

# K-12 FACILITIES FUNDING AND EXPENDITURES

February 5, 2024



2024 ADEQUACY STUDY



## INTRODUCTION

- Legal Requirements
- Legislation to provide facility funding
- State Funding and Expenditures
- Facilities Funding for Traditional Public Schools
- Facilities Funding for Open-Enrollment Public Charters
- National Comparison
- District and Charter Survey Responses

**Introduction** State Funding & Expenditures Facilities Funding National Comparison District & Charter Survey Responses

**Legal Requirement** - Ark. Code. Ann. § 6-21-802 establishes the duty of the State of Arkansas to provide all public school children with an opportunity for an adequate education, which includes access to adequate academic facilities and equipment due to the opinions of the Supreme Court in the matter of Lake View School District No. 25 vs. Huckabee.

**Arkansas Public School Academic Facilities Funding Act (Act 2206 of 2005)** - Created public school facility funding programs including the Partnership and Catastrophic programs, in an effort to provide adequate and substantially equal educational facilities for Arkansas school districts.

## LEGISLATIVE RESPONSE TIMELINE

Year	Legislative Action
2003	Created the Joint Committee on Educational Facilities (Act 1181)
2004	Conducted Statewide Educational Facilities Assessment
2005	Created the Division of Public School Academic Facilities and Transportation (Act 1327) Established the Arkansas Public School Academic Facilities Program (Act 1426) Established the Arkansas Public School Academic Facilities Funding Act (Act 2206)
2013	Established Open-Enrollment Public Charter School Capital Grant Program (Act 1064)
2017	Established the Advisory Committee on Public School Academic Facilities (Act 801)
2023	Established an Open-Enrollment Charter School Facility Loan Program (Act 237)

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## STATE FUNDING AND EXPENDITURES



### ACADEMIC FACILITIES FUNDING PROGRAMS STATE FUNDING SOURCES

**General Revenue**

**Bonded Debt  
Assistance  
Savings  
Transfers**

**Fund Transfers**

## STATE FACILITIES FUNDING AMOUNTS

Fiscal Year	General Revenue	Bonded Debt Assistance Savings & Other Fund Transfers	Total Funding
FY2020	\$41,828,951	\$17,940,512	\$59,769,463
FY2021	\$41,828,951	\$18,608,566	\$60,437,517
FY2022	\$41,828,951	\$48,298,908	\$90,127,859
FY2023	\$70,328,951	\$20,841,650	\$91,170,601
FY2024 Est.*	\$0	\$104,878,150	\$104,878,15

\*Funding for this fiscal year is estimated.

In FY2024, the General Assembly authorized for a one-time transfer of \$24 Million using existing fund balances to the Extraordinary Circumstances Partnership fund to provide additional assistance to three school districts.

Source: BLR Fiscal Services

**Average state funding:** \$90 million per fiscal year between FY2005 and FY2023

**Total state funding:** \$1.7 billion between FY2005 and FY2023

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## STATE FACILITIES EXPENDITURES

Fiscal Year	Partnership	Catastrophic	Extraordinary Circumstances	Total
FY2020	\$105,216,970	\$0		\$105,216,970
FY2021	\$79,997,440	\$6,428		\$80,003,868
FY2022	\$61,141,879	\$13,718		\$61,155,597
FY2023	\$40,376,133	\$463,134		\$40,839,267
FY2024*	\$187,828,951	\$2,600,000	\$24,000,000	\$214,428,951

\*FY2024 is the funded budget amounts for Partnership Programs, Catastrophic Programs, and Extraordinary Circumstances Funding, but these amounts may not reflect final actual expenditures. The \$24 Million for Extraordinary Circumstances was approved by the Arkansas General Assembly during the 2023 Regular Session to assist three districts with approved facilities projects.

**Approximately \$1.5 billion spent between FY2005 and FY2023**

**Total average annual expenditure of \$78.6 million between FY2005 and FY2023**

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## FACILITIES FUNDING

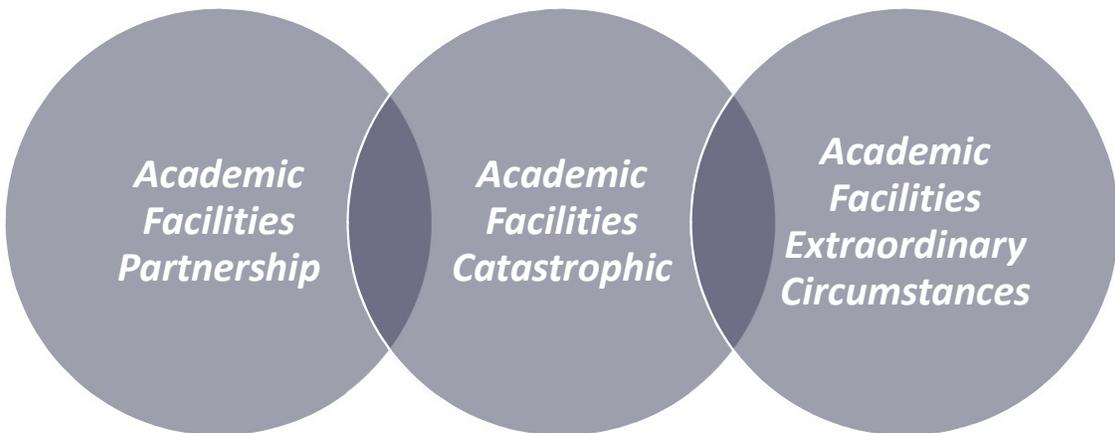
For Traditional Public Schools

For Open-Enrollment Public Charters



## FUNDING PROGRAMS

*3 Primary Programs Funded*



# ACADEMIC FACILITIES PARTNERSHIP PROGRAM

## *PROJECT TYPES FUNDED*

**Space/Growth projects** which include construction of new school facilities, conversion of non-academic space into academic space, or additions for districts experiencing growth

### **Warm, Safe, Dry projects, of which there are two types:**

- WSD Space Replacement – New construction to replace an academic facility that is deemed by the Division to not provide a warm, safe, and dry educational environment
- WSD Systems Replacement - New construction projects to address needs related to fire, safety, roofing, HVAC, and structural issues

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# PARTNERSHIP PROGRAM BIENNIAL CYCLE

## **August 1 of odd numbered years**

### **Division publishes a Space/Growth and Warm, Safe and Dry Needs Lists**

**Space/Growth** ranking factors with highest ranked first:

- **5-Year Division Proj. Enrollment Growth %**
- **5-Year Division Proj. Enrollment Growth Amount**
- **Suitability:** Gross academic sq. ft. needed minus gross academic sq. ft present
- **Suitability Percentage:** Suitability divided by gross academic sq. ft. present

#### **Weights:**

- Apply a 25% weight to the ranking for each of the above factors and rank (lowest score ranked first)

**WSD** ranking factors:

- **Campus Value:** Building value X total sq. ft., add products for each building on campus, and divide the sum by total sq. ft. in the overall campus. (lowest value ranked first)
- **Facilities Condition Index (FCI):** Cost to bring facility up to standard divided by facility replacement cost. (highest value ranked first)

#### **Weights:**

- Apply a 50% weight to each of the rankings for the above factors and rank (lowest score ranked first)

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## PARTNERSHIP PROGRAM BIENNIAL CYCLE CONT.

- **February 1<sup>st</sup> even numbered years** districts must submit a 6-year Facilities Master Plan
- **March 1<sup>st</sup> even numbered years** districts must submit applications for Partnership Program funding for the upcoming Partnership Cycle

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## PARTNERSHIP PROGRAM BIENNIAL CYCLE CONT.

**May 1<sup>st</sup> odd numbered years** – The Division completes its review of applications and ranks the projects.

Space/Growth **and** WSD ranking factors:

- Facilities Wealth Index (lowest ranked first)
- Statewide Priority Needs List Ranking
- Academic Facilities Maintenance Expenditure Ranking (highest % ranked first)

Weights (lowest score ranked first):

- 30% weight to FWI rank
- 50% weight to Needs List Rank
- 20% weight to Facilities Maintenance Expenditure Rank

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## PARTNERSHIP PROGRAM BIENNIAL CYCLE CONT.

