(A) If a person fails to obtain the required training by the  
18 end of the calendar year and fails to cure the deficiency by March 1 of the  
19 following calendar year without filing a request for extension of time, as  
20 determined from the records of the department, the department shall  
21 immediately notify the superintendent of the employing school district by  
22 certified mail, return receipt requested, with a copy of the notice provided  
23 to the board president.

24 (B) The superintendent shall notify the person by  
25 certified mail, return receipt requested, and the person shall be unable to  
26 continue in his or her position from the date of receipt of notification by  
27 the superintendent.

28 (5) If the person fails to obtain all required training by the  
29 end of the calendar year, this failure shall constitute one (1) citation  
30 against the school district as measured by the Standards for Accreditation of  
31 Arkansas Public Schools issued by the department.

32 (6) If the person is unable to obtain the required training  
33 because of military service or illness as verified by a written sworn  
34 statement of the person's attending physician, the department shall grant an  
35 extension permitting the person additional time to obtain the required  
36 training. The issuance of an extension shall not constitute a citation

1 against the school district as measured by the Standards for Accreditation of  
2 Arkansas Public Schools issued by the department and shall not operate to  
3 remove the person from his or her job.

4 (b)(1) A school district board of directors is authorized to pay per  
5 diem and reimburse the expenses of a person required to obtain training under  
6 this section.

7 (2) The expenses must be incurred in attending in-service  
8 workshops, conferences, and other courses of training and instruction  
9 necessary for completing the hours of instruction required under this  
10 section.

11 (3) Payments may be made from funds belonging to the school  
12 district.

13 (c) The State Board of Education shall modify the Standards for  
14 Accreditation of Arkansas Public Schools issued by the department as may be  
15 required by this section.

16 (d) It is the responsibility of the department to receive and maintain  
17 records of instructional hours obtained by any individual covered under this  
18 section.

19 (e) The state board is authorized to promulgate rules and regulations  
20 consistent with the provisions of this section.

21  
22 6-20-2011. Penalties.

23 Any school district that does not follow the provisions of this  
24 subchapter shall be placed in fiscal distress as provided by law.

25  
26 6-20-2012. Rule-making authority.

27 (a)(1) Before the 2004-2005 school year, the State Board of Education  
28 shall promulgate rules governing and providing compliance with an established  
29 uniform chart of accounts for budgeting of school and school district  
30 revenues and expenditures and financial reporting in order for school  
31 districts to comply with § 6-22-2008.

32 (2) These rules shall be applied to all school districts on a  
33 pilot basis for the 2004-2005 school year.

34 (b) For the 2005-2006 school year and subsequent school years, the  
35 Department of Education shall amend, prior to the beginning of any fiscal  
36 year, as necessary the rules provided for in subsection (a) of this section

1 in order for school districts to comply with this subchapter.

2 (c) Any school district that fails to comply with state law or rules  
3 governing and providing a uniform chart of accounts for budgeting of revenues  
4 and expenditures and financial reporting shall be deemed to be in fiscal  
5 distress and subject to the applicable enforcement provisions as provided by  
6 law.

7 (d) Any school district that fails to comply with the expenditure  
8 requirements of § 6-20-2005 shall be deemed to be in fiscal distress and  
9 subject to the applicable enforcement provisions as provided by law.

10  
11 6-20-2013. Computation of classroom teacher salaries.

12 School districts may not include the cost of substitute teachers,  
13 extended contracts for extracurricular activities, or supplementary pay for  
14 extracurricular activities in meeting the expenditure requirements for  
15 classroom teacher salaries pursuant to § 6-17-2401 et seq.

16  
17 6-20-2014. Calculation and disbursement of funds authorized.

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

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

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

24 (2) At any point during the school year for the purpose of  
25 making corrections for clerical errors and student growth; and

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

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

33  
34 SECTION 2. Arkansas Code Title 6, Chapter 17, is amended to add the  
35 following subchapter:

36 6-17-2401. Title.

This subchapter shall be known and may be cited as the "Teacher Compensation Program of 2003".

6-17-2402. Definitions.

As used in this subchapter:

(1) "Basic contract" means a teacher employment contract for a number of days that does not exceed the number of days in the school year required by the State Board of Education for accreditation for the school year in which the contract is effective;

(2) "Teacher" means:

(A) Any employee of a public school district who is compelled by law to secure a license from the state board as a condition precedent to employment in a position in or related to grades pre-kindergarten through twelve (preK-12) of the public schools of this state and who is teaching full time or part time; and

(B) A licensed guidance counselor or librarian.

