

Exhibit 5

MEMORANDUM

TO: Representative Joyce Elliott, Chair
House Interim Committee on Education

Senator Jim Argue, Chair
Senate Interim Committee on Education

FROM: Tristan D. Greene, Special Assistant to the Commissioner
Arkansas Department of Education

CC: Mark Hudson, Legislative Analyst

DATE: February 10, 2006

RE: Anticipated testimony for the February 15, 2006, meeting of the House and Senate Interim Committees on Education.

This memorandum was prepared in response to Mr. Mark Hudson's letter to Dr. Don Stewart, Deputy Commissioner of Education, dated January 25, 2006, requesting a presentation on the ~~above~~ below-referenced subjects at the February 15, 2006 meeting of the House and Senate Interim Committees on Education. This memo outlines my anticipated testimony.

I. Introduction

Overall, the purpose of categorical – or special needs – funding is to direct funds to specific purposes that have proven to increase student achievement and close the achievement gap. As with any new program(s) implemented to change student achievement, it will be years before we as a State know whether or not these programs have had their desired effect. While small changes – or tweaks – to these programs are going to be necessary, I would not recommend whole-sale changes in these programs at this time. We need to see how these funds are being expended longitudinally as compared with changes in student achievement over time.

For the convenience of the Committees, attached to this memorandum are a series of Exhibits labeled A through G-4. Exhibits A and B are provided for the convenience of the Committees and consist of the latest changes to the funding formulae – both statutorily (Exhibit A) and regulatory (Exhibit B). The rest of the Exhibits are requests for information made to the Department of Education by Bureau of Legislative Research Staff. Not all of the Exhibits may be directly touched upon by this testimony.

~~Before addressing the specific questions posed to me by the Committees, I would like to take an opportunity to correct some erroneous testimony that the Committees received at its February 7, 2005, meeting. At that meeting, it was stated – or at least inferred – that National~~

~~School Lunch Student Funding (hereinafter either NSLA funding or Poverty Funding) could be used for across the board teacher raises. While that was the case in Act 59, that language was changed in Act 2283 (Exhibit A). Specifically, Ark. Code Ann. § 6-20-2305(b)(4)(C)(i)(a) now reads:~~

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

~~(a) Classroom teachers, provided that the school district meets the minimum salary schedule in § 6-17-2403 without using funds provided under subdivision (b)(4) of this section and those teachers are used for the purposes delineated in subdivision (b)(4) of this section;~~

~~(emphasis added) As one can see, that while NSLA funds can be spent on Classroom teachers, those teachers must be for the purposes and programs explicated in subdivision (b)(4), which are the programs for NSLA Students.~~

This portion of my testimony was addressed by Act 30 of the First Extraordinary Session of the 85th General Assembly.

II. Specific Questions Posed

A. What amount of funding is needed for categorical programs and should the General Assembly apply an inflation adjustment to the categorical programs?

The first part of this compound question is unanswerable at this time. As I stated above, the categorical programs have not been in place long enough for there to be sufficient data to analyze their effectiveness.

As to the second part of the question, that is a matter of public policy for the General Assembly to determine. If the General Assembly does determine to apply an inflation adjustment to the categorical programs, I am in agreement with the methodology developed by Richard Wilson.

This portion of my testimony is still under review by the Joint Committee and is part of the contracted review being conducted by Lawrence O. Picus and Associates.

B. What was the impact of changes in the method of distributing NSLA funding to Provision II school districts?

As can be seen in Exhibit E, there has been some impact to school districts that were categorized as Provision II. But, the change in the language regarding Provision II districts was not the only reason for decreased numbers in the effected districts. These districts are also losing students, which has also produced a decrease in funding.

C. Does the method of funding the categorical programs account for increases or decreases in students eligible for the categorical program?

The funding for categorical programs and foundation aid are done on a mixture of different student counts. Some do account for increases in students and some do not.

Foundation funding is based upon the previous three quarter average average daily membership (ADM). Foundation funding does take into account new students in the current year. The State compares the two quarter average ADM's from the previous and current year. If there is an increase in students, the district receives ~~\$5,400~~ \$5,528 for each ADM that is increased. But the State *does not* reduce (or take away) foundation funding from school districts that have less students in the current year than in the previous year. This one year "cushion" has been part of the Arkansas funding system for years. The cushion allows school districts to have one year to figure out how to cut expenses in the succeeding school year.