- **May 1<sup>st</sup> odd numbered years** the Commission sets the funding level for year-one projects
- **May 1<sup>st</sup> odd numbered years** funding is evenly split between Space/Growth and WSD projects
- **May 1<sup>st</sup> even numbered years** the Commission sets the funding for year-two projects.

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## FACILITIES WEALTH INDEX/DISTRICT SHARE OF COSTS

- Percentage of Partnership qualified project costs that a school district is required to pay
- Full implementation of new FWI calculation in 2023-2025 funding cycle that includes an adjustment for median household income
- 209 districts' FWI decreased in 2023-2025 from the 2019-2021 funding cycle
- 19 districts' FWI increased

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## TOP TEN REDUCTIONS IN FACILITIES WEALTH INDEX

District	2019-21 FWI	2021-23 FWI	2023-25 FWI	Change 2019-21 to 2023-25
Lee County	99.50%	81.83%	35.24%	-64.26%
Strong-Huttig	76.68%	57.22%	27.80%	-48.88%
Quitman	99.50%	95.66%	51.98%	-47.52%
Concord	93.70%	69.89%	46.79%	-46.91%
Augusta	94.93%	73.51%	49.16%	-45.77%
Crossett	84.08%	73.25%	39.49%	-44.59%
Nemo Vista	99.50%	86.33%	54.92%	-44.58%
Hot Springs	94.97%	75.41%	51.82%	-43.15%
Shirley	99.50%	94.58%	56.82%	-42.68%
Pangburn	69.68%	41.89%	27.18%	-42.49%

Source: Department of Education, 2019-21, 2021-23, and 2023-25 Facility Wealth Index Reports.

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## TOP TEN INCREASES IN FACILITIES WEALTH INDEX

District	2019-21 FWI	2021-23 FWI	2023-25 FWI	Change 2019-21 to 2023-25
Valley View	48.50%	67.00%	72.48%	23.98%
Bentonville	67.82%	84.31%	85.92%	18.10%
Gravette	86.51%	93.81%	96.90%	10.39%
Farmington	38.55%	38.54%	48.80%	10.25%
Pea Ridge	27.91%	31.29%	36.09%	8.18%
Harmony Grove (Benton)	27.56%	33.85%	35.42%	7.86%
Prairie Grove	42.93%	49.25%	50.74%	7.80%
Brookland	36.54%	41.41%	43.43%	6.89%
Rogers	73.13%	79.96%	78.89%	5.76%
Bryant	51.08%	57.47%	56.00%	4.93%

Source: Department of Education, 2019-21, 2021-23, and 2023-25 Facility Wealth Index Reports.

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## PARTNERSHIP PROGRAM APPROVED AND FUNDED PROJECTS

Partnership Program Projects - 2006-07 through 2023-25 Funding Cycles

Funding Cycle	Qualifying Project Costs	State Financial Participation	Cumulative Payments
2006-07	\$424,308,201	\$205,246,949	\$205,246,949
2007-09	\$620,688,276	\$261,196,796	\$261,196,796
2009-11	\$190,147,805	\$98,779,215	\$98,779,215
2011-13	\$270,371,923	\$138,266,697	\$138,266,697
2013-15	\$344,539,381	\$154,655,064	\$154,655,064
2015-17	\$297,069,071	\$140,250,294	\$140,250,292
2017-19	\$438,348,079	\$225,327,587	\$225,327,587
2019-21	\$276,265,361	\$133,458,339	\$121,918,997
2021-23	\$308,672,978	\$181,009,352	\$49,051,175
2023-25*	\$179,060,612	\$116,414,742	
<b>Total</b>	<b>\$3,349,471,687</b>	<b>\$1,654,605,034</b>	<b>\$1,394,692,772</b>

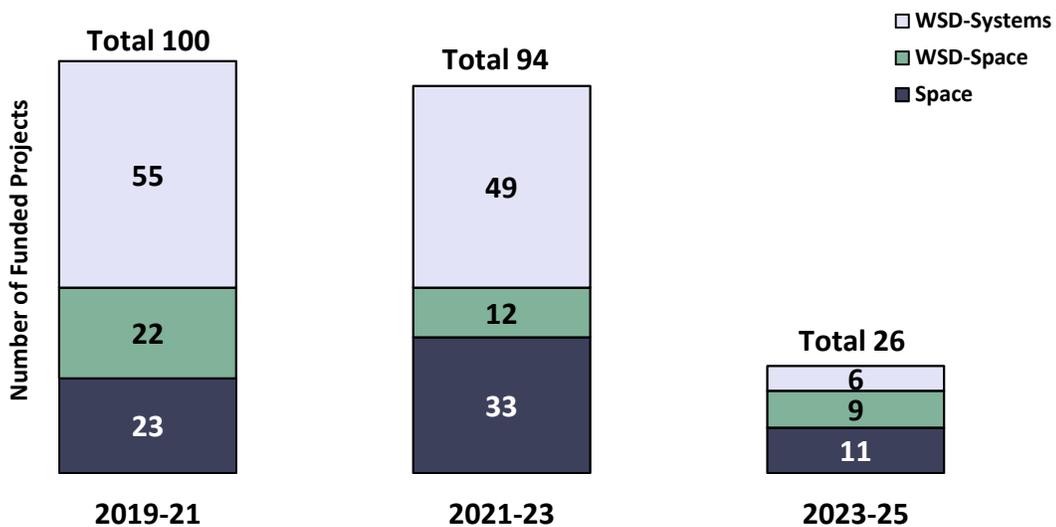
\*First year only

Source: Division of Public School Academic Facilities and Transportation Master Planning Tool, October 31, 2023.