6-17-2403. Minimum teacher compensation schedule for 2004-2005.

(a) In school year 2004-2005, the board of directors in each school district in the state shall pay their teachers upon a salary schedule that:

(1) Has annual increments for education and experience;

(2) Provides for a base salary; and

(3) Provides for a minimum salary for a teacher with a master's degree and at least twenty (20) years of experience.

(b)(1) In school year 2004-2005 and each year thereafter, each school district whose teachers have not been assessed shall have in place a salary schedule with at least the following levels of compensation for the basic contract:

<u>Years Experience</u>	<u>BA Degree Salary</u>	<u>MA Degree Salary</u>
<u>0</u>	<u>\$27,891</u>	<u>\$30,750</u>
<u>1</u>	<u>28,449</u>	<u>31,365</u>
<u>2</u>	<u>29,018</u>	<u>31,992</u>
<u>3</u>	<u>29,598</u>	<u>32,632</u>
<u>4</u>	<u>30,190</u>	<u>33,285</u>
<u>5</u>	<u>30,795</u>	<u>33,951</u>
<u>6</u>	<u>31,410</u>	<u>34,630</u>

1	<u>7</u>	<u>32,039</u>	<u>35,323</u>
2	<u>8</u>	<u>32,679</u>	<u>36,029</u>
3	<u>9</u>	<u>33,333</u>	<u>36,750</u>
4	<u>10</u>	<u>34,000</u>	<u>37,485</u>
5	<u>11</u>	<u>34,680</u>	<u>38,235</u>
6	<u>12</u>	<u>35,374</u>	<u>39,000</u>
7	<u>13</u>	<u>36,082</u>	<u>39,780</u>
8	<u>14</u>	<u>36,804</u>	<u>40,576</u>
9	<u>15</u>	<u>37,540</u>	<u>41,388</u>
10	<u>16</u>	<u>38,291</u>	<u>42,216</u>
11	<u>17</u>	<u>39,057</u>	<u>43,060</u>
12	<u>18</u>	<u>39,838</u>	<u>43,921</u>
13	<u>19</u>	<u>40,634</u>	<u>44,799</u>
14	<u>20 years or more</u>	<u>41,447</u>	<u>45,695</u>

15           (2) For purposes of the salary schedule described in this  
16 subsection (b), the teacher's experience shall be his or her total years in  
17 any public school district in the state, and shall not be based only upon the  
18 years in the school district in which he or she is currently employed.

19  
20           6-17-2404. Knowledge and skills-based pay.

21           (a) The Department of Education shall prepare a study on a knowledge  
22 and skills-based teacher pay system and shall submit the study and  
23 recommendations to the Governor and the House and Senate Committees on  
24 Education not later than January 1, 2005.

25           (b) The study shall include, but not be limited to, a salary schedule,  
26 transition provisions, proposed amendments to existing law, and other  
27 provisions necessary to implement the system.

28  
29           6-17-2405. Future adjustments of the compensation system.

30           Each biennium, the House Interim Committee on Education and the Senate  
31 Interim Committee on Education shall analyze the compensation levels provided  
32 in this subchapter, review relevant data, and make recommendations to the  
33 General Assembly for any adjustments to the compensation levels as needed to  
34 further the objective provided in § 6-17-2402.

35  
36           SECTION 3. Arkansas Code § 6-23-501(a), concerning funding for open-

1 enrollment charter schools, is amended to read as follows:

2 (a)(1) An open-enrollment charter school shall receive funds equal to  
 3 the amount that a public school would receive under § 6-20-2005(a) and (b) as  
 4 well as any other funding that a charter school is entitled to receive under  
 5 law or pursuant to rules promulgated by the State Board of Education ~~the~~  
 6 ~~minimum state and local revenue per average daily membership as defined in §~~  
 7 ~~6-20-303.~~

8 (2) Funding for an open-enrollment charter school shall be based  
 9 upon the current year three-quarter average daily membership of the open-  
 10 enrollment charter school as follows:

11 (A) The initial funding estimate for each school year  
 12 shall be based on enrollment as of April 15 preceding the school year in  
 13 which the students are to attend;

14 (B) In December, funding will be adjusted based on the  
 15 first quarter average daily membership; and

16 (C) A final adjustment will be made after the current year  
 17 three-quarter average daily membership is established.

