

ARKANSAS RURAL EDUCATION ASSOCIATION**Karen C. Smith****Hector School District****11520 SR 27, Hector, AR 72843****479-284-2021****karen.smith@hector.k12.ar.us**

Mr. Mark Hudson
 Legislative Analyst
 Room 315, State Capitol
 Little Rock, AR 72201

RE: Written Testimony for Adequacy Hearings Submitted by AREA

March 18, 2010

Dear Mr. Hudson,

Please accept this letter as documentation of written testimony for the Adequacy Hearings on behalf of the Arkansas Rural Education Association, hereafter known as AREA. AREA fully concurs with the written testimony submitted by the Arkansas Association of Educational Administrators. In addition to the testimony submitted by AAEA, the AREA wishes to address the two following areas:

1) Miscellaneous Funds

According to the *Partnership for Rural America Campaign*, "the Secure Rural Schools and Community Act funding to Arkansas will decline by 150% from 10.6 million in 2008 to 4.2 million in 2012". In Arkansas a large part of these funds are from National Forests. Because these funds are the source of miscellaneous funds to many districts in the state, an amendment to the current funding formula needs to be investigated. Under the current formula, a five-year average of miscellaneous funds is used to help determine a district's local wealth along with 98% URT. If the funding is cut as is projected, it is a very likely scenario that a district could not receive the foundation funding per student as required by law. A specific example is shown below:

According to state aid notice which is what funding is based on for each school year:

98%URT Collections	\$915,000
Five Year Avg. Misc. Funds	<u>\$325,000</u>

TOTAL LOCAL REVENUE = \$1,240,000 divided by ADM 786 = \$1,577.61 local revenue per student

Foundation funding is \$5,905 per student

\$5,905 - 1,577.61(local revenue per student) = \$4,327.39 state foundation funding per student

Instead of the district receiving the \$325,000 in miscellaneous funds for that year, it only receives \$222,000. This changes the foundation funding per student that the district actually received to \$5,773.96 instead of the \$5,905; however, Arkansas law states that each district should receive the amount set by the legislature.

A solution to this problem would be to amend the current miscellaneous funds law to state that if a district did NOT receive the five-year average before the end of a fiscal year, the state would make up the difference. This would be the same concept as with the 98% collection rate.

2) Excessive Transportation Costs

The current matrix has \$286 per pupil for transportation. An analysis of the 2006-2007 data showed that 148 school districts were spending over this figure. There were ONLY 24 districts that spent under \$200 per student. This data didn't even include capital outlay, which means the costs of buses were not included in this figure. This data is now almost three years old. It can be concluded from these figures that very few districts are "making money" under the current transportation figure in the matrix.

It is not necessary to pull transportation funding from the matrix; however, an additional categorical fund for districts that truly incur excessive transportation costs could be added to the formula.

AREA recognizes that isolated money that some districts receive is intended to help with items such as transportation. But, there are many districts that are experiencing high transportation costs that do NOT receive any isolated funds. The increasing number of districts that are being annexed and consolidated are compounding the issue of excessive transportation costs as it increases the size of the district which equates to longer bus routes.

There are districts that are spending close to \$1,000 per student on transportation. Because this pulls so much of the district's money away from other areas such as teacher salaries, facilities, technology, and instructional resources, it definitely becomes an adequacy issue.

A categorical fund to focus on districts incurring excessive transportation costs should be addressed in the next legislative session. A formula could be invented that could factor in isolated funds so "double-dipping" would not take place.

AREA would like to thank the Committee for their time and consideration of these issues. AREA is thankful to the Arkansas General Assembly for protecting educational dollars. The economic issues of these times are difficult and AREA realizes tough choices lie ahead. Any help with the above mentioned topics will be greatly appreciated.

Respectfully submitted,

Karen C. Smith
AREA Secretary/Treasurer