

Walton
Family
Foundation

April 18, 2014

Dear Senator Key, Representative McLean and Members of the Joint Interim Education Committee:

Thank you for allowing me to submit comments regarding the state's education funding formula. My name is Kathy Smith, and I am a senior program officer for the Walton Family Foundation, responsible for the foundation's education work in Arkansas.

I would like to address items that either have or might create adequacy questions, along with suggestions for changes that might be more sustainable and effective.

- 1) **Public School Facility Funds:** While nearly \$1 billion has to date been disbursed to public schools via the Partnership Program, with another \$213 million approved for projects through 2015, there remain growing needs under the current guidelines. In addition, open-enrollment public charter schools, a growing sector of public schools serving students across the state, don't have access to these funds or local millage. The current formula also appears to award higher-wealth but rapid growth districts.

Suggestions:

- (a) For future investments, consider targeting funds to the most under-resourced schools and communities. Higher wealth communities, even with rapid growth, are much more likely to pass millage amounts above the minimum requirement or have the ability to access resources that are not available in under-resourced communities
 - (b) Since open-enrollment public charter schools have no taxing authority, develop a formula, based on community wealth that would match the program proposed above and the average level of support schools receive with partnership resources, to disburse a per-pupil formula that supports facility access. By shifting the focus to public schools (both traditional and open-enrollment charters) that are under-resourced, this could be accomplished on the current level of funding or perhaps a lesser amount, making the program more sustainable, and assuring more effective targeting of resources to needier schools

- 2) **Broadband Access:** Broadband access is in my opinion one of the most critical equity issues facing Arkansas schools today. For decades, rural and isolated schools have attempted to attract and retain leadership and instructional talent without sustainable success. Based on data documenting generally declining populations in rural and isolated communities in our state and the increasing number of schools falling under annexation or consolidation under Act 60 (of the Second Extraordinary Session, 2003, The public Education Reorganization Act) this situation is worsening. Digital learning and the rich resources that come with broadband access could address this issue, yet, according to the 2013 national report called "Digital Learning Now," published by the Foundation for Education Excellence in Education, **Arkansas ranked a grade of "D" for digital learning opportunities.** In addition, TechNet's 2012 *Broadband Index Report* ranked Arkansas 50th of all states in the country for broadband access.

Legislators, recognizing both the deficit and the opportunities for digital learning, passed the Digital Learning Act of 2013 (Act 1280 of 2013) and directed the Department of Education to develop a plan to establish and maintain “the necessary infrastructure and bandwidth to sufficiently facilitate and deliver a quality digital learning environment in each school district and public charter school” in Arkansas.

In June 2013, the Arkansas Department of Education convened the Quality Digital Learning Study (QDLS) Committee with individuals representing higher education and K-12, telecommunications service providers, legislators and other stakeholders. Governor Mike Beebe also asked business leaders to form the Fast Access for Students, Teachers and Economic Results (FASTER) Arkansas Committee to examine, from a business perspective, the Internet needs of Arkansas public schools and how best to meet those needs. An Engineering and Infrastructure Task Force was also created to provide network engineering expertise and guidance for the QDLS and FASTER Arkansas Committees

In December 2013, the QDLS adopted the Engineering and Infrastructure Task Force recommendation to develop a new vision for K-12 networking using public and private resources and infrastructure, which the larger FASTER Committee subsequently adopted unanimously.

These recommendations follow:

- (a) **Connect school districts with a robust fiber-optic network.** This applies to any solution and will require significant investments in personnel as well as network services and, where possible, regional telecommunications service provider resources.
- (b) **Adopt the State Educational Technology Directors Association (SETA) recommendations for K-12 bandwidth as minimum targets.** The state’s network must have the capacity to provide concurrent access to world-class educational content for all students and staff with the ability to grow and adapt to meet future demands. For 2014-15, the minimum recommended bandwidth is 100Kbs per student and staff and for 2017-18 the minimum recommended bandwidth is 1Mb per student and staff.
- (c) **Centralize management for statewide network support services** such as billing, E-Rate applications, network recommendations, implementation or construction, network monitoring, vendor management, and problem resolution while preserving the responsibility of school districts to manage local area networks that interconnect school buildings.
- (d) **Efficiently aggregate statewide demand** to achieve greater economies of scale, reduce costs, improve access, and deliver high-quality content. Reducing the number of networks serving education from three: DIS (CIV and APSCN), ARE-ON, and multiple telecommunications service providers to one: an ARE-ON backbone with private service provider transport from ARE-ON to a single district metropolitan area network.
- (e) **Optimize the use of E-Rate and other federal funding programs** to build and sustain the network.