18 (3) Funding for an open-enrollment charter school shall be paid  
 19 in twelve (12) equal installments each fiscal year.

20  
 21 SECTION 4. Arkansas Code Title 6, Chapter 20, Subchapter 3 is  
 22 repealed.

23 ~~6-20-301. Title.~~

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

26  
 27 ~~6-20-302. Legislative findings.~~

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

34 ~~(b) The General Assembly finds that the education of the children of~~  
 35 ~~this state is best secured by maintaining as much local control over the day-~~  
 36 ~~to-day management of school operations as is consistent with state~~

1 ~~constitutional requirements, and it is the intent of this subchapter to~~  
2 ~~maintain and foster such local control consistent with the state's~~  
3 ~~constitutional mandate to assure suitability and efficiency in the public~~  
4 ~~school system.~~

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

7 ~~(1) Assure the availability of substantially equal and~~  
8 ~~constitutionally appropriate revenue for the education of each similarly~~  
9 ~~situated child in the public schools, regardless of where that child resides~~  
10 ~~within the state;~~

11 ~~(2) Assure that each school age child resides in a school~~  
12 ~~district that offers a competitive minimum salary for classroom teachers;~~

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

16 ~~(4) Assure that:~~

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

19 ~~(i) English communications, oral, reading, and~~  
20 ~~writing;~~

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

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

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

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

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

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

36 ~~(8) Encourage parental involvement in the public schools and~~

1 ~~public school activities;~~

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

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

6 ~~(11) Avoid unnecessary duplication of administrative and~~  
7 ~~operational expenses;~~

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

10 ~~(13) Recognize that early attention to and correction of student~~  
11 ~~deficiencies are substantially less expensive and more effective than~~  
12 ~~remedial efforts in the later school grades.~~

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

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

18 ~~(e) The General Assembly recognizes that the supervision of public~~  
19 ~~schools and the execution of the laws regulating the schools shall be vested~~  
20 ~~in such officers as the General Assembly provides.~~

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

23 ~~(g) The state recognizes the importance of local decision-making in~~  
24 ~~the education process.~~

25  
26 ~~6-20-303. Definitions.~~

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

28 ~~(1) "Additional base funding" means the state funding to local~~  
29 ~~school districts to ensure that a local school district's total state and~~  
30 ~~local revenue per average daily membership is no less than the minimum state~~  
31 ~~and local revenue per average daily membership;~~

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

35 ~~(3) "Alternative learning environment" means an intervention~~  
36 ~~program in compliance with §§ 6-18-508 and 6-18-509 that seeks to eliminate~~

1 ~~traditional barriers to learning for students and includes a component for~~  
 2 ~~the education of gifted and talented students;~~

3 ~~(4) "Average daily membership" means the total number of days~~  
 4 ~~attended plus the total number of days absent by students in grades~~  
 5 ~~kindergarten through twelve (K-12) during the first three (3) quarters of~~  
 6 ~~each school year divided by the number of school days actually taught in the~~  
 7 ~~district during that period of time rounded up to the nearest hundredth. In~~  
 8 ~~those instances in which the average daily membership for less than three (3)~~  
 9 ~~quarters is specified, the number of days used in the calculation shall be~~  
 10 ~~the days in the specified period of time. As applied to this subchapter,~~  
 11 ~~students who may be counted for average daily membership are:~~

12 ~~(A) Students who reside within the boundaries of the~~  
 13 ~~school district and who are enrolled in a public school operated by the~~  
 14 ~~district or a private school for special education students, with their~~  
 15 ~~attendance resulting from a written tuition agreement approved by the~~  
 16 ~~Department of Education;~~

17 ~~(B) Legally transferred students living outside the~~  
 18 ~~district but attending a public school in the district; and~~

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

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

23 ~~(A) If Category 1 is fully funded, the local revenue per~~  
 24 ~~student in the local school district with the highest amount of local revenue~~  
 25 ~~per student; or~~

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

28 ~~(i) Taking the sum of:~~

29 ~~(a) The total available state aid for state~~  
 30 ~~equalization funding per student;~~

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

33 ~~(c) Seventy five percent (75%) of the average~~  
 34 ~~miscellaneous funds collected in the previous five (5) years or previous~~  
 35 ~~year, whichever is less; and~~