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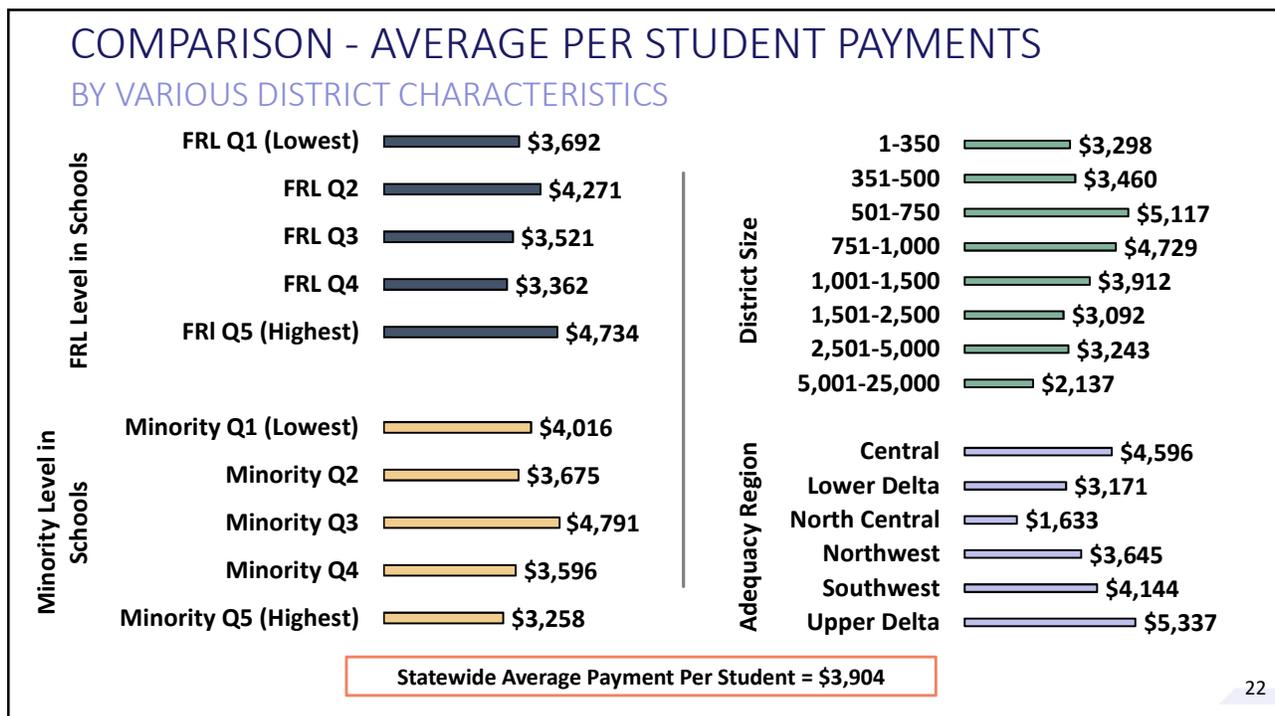
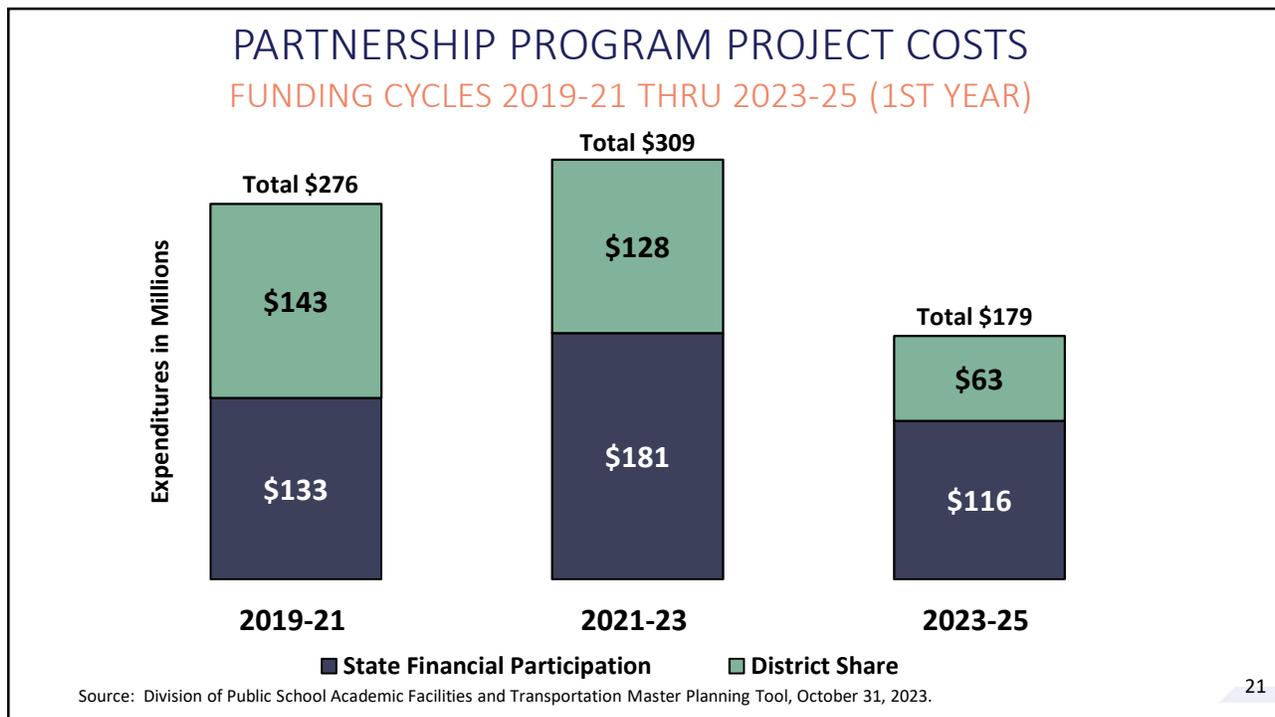
## PARTNERSHIP PROGRAM FUNDED PROJECTS

FUNDING CYCLES 2019-21 THRU 2023-25 (1ST YEAR ONLY)

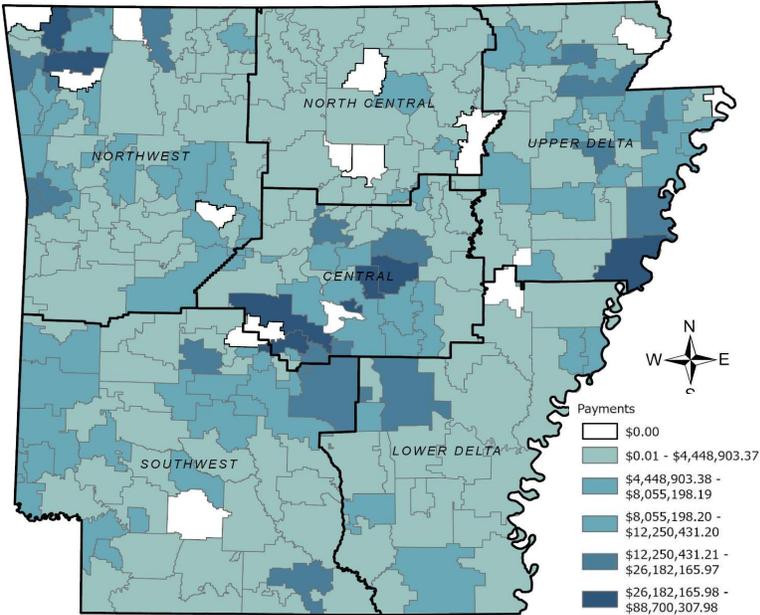


Source: Division of Public School Academic Facilities and Transportation Master Planning Tool, October 31, 2023.

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## PARTNERSHIP PAYMENTS BY DISTRICT/ADEQUACY REGION



- 14 districts have never received Partnership Program payments (white on the map)
- Of the 14 districts, two have approved projects in the 2023-25 funding cycle, no payments yet made
- 56% or 131 districts have received less than \$4,448,904
- 4% or 9 districts received funding of \$26,182,165 or above

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## Millages

- Districts use debt service mills to generate matching funds to receive Partnership Program funding
- All districts but three have passed some level of debt service mills (Gosnell, Mountain View, and Salem)
- Authorized debt service mills range from 1.3 to 29.8
- Average statewide debt service mills is 13.12

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## Facilities and Bonded Indebtedness

- Bonded debt is one mechanism used to finance school facilities
- Debt ratio is the total district indebtedness less energy savings contracts divided by the districts' assessed valuation
- Debt ratio ranges from 0% for (Gosnell, Mountain View, and Salem) to 31.88% (Southside in Independence County)

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### COMPARISON: PAYMENTS PER STUDENT BY AVERAGE DEBT SERVICE MILLS & DEBT RATIO

Payments Per Student Quintile Range	Average 2022 Debt Service Mills	Average Debt Ratio
Quintile 1: \$0 - \$722.14	11.13	6.56%
Quintile 2: \$722.15 - \$2,066.64	11.78	7.38%
Quintile 3: \$2,066.65 - \$3,647.02	12.72	8.84%
Quintile 4: \$3,647.03 - \$6,219.71	13.84	10.82%
Quintile 5: \$6,219.72 - \$18,607.42	16.12	12.33%
<b>Statewide Average</b>	<b>13.12</b>	<b>9.19%</b>

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## Other Academic Funding Facilities Programs

### Catastrophic Funding

- Provides funding for emergency facility projects required “due to an act of God or violence”
- Supplements insurance or other public or private emergency assistance
- Provided \$3.3 million to 16 districts since its inception

### Extraordinary Circumstances

- Provides funding to districts unable to pass enough millage to raise their local share of project costs
- Extraordinary Circumstances Program projects approved for the first time in FY2023.
- \$24 million approved for 7 projects in 3 districts

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## OPERATIONS & MAINTENANCE (O&M)

- Ark. Code Ann. §6-21-808 recognizes the importance of districts properly maintaining their facilities
- Ark. Code Ann. §6-21-808(d) requires districts to dedicate 9% of foundation funding to O&M

In FY2023, all districts except Bismarck spent 9% or more on O&M

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## DISTRICT PROPERTY INSURANCE

- Initial foundation rate for Operations and Maintenance – 9% of the Foundation Funding rate for O&M + \$27 for the cost of property insurance
- First O&M rate set in FY2008 was \$581 per student
- FY2023 O&M Foundation Funding rate was \$741 – an increase of 27.6%
- By Division rules, districts must have risk property coverage for at least 90% of the replacement cost

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## DISTRICT PROPERTY INSURANCE

### Funding, Expenditures and Recent Developments

- FY2023 estimated per student funding rate – \$34.45 or \$16.3 million in total funding
- Actual FY2023 expenditures – \$28.5 million or \$60.43 per student

Arkansas Legislative Council approved \$11.1 million in one-time funding to offset the rate increases and has hired a consultant to develop and implement a strategic plan and framework for providing property insurance coverage options for K-12 school districts and institutions of higher education.