- (f) **Provide comprehensive value-added services** such as professional development and network technical support to help districts create, maintain and effectively utilize local area networks.

If the legislature adopted this vision, our students in K-12 public schools across the state could access resources that exist but have previously been denied.

- 3) **NSLA (Poverty) Funds:** Very few would disagree that schools with high poverty populations need additional resources to educate their students. The question is how much is adequate, what is the most effective formula, and should those funds be targeted in a certain fashion that would effectively impact student achievement. Dr. Gary Ritter’s analysis, which indicates a lack of performance differences on either side of the NSLA funding “cliffs” (attached), provides a solid argument for “smoothing” the formula. In regard to spending categories, while it seems that a few, restricted categories might be easy to manage and could accomplish academic gains, if schools are restricted to a few categories for the use of funds, some uses that arguably would help poverty students would not be allowed. I would propose taking at least a portion of the funds and making these outcomes-based rather than solely input-based.

Suggestion:

- (a) Disburse 80% of the poverty funds at the beginning of each school year. The state would still require proof that the funds are used for the school’s poverty population
- (b) At the end of the school year, 5% for each of four categories would be awarded based on the school’s ability to meet or exceed its Annual Measurable Objective (AMO) for the Targeted Achievement Gap Group (TAGG) in Literacy and Math on state tests. These four categories include:
 - (1) Literacy –**
 - (a) Meeting or Exceeding the TAGG Proficiency Target (5%)
 - (b) Meeting or Exceeding the TAGG Growth Target (5%)
 - (2) Math -**
 - (a) Meeting or Exceeding the TAGG Proficiency Target (5%)
 - (b) Meeting or Exceeding the TAGG Growth Target (5%)

Creating a performance-based component for poverty funds would incentivize schools on the front end to think about their highest and most concentrated use of dollars to create student achievement gains, and then would reward them on the back end for assuring strong implementation and fidelity of fund use. It also would discourage continued programs that weren’t creating expected gains.

Thank you again for soliciting my thoughts on these important issues, and thank you for your service to the children and families of our state.

Summary Points

- Arkansas' current categorical poverty funding system, established in 2003 as the National School Lunch Act (NSLA), distributes funding to districts based on the percentage of Free-and-Reduced Lunch (FRL) students in the district.
- Poverty funding is distributed through a tiered system, based on district concentration of poverty.
- In 2012-13, districts with 70% or fewer FRL students receive \$517 per FRL student. Districts with 70%-90% FRL students receive \$1,033 per FRL student; and districts with 90% or more FRL students receive \$1,549 per FRL student.
- Almost 50% of NSLA funding is spent on instructional personnel (e.g. Curriculum Specialists, Math/Science/Literacy coaches, and Highly Qualified Teachers).
- The majority of districts spend poverty funding in a number of areas and do not concentrate the funding.

Categorical Poverty Funding in Arkansas

As a result of the Arkansas Supreme Court's Lake View v. Huckabee Decision, the Public School Funding Act of 2003 established Arkansas' current funding system. A part of the current system allocates additional funding for districts based on need (categorical funding). In doing so, the state recognizes that it is necessary to distribute additional funding based on educational need to meet adequacy and equity standards. The system allocates funding for groups of students who face particular challenges: Alternative Learning Environment students (ALE), English-language Learners (ELL), and students in poverty (National School Lunch Act). In the current legislative session, lawmakers are examining the poverty funding system (NSLA). In this brief, we examine Arkansas' system for poverty funding and how districts spend poverty funding.

What is Arkansas' current poverty funding system?