36 ~~(ii) Dividing the sum by the total state average~~

1 ~~daily membership for the previous year;~~

2 ~~(6) "Classroom teacher" means:~~

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

7 ~~(B) A guidance counselor; or~~

8 ~~(C) A librarian;~~

9 ~~(7) "Debt service funding supplement" means the state financial~~  
10 ~~aid provided to qualifying local school districts for the purpose of reducing~~  
11 ~~existing debt service burdens and increasing the amount of local revenue~~  
12 ~~available for maintenance and operations expenditures and calculated as~~  
13 ~~follows: For each mill of eligible debt service millage required, the local~~  
14 ~~school shall be provided a dollar amount of no less than fifteen dollars~~  
15 ~~(\$15.00) per average daily membership times the state wealth index;~~

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

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

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

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

32 ~~(12) "General facility funding" means the state financial aid~~  
33 ~~provided to each local school district from funds made available for that~~  
34 ~~purpose and based on a facilities needs assessment justification approved by~~  
35 ~~the department and calculated as follows: Multiply the local school~~  
36 ~~district's average daily membership for the previous year by the state wealth~~

1 ~~index, times a rate established by the State Board of Education;~~

2 ~~(13) "Incentive funding" means the state financial aid provided~~  
3 ~~to local school districts below the ninety fifth percentile for the purpose~~  
4 ~~of eliminating the incentive a local school district may have to reduce its~~  
5 ~~additional mills available for maintenance and operations and which is~~  
6 ~~calculated by taking one half (1/2) of the difference between the amount of~~  
7 ~~additional base funding a local school district would have received if it~~  
8 ~~only levied the uniform rate of tax and the additional base funding the~~  
9 ~~district receives in the current school year. For purposes of the calculation~~  
10 ~~of the amount of additional base funding a district would have received if it~~  
11 ~~had only levied the uniform rate of tax, twenty five percent (25%) of the~~  
12 ~~miscellaneous funds received by any local school district shall be excluded~~  
13 ~~from the calculation;~~

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

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

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

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

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

33 ~~(E) If the statewide amount for isolated funding~~  
34 ~~calculated pursuant to this section is less than the amount appropriated for~~  
35 ~~isolated funding, the state board may include a funding factor to the~~  
36 ~~calculation in subdivision (14)(A) of this section in order to expend up to~~

1 ~~the appropriated amount;~~

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

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

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

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

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

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

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

36 ~~(22) "Previous year" means the school year immediately preceding~~

1 ~~the school year in which funds are allocated;~~

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

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

9 ~~(25) "Student classroom teacher funding" means the state~~  
 10 ~~financial aid provided to each local school district calculated as an amount~~  
 11 ~~equal to the amount allocated for student classroom teacher funding divided~~  
 12 ~~by the total state average daily membership for the previous year times the~~  
 13 ~~receiving school district's average daily membership for the previous year;~~

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

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

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

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

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

36 ~~(i) The local school district's uniform rate of tax~~

1 ~~times ninety eight percent (98%) of the district's assessed valuation;~~

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

5 ~~(iii) The local school district's miscellaneous~~  
6 ~~funds; and~~

7 ~~(iv) State equalization funding, student classroom~~  
8 ~~teacher funding, student unit funding, vocational funding, general facilities~~  
9 ~~funding, and student growth funding available to the local school district;~~  
10 ~~and~~

11 ~~(B) By dividing by the average daily membership of the~~  
12 ~~local school district; and~~

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

20 ~~(A) The local school district's maintenance and operation~~  
21 ~~millage;~~

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

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

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

26  
27 ~~6-20-304. Liberal construction.~~

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

31  
32 ~~6-20-305. Miscellaneous.~~

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

1           ~~6-20-306. School funding.~~

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

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

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

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

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

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

11           ~~(b)(1) If any category of funding excluding Category 1 is only~~  
12 ~~partially funded, each local school district shall receive a pro rata share.~~

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

17  
18           ~~6-20-307. Facilities.~~

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

22           ~~(b)(1) The state shall provide from available funds a debt service~~  
23 ~~funding supplement to qualifying local school districts for the purpose of~~  
24 ~~reducing debt service burdens issued before May 30 of each fiscal year and~~  
25 ~~increasing the amount of local revenue available for maintenance and~~  
26 ~~operations expenditures.~~

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

30  
31           ~~6-20-308. Department of Education to provide funding—Adjustments for~~  
32 ~~overpayments.~~

33           ~~(a)(1) After determining the amount of state equalization funding,~~  
34 ~~student classroom teacher funding, student unit funding, vocational funding,~~  
35 ~~general facilities funding, and student growth funding available to each~~  
36 ~~local school district, the Department of Education shall provide any~~

1 additional base funding necessary to ensure that the total state and local  
2 revenue per average daily membership of each local school district is no less  
3 than the minimum state and local revenue per average daily membership.