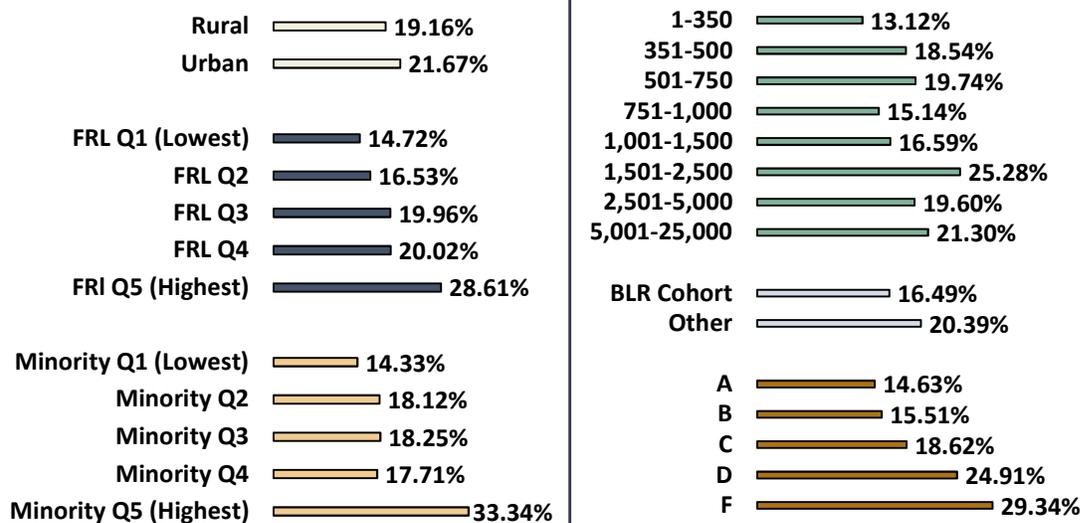
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## PUBLIC SCHOOL FACILITIES CONDITION

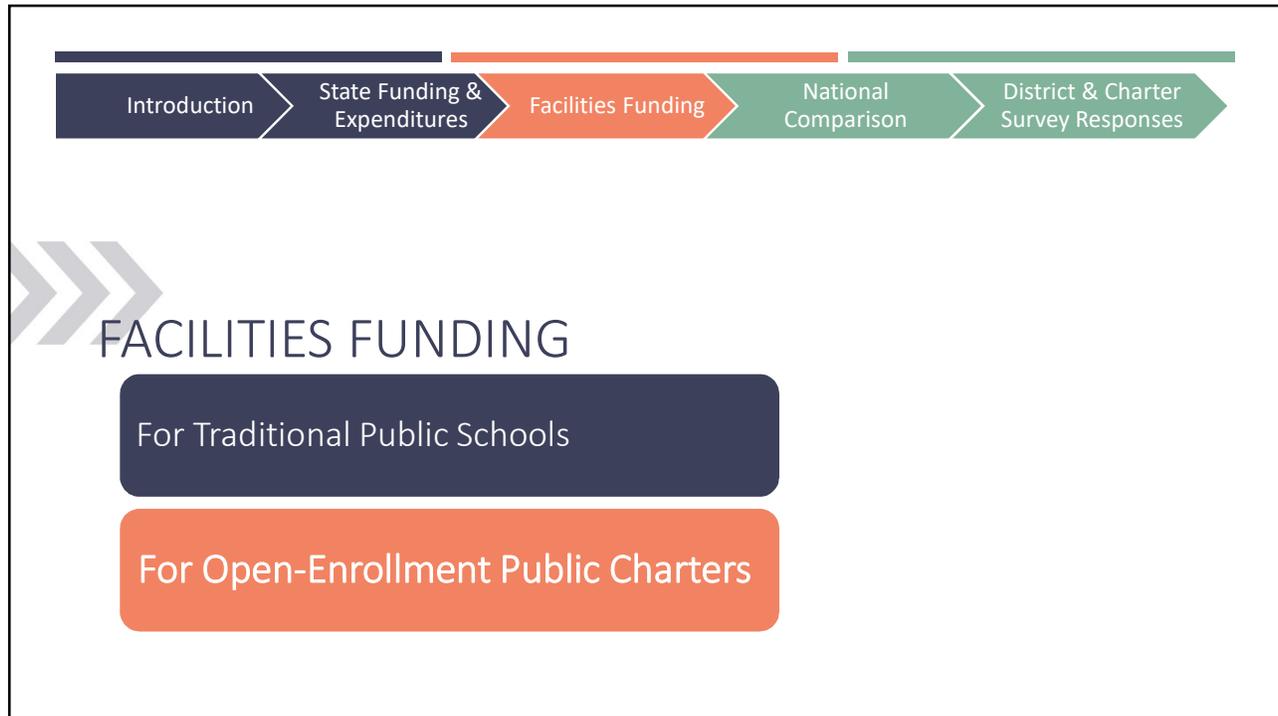
- Comprehensive statewide assessment of all public school buildings completed in 2004 to determine building conditions at a cost of \$10 M
- Facility Condition Index (FCI) is a tool currently available for assessing public school building conditions
- The higher the FCI score, the poorer the condition of the building
- Building FCI value must be at least 65% or greater to be eligible for Partnership Program funding

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## FCI BY SCHOOL CHARACTERISTICS



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### FACILITIES FUNDING - OPEN-ENROLLMENT PUBLIC CHARTER SCHOOLS

Fiscal Year	Appropriation	Total Annual Funding	Expenditures
FY2016	\$15,000,000	\$5,000,000	\$4,583,328
FY2017	\$15,000,000	\$5,000,000	\$4,999,985
FY2018*	\$6,500,000	<u>\$6,500,000</u>	\$5,000,000
FY2019	\$6,500,000	\$6,500,000	\$6,370,546
FY2020	\$7,575,000	\$7,575,000	\$7,477,803
FY2021	\$7,575,000	\$7,575,000	\$7,509,218
FY2022	\$9,075,000	\$9,075,000	\$8,906,490
FY2023	\$9,075,000	\$9,075,000	\$8,883,373
<b>Total</b>	<b>\$76,300,000</b>	<b>\$56,300,000</b>	<b>\$53,730,743</b>

\*Includes \$1.5 million transferred from the Rainy Day Fund.

Source: BLR Fiscal Services

## ELIGIBILITY FOR FUNDING

- Virtual technology is not the primary method of delivering instruction;
- The facility meets all applicable health, fire, and safety codes and all accessibility requirements; and
- The open-enrollment public charter school **is not**:
  - Classified as in need of Level 5 — Intensive support or in fiscal distress;
  - In receipt of a rating of “F”; or
  - Placed in probationary status by the state charter school authorizer.