Poverty funding is appropriated to districts based on the percentage of Free-and-Reduced Lunch (FRL) students attending the district the prior year. The funds were created with the National School Lunch Act (NSLA), as they relate to the percentage of FRL students; however, the funds are not used for school lunches. The system, which first allocated funds in 2004-05, is **tiered so that districts with higher concentrations of poverty receive more funding to equitably educate students.** Districts receive more funding per FRL pupil when 70% or more students receive FRL and then again when 90% or more students receive FRL. The graph to the right highlights the current system.

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In Arkansas, on average, **districts with higher concentrations of poverty have lower levels of student achievement than districts with lower concentrations of poverty.** Therefore, districts with higher concentrations of poverty need additional funding to offset the disadvantages the districts and students face.

In **2011-12**, Arkansas spent **\$183,776,704** on poverty (NSLA) funding, and in **2012-13**, **\$196,678,927** is appropriated for poverty funding.

There is **no definitive research that defines exactly how much funding should be spent on students in poverty.** Furthermore, there is no conclusive evidence stating what concentration of poverty level signals that a district requires additional funding.

Since 2004-05, Arkansas has increased the amount of funding distributed to districts three times (2007-08, 2011-12, 2012-13).

Figure 1: Arkansas Categorical Poverty Funding System (NSLA)

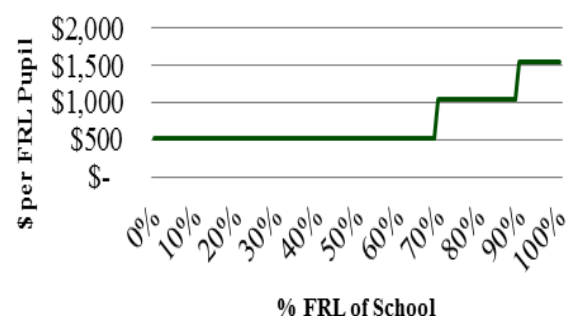


Table 1: Poverty (NSLA) Funding, Per FRL Pupil

% FRL Students	2004-05 to 2006-07	2007-08 to 2010-11	2011-12	2012-13
≤69%	\$480	\$496	\$506	\$517
70%-89%	\$960	\$992	\$1,012	\$1,033
≥90%	\$1,440	\$1,488	\$1,518	\$1,549

Over time, as enrollment and the number of FRL students in Arkansas has increased (and the amount of NSLA funding per FRL pupil has increased), Arkansas has increased the amount of funding distributed.

Table 2: Poverty (NSLA) Funding in Arkansas, By Year

	Enrollment	State % FRL	Total NSLA Funding	Total District Revenue	NSLA % of Total Revenue
2012-13	471,867	61%	\$196,678,927	-	
2011-12	468,656	60%	\$183,776,704	\$5,204,120,988	3.5%
2008-09	465,801	56%	\$157,767,290	\$4,823,473,547	3.3%
2004-05	455,515	52%	\$147,572,187	\$4,024,156,947	3.7%

Arkansas is similar to most states in providing poverty funding to districts. States vary in how the funding is allocated, how much funding is distributed, and how the funding can be utilized by districts. In the *2013 Quality Counts* report, Arkansas received a B+ on the category Equity Funding, ranking it as one of the top states in the nation in distributing additional funding to districts to meet equity standards.

Is increased poverty funding connected to increased achievement?

Arkansas Exam Achievement

On the Benchmark, End-of-Course Examinations, and Iowa Test of Basic Skills, FRL students perform less well than non-FRL students in Arkansas. The table below shows Benchmark achievement of FRL and non-FRL students from 2005-06 to 2011-12.

Table 3: Math and Literacy Benchmark (Grades 3—8) Achievement, Percentiles, 2005-06 to 2011-12

	2005-06	2011-12	Percentile Point Growth
Math			
Non-FRL students	62 nd	66 th	+4
FRL students	40 th	40 th	0
Literacy			
Non-FRL students	63 rd	66 th	+3
FRL students	39 th	43 rd	+4