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

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

9 (1) The yearly savings produced by the refunding is deposited  
10 into a refunding savings building fund and is used by the district for the  
11 building and equipping of school buildings, for major adaptations to a  
12 facility, or for purchasing sites therefor; and that

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

17 (c) If the department shall determine that an overpayment has been  
18 made to a local school district in any appropriation authorized by this  
19 subchapter, the department is authorized to withhold the overpayment from  
20 state equalization funding and is authorized to transfer the amount withheld  
21 for the overpayment to the line item appropriation from which the overpayment  
22 was initially made.

23  
24 6-20-309. Local school districts—Restrictions on use of specific  
25 funding.

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

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

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

33  
34 6-20-310. Local school districts—Required expenditures.

35 (a) Local school districts shall expend state and local revenues on  
36 students evaluated as special education students in accordance with existing

1 ~~federal and state laws and Department of Education regulations.~~

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

5  
6 ~~6-20-311. Local school districts.~~

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

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

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

15  
16 ~~6-20-319. Other requirements for state aid.~~

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

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

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

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

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

34 ~~(5) All pupil attendance records shall be kept in their original~~  
35 ~~form and shall be public records. They shall be kept according to law and~~  
36 ~~regulations, on paper or electronic forms either furnished or approved by the~~

1 department. Original attendance records shall be kept on file in the office  
2 of the superintendent of schools after the school term is ended for a period  
3 of three (3) years, and these records shall be available for monitoring  
4 purposes during any day of the school term by the teachers or other persons  
5 designated to keep attendance.

6  
7 ~~6-20-320. Computation of classroom teacher salaries.~~

8 ~~Local school districts may not include the cost of substitute teachers,~~  
9 ~~extended contracts for extracurricular activities, or supplementary pay for~~  
10 ~~extracurricular activities in meeting the expenditures requirement for~~  
11 ~~student classroom teacher salaries.~~

12  
13 ~~6-20-323. Special needs students.~~

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

17 ~~(b) Funding for students with limited English proficiency shall be~~  
18 ~~based upon actual students who have been identified based on the use of an~~  
19 ~~English proficiency assessment instrument. These funds shall be distributed~~  
20 ~~pro rata based upon the number of students identified as limited English~~  
21 ~~proficient.~~

22 ~~(c) Funding for special education—catastrophic occurrences shall be~~  
23 ~~based upon those individual cases where special education and related~~  
24 ~~services required by the individualized education program of a particular~~  
25 ~~student with disabilities are unduly expensive, extraordinary, or beyond the~~  
26 ~~routine and normal costs associated with special education and related~~  
27 ~~services provided by a local school district.~~

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

36 ~~(2) Funding for students with low socioeconomic status shall~~

1 ~~only be funded through June 30, 2005.~~

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

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

11  
12 ~~6-20-324. Incentive revenues to encourage local millage.~~  
13 ~~After the calculation and provision of additional base funding, the~~  
14 ~~Department of Education shall provide incentive funding to local school~~  
15 ~~districts below the district at the ninety-fifth percentile in order to~~  
16 ~~reward local school districts for levying additional mills available for~~  
17 ~~maintenance and operations and in order to remove the potential disincentive~~  
18 ~~for a local school district to reduce its additional mills available for~~  
19 ~~maintenance and operations in order to receive additional base funding or in~~  
20 ~~order to receive an increase in additional base funding.~~

21  
22 ~~6-20-325. State equalization funding for natural disaster areas.~~

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

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

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

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

36 ~~(2) Funding shall be calculated each fiscal year, with each~~

1 ~~qualifying school district receiving either full reimbursement or a pro rata~~  
2 ~~share of the total funds available.~~

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

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

8  
9 ~~6-20-326. Districts losing revenues.~~

10 ~~(a) The Department of Education shall provide funding to local school~~  
11 ~~districts from available funds to aid local school districts which have~~  
12 ~~suffered a significant loss of revenues. The loss of revenues considered~~  
13 ~~under this section shall have occurred in a one year period. Funding under~~  
14 ~~this section shall only be for one (1) year and shall be considered~~  
15 ~~nonrestricted revenues included in the calculation of total state and local~~  
16 ~~funding per average daily membership.~~