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## FACILITIES FUNDING - OPEN-ENROLLMENT PUBLIC CHARTER SCHOOLS

Fiscal Year	# of Charter Systems	# of Charters Receiving Facilities Funding Aid	% Participating	Funding Rate Per ADM
FY2016	22	14	64%	\$562.57
FY2017	24	17	71%	\$533.24
FY2018	24	16	67%	\$455.34
FY2019	26	24	92%	\$473.57
FY2020	22	18	82%	\$514.09
FY2021	23	21	91%	\$465.29
FY2022	23	21	91%	\$546.45
FY2023	21	18	86%	\$554.70

Source: Arkansas Department of Education Division of Elementary and Secondary Education-Fiscal and Administrative Services.

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## ALLOWABLE USES FOR THE FUNDS

- Lease
- Purchase
- Renovation
- Repair
- Construction
- Installation
- Restoration
- Alteration
- Modification
- Operation & Maintenance

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## FACILITY FUNDING AID EXPENDITURES

Category of Expense	FY2021	FY2022	FY2023
<b>Personal Services</b> (Includes salaries and benefits)	\$254,477	\$196,854	\$110,904
<b>Purchased Property Services</b> (includes water/sewer, disposal/sanitation, custodial, lawn care, repairs and maintenance, rental of land and buildings, and construction services)	\$6,067,220	\$7,918,726	\$7,874,588
<b>Other Purchased Services</b> (includes property insurance)		\$251,195	\$400,146
<b>Supplies and Materials</b> (includes general supplies and materials, energy costs such as natural gas and electricity, and building materials)	\$218,198	\$471,487	\$368,987
<b>Property</b> (includes expenditures for acquiring buildings)		\$174,759	\$188,259
<b>Total</b>	<b>\$6,539,895</b>	<b>\$9,013,022</b>	<b>\$8,942,885</b>

Source: Arkansas Public School Computer Network report prepared by BLR – Policy Analysis and Research Section.

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## LOANS TO OPEN-ENROLLMENT PUBLIC CHARTER SCHOOLS

- Act 237 of 2023 authorized a Revolving Loan Fund Program for Open-Enrollment Public Charter Schools
- Preparation of an RFP to secure a Third-Party administrator and development of rules are in process

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## ▶▶▶ NATIONAL COMPARISON

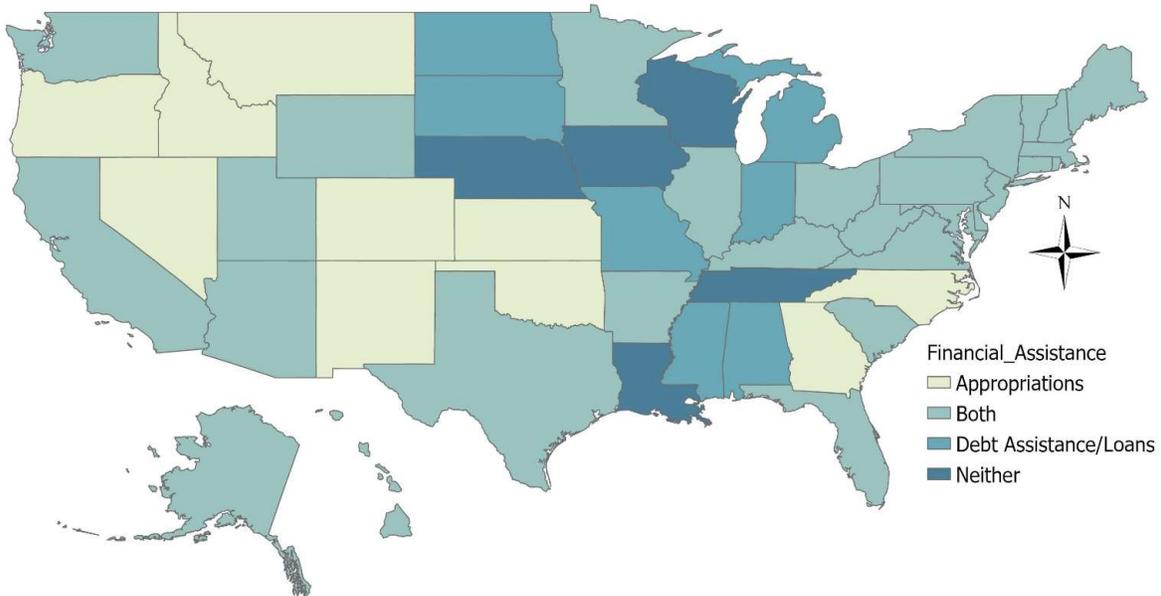


## OTHER STATES' FACILITIES FUNDING MODELS

Appropriations  
for Grants

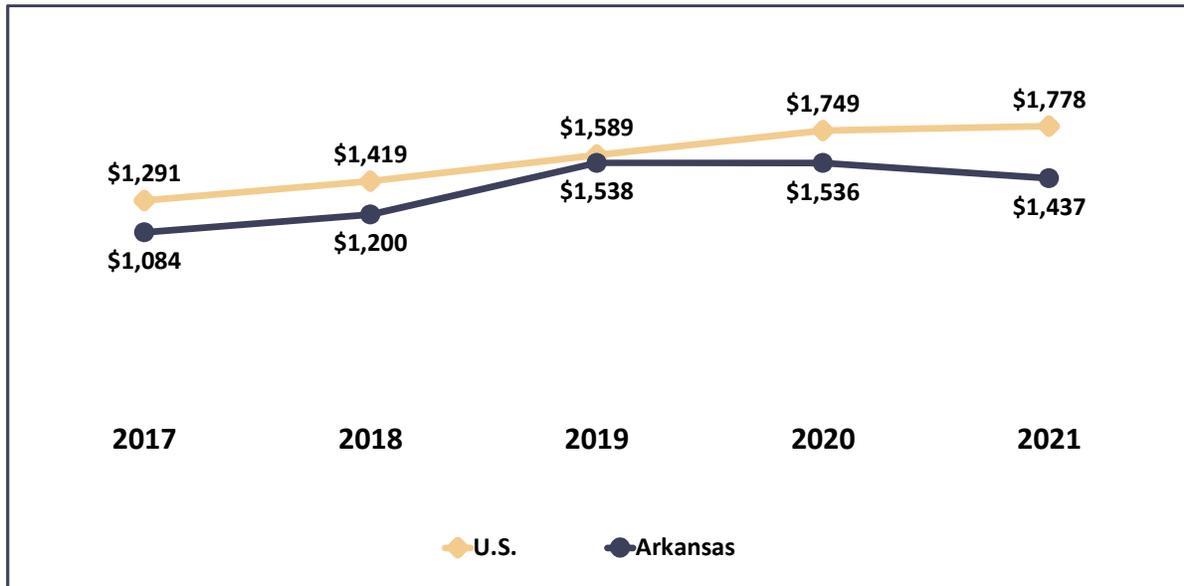
Debt Assistance/  
Loans

## FACILITIES FUNDING MODELS – ALL STATES



Source: Education Commission of the States, K-12 School Construction Funding 2023 – Financial Assistance and Revenue, June 2023.