Take the following example: Look at the DeWitt School District on Exhibit F. In FY 2005, the school district was funded as though it had 1,681 ADM's instead of the 1,639 ADM's that it actually educated in FY 2005. This gave the Dewitt School District one-year to figure out how to trim expenses by approximately \$200,000 for the FY 2006 school year.

Alternative Learning Environment (ALE) Students are funded based upon the previous year's number of full-time equivalent students (FTE's) that participated in the program. A one (1) FTE would be a student who participated in an ALE program full time for the entire year. Before a student can be considered an ALE student, that student must have been in the ALE program for at least twenty days. There is no adjustment in current law for growth in ALE students from the previous year to the current year.

English Language Learner (ELL) Students are funded based upon the number of ELL students the school district reports for the current year. The districts are required to report in their Cycle 2 submissions the number of student not proficient in English based upon State approved English proficiency assessment instruments. Therefore, there is no adjustment for differences in student count between the previous and current school years.

National School Lunch Act (NSLA) Students are funded based upon the number of students who were enrolled in the federal free and reduced-priced meals program in the previous year.¹ Different concentrations of poverty students are funded at different levels (e.g. over 90%

¹ It is slightly different for Provision II school districts. For FY 2006, if a Provision II school district re-established its base count for purposes of the Federal National School Lunch Program, then the Provision II school district was funded this year based on current year numbers and will be funded on previous year numbers in future years. In future years, Provision II school districts will be funded based upon the percentage of enrolled students eligible for free and reduced-priced meals in their base count year times their October 1 enrollment count of the previous year.

concentration is funded at \$1,440 per NSLA student). These percentages are calculated by looking at the ratio of students enrolled in the free and reduced-priced meals program in the previous year over the previous year's October 1 enrollment.

There is a provision in law that provides for growing school districts to receive additional NSLA funding. If a school district is growing in enrollment at a rate of at least one percent for the last three years, then that school district shall receive NSLA Growth Funding. Their funding is equal to the average growth in enrollment times their previous year's percentage of students enrolled in the federal free and reduced-priced meals program times the rate at which the school district is funded (*e.g.* over 90% concentration is funded at \$1,440 per NSLA student).

Professional Development Funding is done purely on the school district's previous year's three quarter average ADM. There is no adjustment in current law for growth in ADM from the previous year to the current year.

Again, most of this testimony is under further review by Picus and Associates.

D. Does the amount and allowable uses of funding for the students in alternative learning environments (ALE) and students who are English language learners (ELL) unexpectedly result in funding for students in poverty being used to support the ELL and ALE programs?

In the original Adequacy Study done by Dr.'s Odden and Picus, they recommended a limited add-on for ELL students. They explained their reasoning as follows:

With the exception of having extra teachers to teach English as a Second language to students for whom English is not their primary language, [the poverty funding] resource strategy is almost but not quite sufficient for schools with English language learners. Research shows that it is the English language learners from lower income, and generally less educated backgrounds, that struggle in school and need extra help. Triggering tutoring resources on the basis of the economic background of students would provide most of the extra help resources needed for such struggling English language learners.

However, best practices and experience also show that when students are both from a low-income background and Limited-English proficient (LEP), some additional assistance is needed beyond that just for poverty. Thus the Committee recommends that every 100 students that are both LEP and from a poverty family trigger an additional 1.4 teacher positions, rather than the 1.0 if just from a poverty family.

(Odden, Picus, and Fermanich, 2003, at 25). When the per-school matrix was converted into a per pupil funding system, this led to two categorical programs being established – one for NSLA students and one for ELL students. As is demonstrated in the Broadway / Bisbee letter to the Senate Journal, the ELL funding was based on a 0.4 teacher position.

As is demonstrated above, this blending of NSLA funding and ELL funding was considered by both the Committee and the consultants to be desirable. But, neither the consultants nor the Committee recommended that ALE funds or professional development funds be used for other purposes.

As to the question posed, it is difficult, if not impossible, to come to a firm conclusion. The research seems to support that most ELL students are from low socio-economic backgrounds, therefore funding ELL programs with NSLA money should not be a problem. These ELL students should be getting additional assistance from both sources of money. The data that I have been provided show that money was transferred into both the ELL and ALE programs, but the data does not specifically demonstrate that those incoming transfers were from NSLA funds. In the case of ELL, I think that the research shows that this is an acceptable practice. I am aware of no research that suggests that ALE student are predominately from low socio-economic backgrounds. Therefore, I would think that using NSLA funds to support an ALE program would probably be problematic.