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

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

24  
25 ~~6-20-327. Calculation and disbursement of funds authorized.~~

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

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

36 ~~(c) If statistical data required in this subchapter are not available~~

1 ~~at the time they are required for calculations or if the school program is~~  
2 ~~disrupted for any cause not controlled by the local board of education, the~~  
3 ~~State Board of Education shall cause procedures to be developed which will~~  
4 ~~ensure that the provisions of this subchapter are properly enforced.~~

5  
6 *SECTION 5. Arkansas Code §§ 6-17-1001 through 6-17-1004 are repealed.*

7 ~~6-17-1001. Minimum base salary—Master's degree.~~

8 ~~(a)(1) The board of directors in each school district in the state~~  
9 ~~shall pay its teachers upon a salary schedule which has annual increments for~~  
10 ~~education and experience and which provides for a base salary, a minimum~~  
11 ~~salary for a teacher with a master's degree, and at least fifteen (15) years~~  
12 ~~of experience as described in this section.~~

13 ~~(2) Beginning with the 2003-2004 school year, the teacher's~~  
14 ~~experience for purposes of salary and benefits shall be his or her total~~  
15 ~~years in any school district in the state and shall not be based on only the~~  
16 ~~years in the district in which he or she is currently employed.~~

17 ~~(b) In school year 2000-2001 and in each school year thereafter, no~~  
18 ~~school district shall pay its teachers with a bachelor's degree and no~~  
19 ~~experience less than twenty-one thousand eight hundred sixty dollars~~  
20 ~~(\$21,860).~~

21 ~~(c) In school year 2000-2001 and in each school year thereafter,~~  
22 ~~school districts shall pay teachers with a master's degree and no experience~~  
23 ~~at least one hundred fifteen percent (115%) of the minimum base salary~~  
24 ~~prescribed in subsection (b) of this section.~~

25 ~~(d) In school year 2001-2002 and in each school year thereafter,~~  
26 ~~school districts shall pay a teacher with a master's degree and at least~~  
27 ~~fifteen (15) years of experience one hundred fifty percent (150%) of the~~  
28 ~~state minimum base salary.~~

29 ~~(e)(1) In school year 1995-1996 and in each school year thereafter,~~  
30 ~~each school district in the state shall have in place a salary schedule which~~  
31 ~~provides at least fourteen (14) annual increments for experience.~~

32 ~~(2) In school year 2001-2002 and in each school year thereafter,~~  
33 ~~each school district in the state shall have in place a salary schedule which~~  
34 ~~provides at least fifteen (15) annual increments for experience.~~

35 ~~(3) In school year 2001-2002 and in each school year thereafter,~~  
36 ~~each school district in the state shall have in place a salary schedule with~~

1 ~~at least the following minimum levels of compensation:~~

2

3 ~~Years Experience      BA Degree Salary      MA Degree Salary~~

4

5 ~~0                      \$21,860                      \$25,139~~

6

7 ~~1                      22,304                      25,649~~

8

9 ~~2                      22,748                      26,159~~

10

11 ~~3                      23,192                      26,669~~

12

13 ~~4                      23,636                      27,179~~

14

15 ~~5                      24,080                      27,689~~

16

17 ~~6                      24,524                      28,199~~

18

19 ~~7                      24,968                      28,709~~

20

21 ~~8                      25,412                      29,219~~

22

23 ~~9                      25,856                      29,729~~

24

25 ~~10                      26,300                      30,239~~

26

27 ~~11                      26,744                      30,749~~

28

29 ~~12                      27,188                      31,259~~

30

31 ~~13                      27,632                      31,769~~

32

33 ~~14                      28,076                      32,279~~

34

35 ~~15 or more              28,520                      32,789~~

36 ~~(f) For the 1997-98 school year and for each year thereafter, each~~

1 ~~school district shall provide no less than four hundred dollar increments for~~  
2 ~~experience for teachers with one (1) and two (2) years of experience.~~

3 ~~(g) For the 1998-1999 school year and for each year thereafter, each~~  
4 ~~school district shall provide no less than four hundred dollar increments for~~  
5 ~~experience for teachers with three (3) and four (4) years of experience.~~