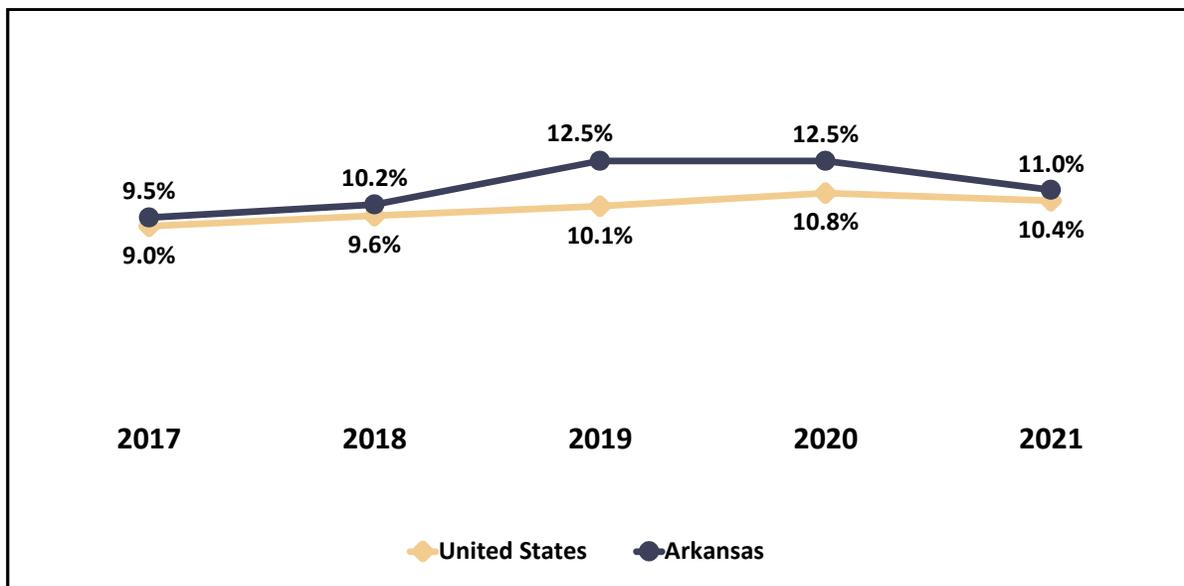
### Capital Outlay Expenditures Per Student



Source: [U.S. Census, 2021 Public Elementary-Secondary Education Finance Data](#), Tables 1,9, and 19.

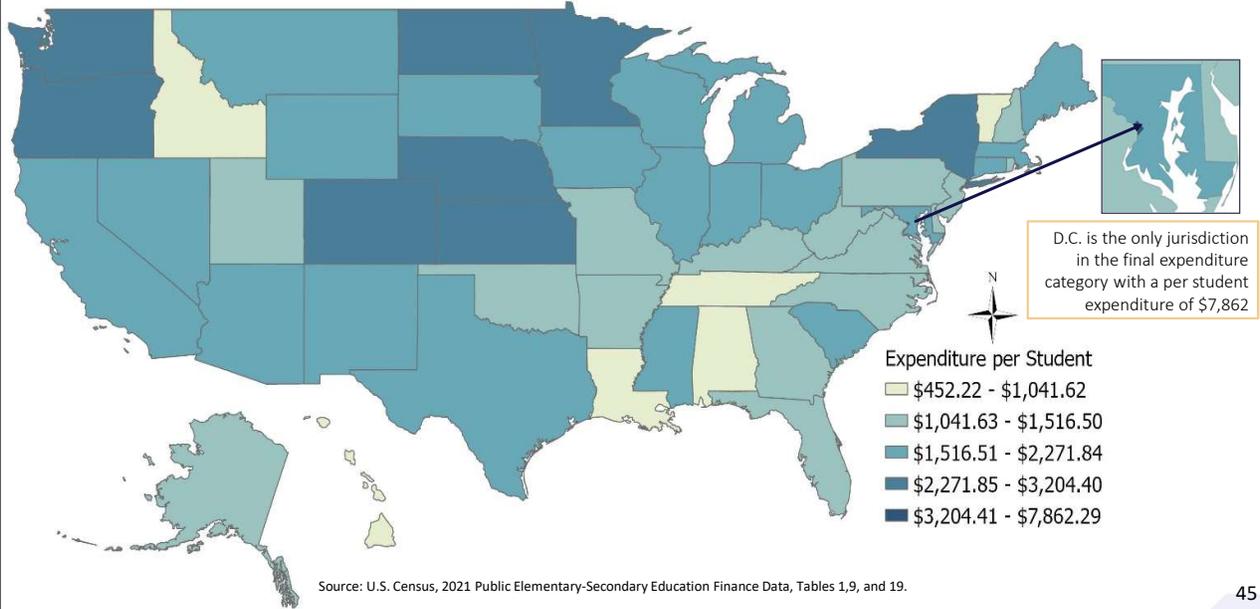
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### Capital Outlay Expenditures as % of Total