Furthermore, **districts with higher concentrations of poverty perform less well on Benchmark, End-of-Course Examinations, and the Iowa Test of Basic Skills.** With Arkansas' system of poverty funding, districts with higher concentrations of poverty receive more funding; however, with the tiered system, some similar districts receive different amounts of poverty funding due to the funding "cliffs" at 70% and 90% FRL. For example, a district with 69% FRL students receives less funding per FRL pupil than a district with 70% FRL students; however, student bodies with 69% and 70% FRL look relatively similar socio-economically. In examining the academic achievement of the districts around the "cliffs," it is revealed that **districts around the funding "cliffs" (just below and above 70% and just below and above 90%) perform similarly** on the Benchmark and End-of-Course Exams, despite the fact that districts just above the "cliffs" receive twice as much funding per FRL pupil at each "cliff." Additionally, since 2004-05, when NSLA funding was first allocated, some districts have moved into a higher tier of poverty funding. The achievement of these districts was compared at both the 70% and 90% "cliffs," and no district showed an increase in achievement as a result of a financial windfall.

National Assessment of Educational Progress (NAEP) Achievement

The NAEP is a national non high-stakes assessment given annually to compare achievement in all fifty states. Since 2002-03, Arkansas' low-income students have increased achievement in math and literacy in line with national trends. Arkansas' ethnic minority students (particularly Hispanic students) experienced above-average growth in math and literacy. However, non-low-income students have progressed more quickly, so the **achievement gap has not decreased between low-income and non-low-income students.**

How is poverty funding spent by districts?

In 2003, the legislature hired an education consulting firm, Lawrence O. Picus and Associates, to assist in creating Arkansas' new funding system. In the initial report, Picus and Associates recommended that Arkansas distribute additional funding to districts with higher concentrations of poverty and that poverty funding should be allocated for tutors and student support personnel. While the legislature took the first recommendation and distributed funding based on concentration of poverty, it altered the second recommendation and created a number of allowable expenditure categories. Furthermore, in the 2011 sessions, additional categories were added to the approved expenditure list for poverty funding.

Table 4 presents the expenditure categories based on the percentage of total NSLA funding in 2011-12. The largest percentage of funding is spent on literacy, math, and science specialists and coaches (16.51%).

Additionally, Table 4 divides the specific expenditure categories into general categories: **instructional personnel** (46%; dark gray fill), **non-instructional personnel** (8%; green fill), **additional supporting programs** (12%; light grey fill), and **other use** (34%; no fill). The majority of NSLA funding is used for **instructional personnel** (46%), while only 12% is spent on additional supporting programs (e.g. summer programs).

The majority of districts (171 out of 253) spread funding between 6 or more (up to 18) specific expenditure categories. Therefore, there is evidence that districts are not pinpointing poverty funding in specific areas to specifically reach poor students. Instead, districts are spreading the funding across the board and may be using it to fill in budget gaps. **Due to general lack of focusing of poverty funds by districts, it is difficult to assign cause or even correlation to poverty funding and achievement.**

What are the future plans of poverty funding in Arkansas?

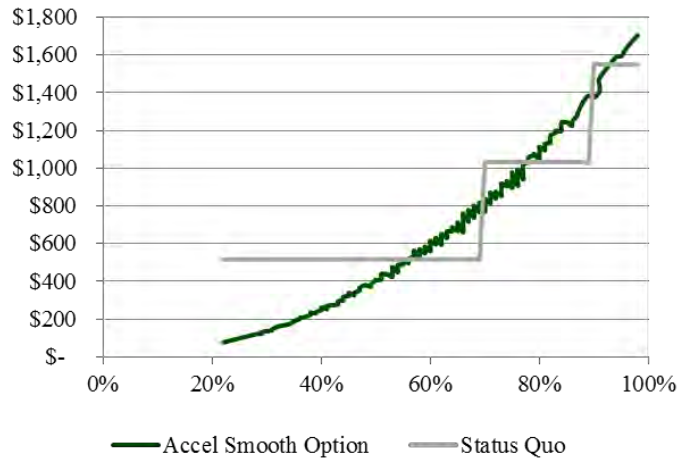
In the current legislative session, Senator Johnny Key filed **Senate Bill 811** to amend the distribution of NSLA funding. The bill proposes a “**smoother**” model, in which districts receive **additional funding per pupil for higher concentrations of poverty through a sliding scale.** In this system, similar to one used in Illinois, there are no discontinuous “cliffs” that exist in the current system. Additionally, the proposed model accounts for differences between free and reduced lunch students