6 ~~(h) For the 1999-2000 school year and for each year thereafter, each~~  
7 ~~school district shall provide no less than four hundred dollar increments for~~  
8 ~~experience for teachers with five (5) and six (6) years of experience.~~

9 ~~(i) For the 2000-2001 school year and for each year thereafter, each~~  
10 ~~school district shall provide no less than four hundred dollar increments for~~  
11 ~~experience for teachers with seven (7) and eight (8) years of experience.~~

12 ~~(j) For the 2001-2002 school year and for each year thereafter, each~~  
13 ~~school district shall provide no less than four hundred dollar increments for~~  
14 ~~experience for teachers with nine (9) and ten (10) years of experience.~~

15 ~~(k) For the 2002-2003 school year and for each year thereafter, each~~  
16 ~~school district shall provide no less than four hundred dollar increments for~~  
17 ~~experience for teachers with eleven (11) and twelve (12) years of experience.~~

18 ~~(l)(1) For the 2003-2004 school year and for each year thereafter,~~  
19 ~~each school district shall provide no less than four hundred dollar~~  
20 ~~increments for experience for teachers with thirteen (13) years of~~  
21 ~~experience.~~

22 ~~(2) For the 2004-2005 school year and for each year thereafter,~~  
23 ~~each school district shall provide no less than four hundred dollar~~  
24 ~~increments for experience for teachers with fourteen (14) years of~~  
25 ~~experience.~~

26 ~~(3) For the 2005-2006 school year and for each year thereafter,~~  
27 ~~each school district shall provide no less than four hundred dollar~~  
28 ~~increments for experience for teachers with fifteen (15) years of experience.~~

29 ~~(m) Subsections (f)-(l) of this section shall not apply to any local~~  
30 ~~school district whose minimum salary for teachers exceeds twenty-one thousand~~  
31 ~~eight hundred sixty dollars (\$21,860) and whose average salary exceeds the~~  
32 ~~state average salary for teachers for the previous year.~~

33 ~~(n) As used in this section, "teacher" shall include any full-time~~  
34 ~~employee of a local public school district.~~

35 ~~(1) Who is compelled by law to secure a license from the State~~  
36 ~~Board of Education as a condition precedent to employment in a position in or~~

1 ~~related to grades prekindergarten through twelve (preK-12) of the public~~  
2 ~~schools of this state; and~~

3 ~~(2) Who is:~~

4 ~~(A) Engaged directly in instruction with students in a~~  
5 ~~classroom setting for more than seventy percent (70%) of the individual's~~  
6 ~~contracted time;~~

7 ~~(B) A guidance counselor; or~~

8 ~~(C) A librarian.~~

9 ~~(o) All minimum salaries set forth in this section shall be for a~~  
10 ~~contract number of days that is not more than the number of days in the~~  
11 ~~school year required by the State Board of Education's regulations for~~  
12 ~~accreditation for the school year in which the contract is effective.~~

13 ~~(p)(1) A district that determines that it cannot meet the minimum~~  
14 ~~salary requirements of this section from funds available may petition the~~  
15 ~~Department of Education for a waiver of the requirements of this section for~~  
16 ~~up to three (3) school years based on regulations promulgated by the State~~  
17 ~~Board of Education.~~

18 ~~(2) The department shall not grant a waiver to any district that~~  
19 ~~is not in compliance with the uniform rate of tax requirements under Arkansas~~  
20 ~~Constitution, Amendment 74.~~

21  
22 ~~6-17-1002. Salary amount—Annual review.~~

23 ~~(a) The salaries fixed herein shall be regarded as minimum salaries~~  
24 ~~only, and each district may supplement such salaries. No teacher shall~~  
25 ~~receive a reduced salary as a result of this subchapter's requirements.~~

26 ~~(b) Base salary shall not be raised until all teachers within a~~  
27 ~~district are paid equal to or greater than the minimum requirements~~  
28 ~~established herein. Each school district shall develop its own salary~~  
29 ~~schedule with salaries equal to or greater than the required minimums set~~  
30 ~~forth herein.~~

31 ~~(c) The Arkansas Teachers' Salaries Study Commission shall annually~~  
32 ~~review the minimum base salary and make recommendations to the Department of~~  
33 ~~Education, the Governor, and the General Assembly for such modifications as~~  
34 ~~the commission shall deem appropriate.~~

35  
36 ~~6-17-1003. Enforcement—Appeal—Rules and regulations.~~