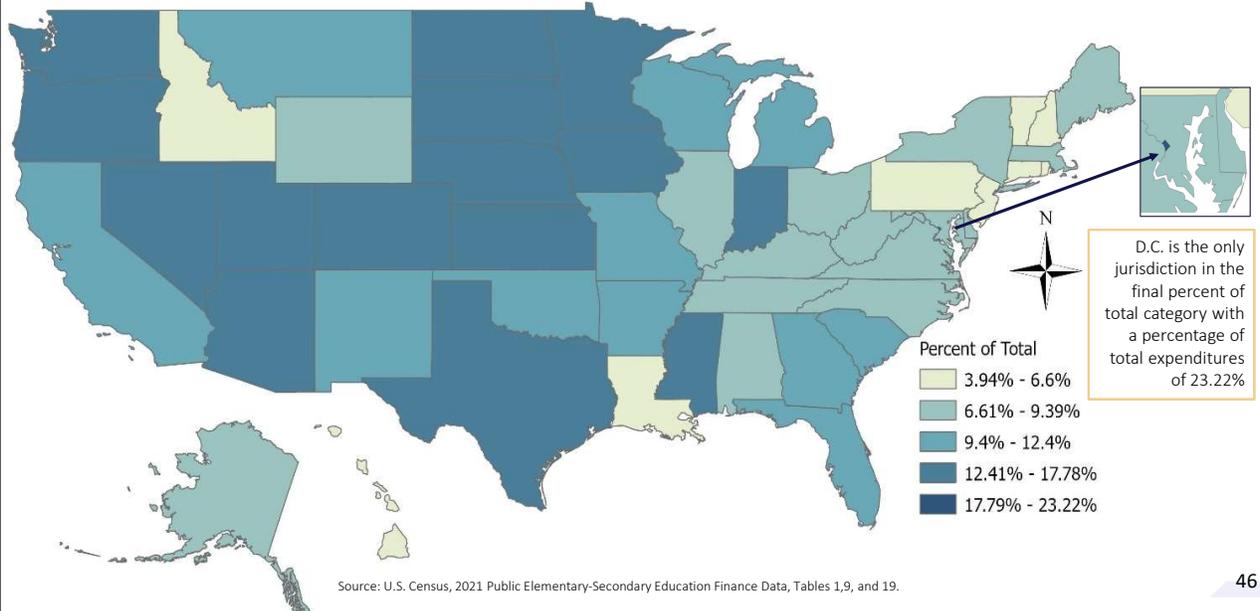


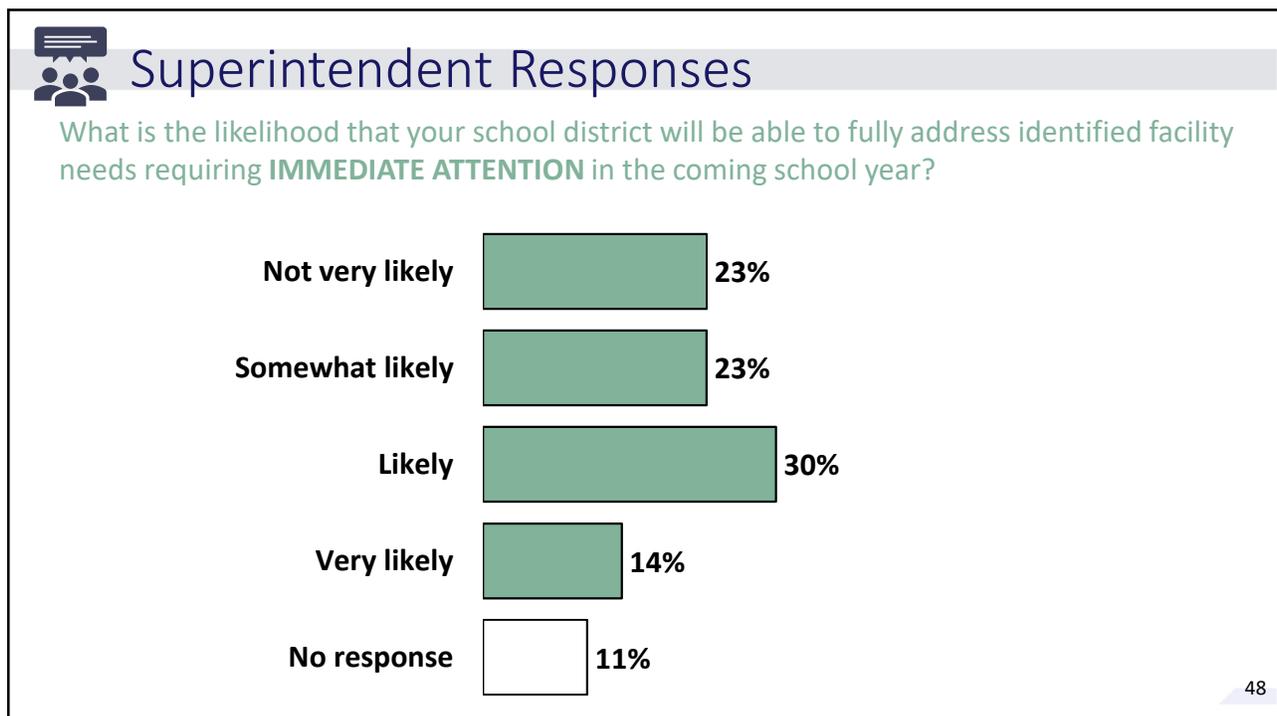
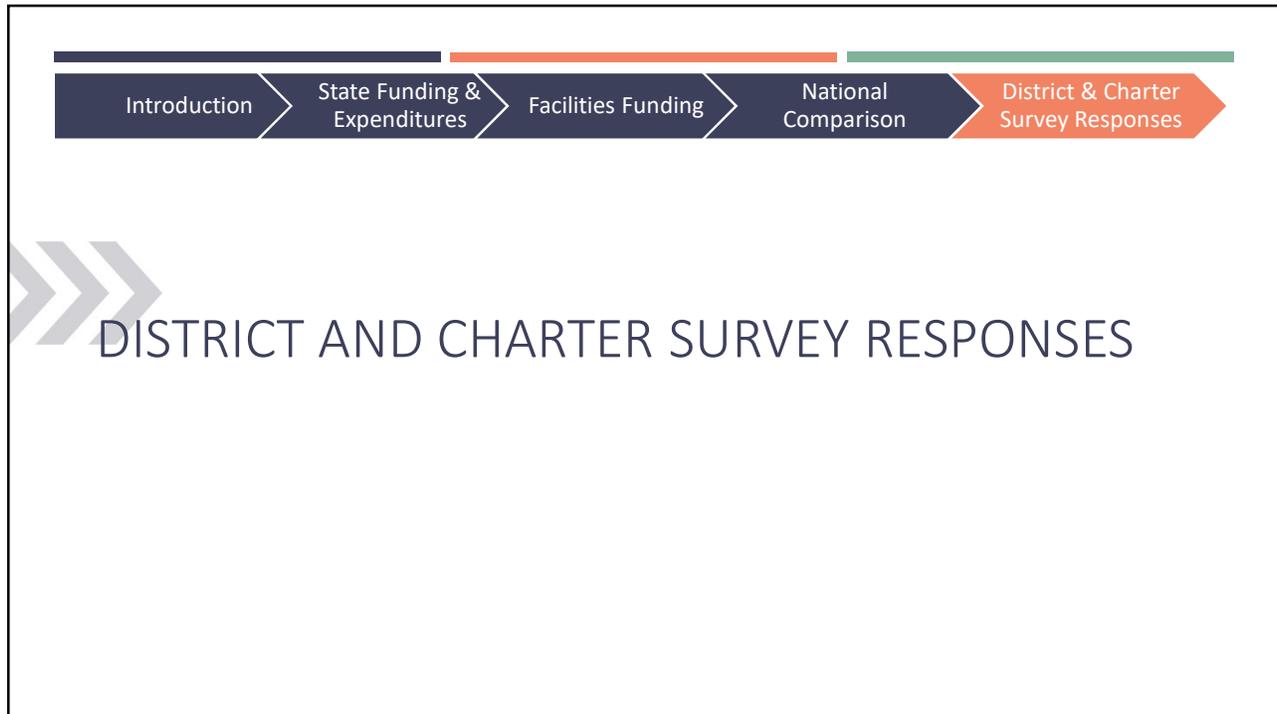
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## 2021 CAPITAL OUTLAY EXPENDITURES PER STUDENT



## CAPITAL OUTLAY EXPENDITURES PERCENTAGE OF TOTAL K-12 EXPENDITURES

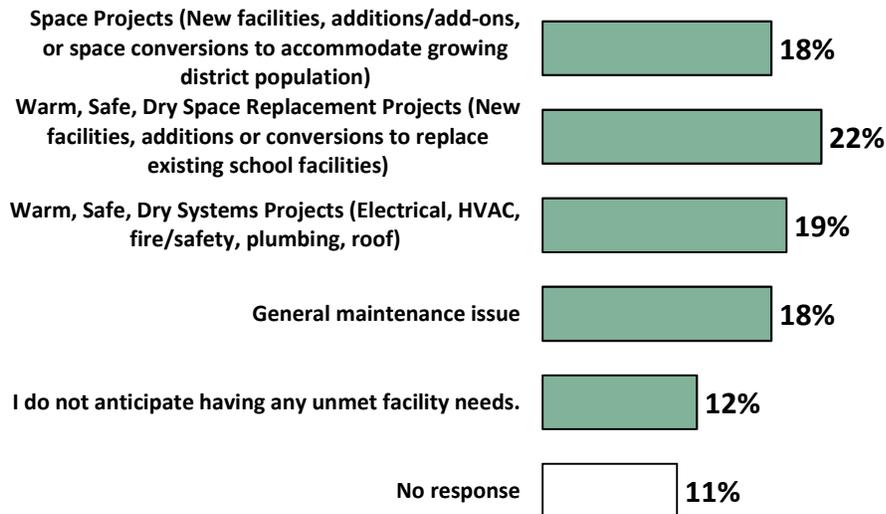






## Superintendent Responses

What do you anticipate being the greatest unmet facility need?

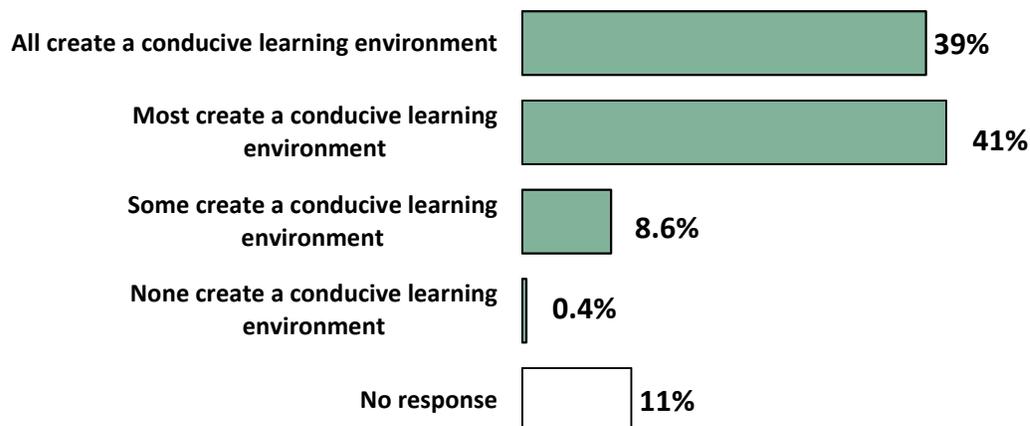


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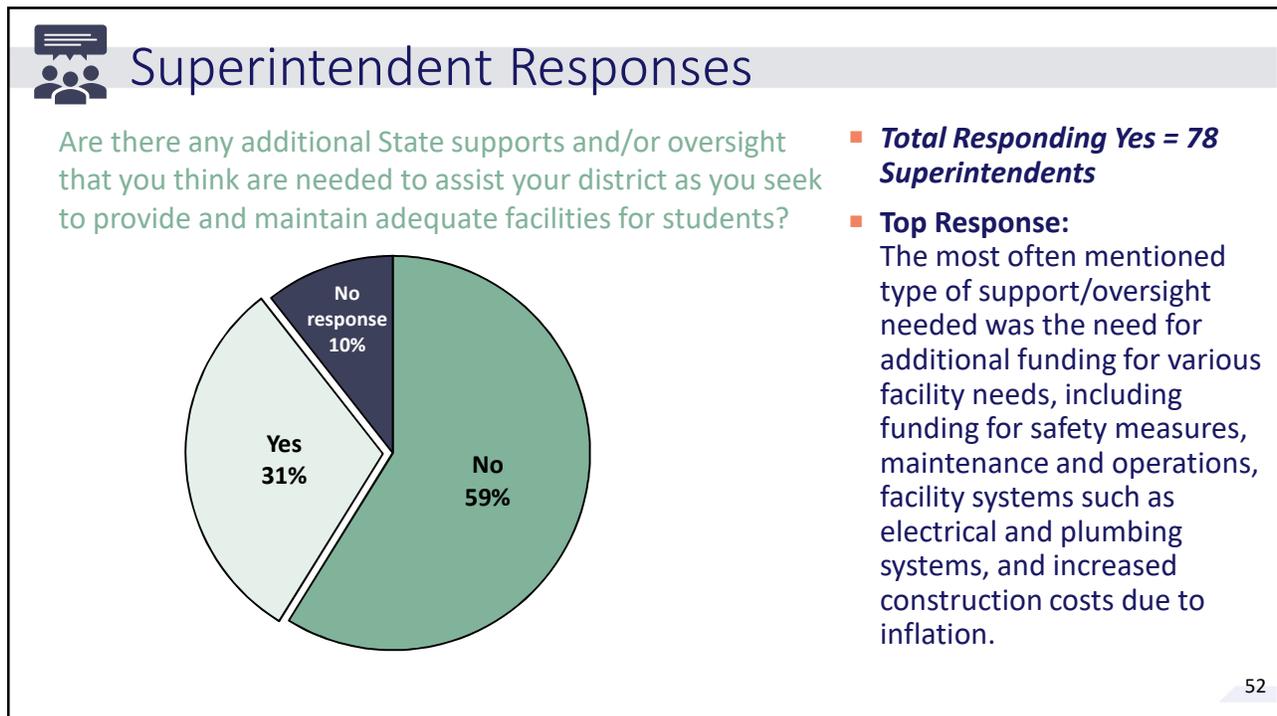
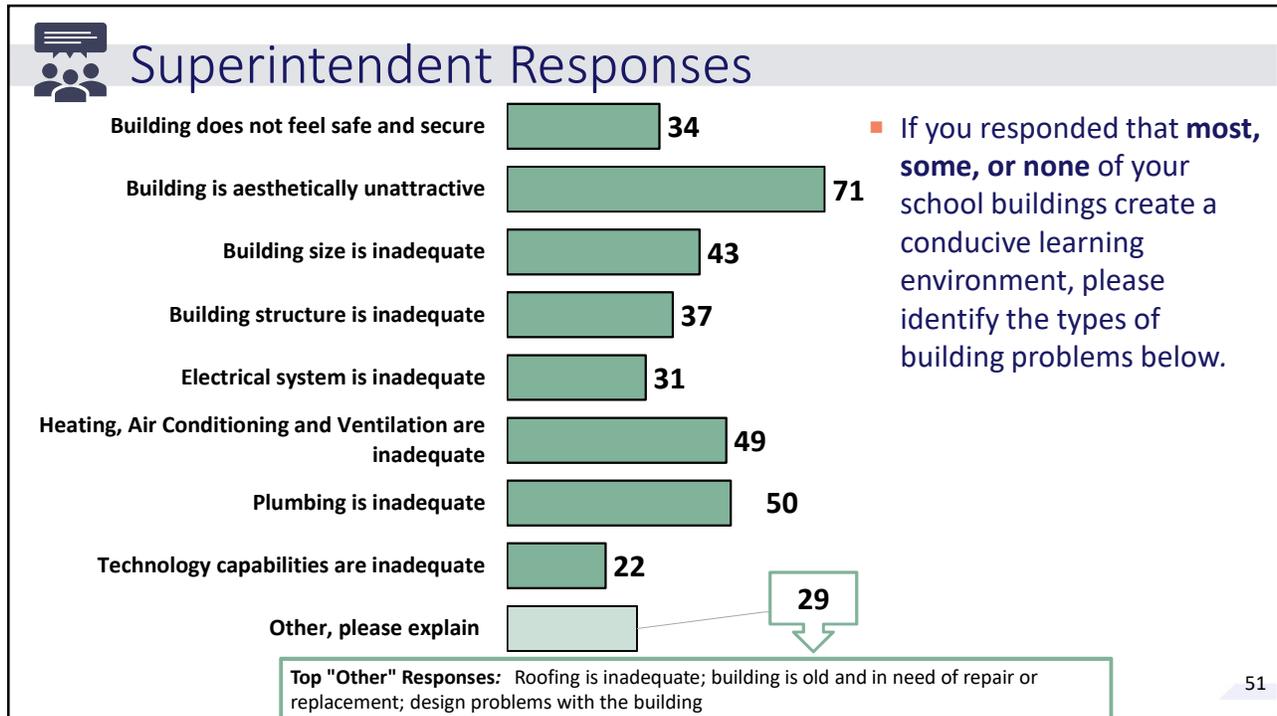


## Superintendent Responses

How would you describe the physical condition of the school buildings in your district?



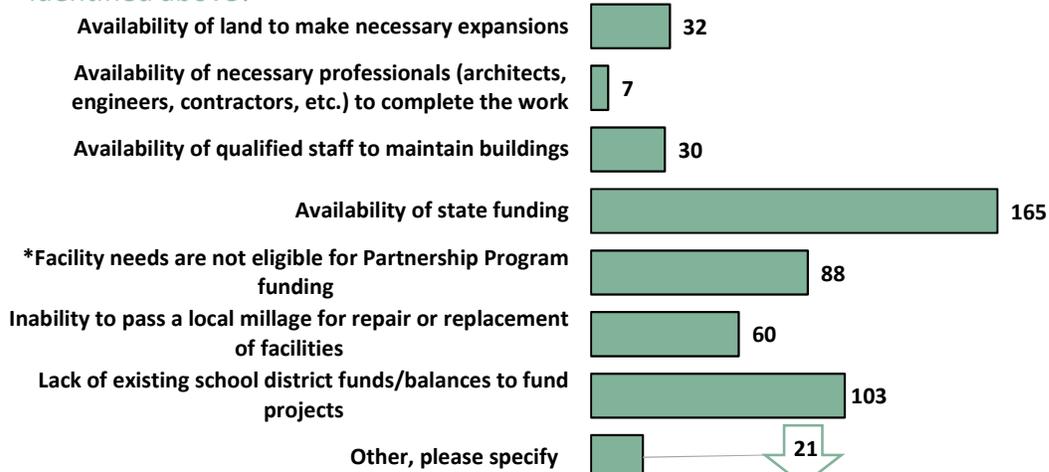
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## Superintendent Responses

What is/are the greatest impediments to correcting any school facility deficiencies you identified above?



**Top "Other" Responses:** Rising construction costs or inflation, safe room requirements that have increased costs, and passing local millages.



## PRINCIPALS RESPONSES

How would you describe the physical condition of the school building(s) in your school?