Table 4: District Use of NSLA Funding, 2011-12

Expenditure Categories	Year Coded as Exp.	Percent of NSLA Funding in 2011-12
Literacy, Math, and Science Specialists and Coaches	2003	16.51%
Other activities approved by the ADE	-	11.56%
Highly Qualified Classroom Teachers	2003	9.42%
Transfer to ALE Categorical Fund	-	8.63%
School Improvement Plan	-	8.62%
Counselors, Social Workers, Nurses	2003	8.30%
Teachers' Aides	2003	8.17%
Curriculum Specialist	2003	4.69%
Pre-Kindergarten	2003	3.27%
Before and After School Academic Programs	2003	2.76%
Supplementing Salaries of Classroom Teachers	-	2.77%
Tutors	2003	2.35%
Transfer to ELL Categorical Fund	-	2.28%
Professional Development in Literacy, Math, and Science	2003	2.02%
Summer Programs	2003	1.28%
Early Intervention	2003	1.22%
Transfer to Special Educations Programs	-	0.93%
Transfer to Professional Development Categorical Fund	-	0.87%
District Required Free Meal Program	2011	0.70%
Parent Education	2003	0.52%
ACT Fees for 11 th Graders and Operating/Supporting a Post-Secondary Preparatory Program	2011	0.10%
Scholastic Audit	-	0.37%
Districted Reduced-Lunch Meal Program	2011	0.05%
Remediation activities for college	2011	0.05%
Teach For America Professional Development	2011	0.03%
Implementing Arkansas Advanced Initiative for Math and Science	2011	0.01%
Hiring Career and College Coaches	2011	0.00%
Materials, supplies, and equipment including technology	2003	-
Expenses related to a longer school day	2011	-
Expenses related to a longer school year	2011	-

(different levels of poverty), by giving **more weight to free-lunch students than to reduced-lunch students** (this is similar to a method used in Minnesota). *It is important to note that we could find no other states distributing poverty funding with discontinuous “cliffs” like those in the current Arkansas system.* The proposed model is represented below, with the “smooth” green line illustrating the proposed plan and the stepped grey line showing the current method.

Figure 2: Proposed Model for NSLA Funding



Additionally, in the current (2013) legislative session, Senator Joyce Elliot filed **Senate Bill 508** to amend the use of NSLA funding. The bill creates two categories of NSLA expenditures. Districts must spend at least 60% of NSLA funding in the first category; but districts with focus or priority schools must spend at least 75% of NSLA funding in the first category. The bill is intended to force districts to focus the funding in the specific prioritized categories.

Currently, Senator Key’s bill (SB811) and Senator Elliot’s bill (SB508) are waiting to be heard and voted on by the Senate Education Committee.

Our Policy Recommendations

As lawmakers look to make decisions regarding poverty funding, it is important to consider the distribution of NSLA funds by the current system and how NSLA funding is spent by districts. In our analyses, we found that that the districts above and below the “cliffs” perform similarly, despite the increase in funding for districts above the “cliffs.” That being said, districts with higher concentrations of poverty perform less well; and so, these districts with higher concentrations of poverty need additional funding to offset disadvantages that students in poverty face. We recommend the proposed “smoothing” model that does not create arbitrary “cliffs” and provides additional funding to districts with high concentrations of poverty (particularly free-lunch students).

Furthermore, from our analyses, we see that the system allows districts to spend among a number of different categories, and so, it seems as if some districts may spread the funding too thinly. Additionally, some districts may not focus the funding for low-income students as it is intended. For example, many districts spend poverty funding on Highly Qualified Teachers and teacher bonuses that may or may not specifically impact FRL students. Therefore, we recommend a policy that focuses the funding and creates a plan so that funding is specifically used for students in poverty.

Conclusion

Over the past ten years, Arkansas’ funding system has effectively channeled additional resources to districts serving poor students. However, we recognize that the system could be improved so that poverty funding is more effectively directed to the students who need it the most. Check back with the OEP Blog (www.officeforeducationpolicy.com) to stay updated on the current legislative session and any changes made to categorical poverty funding.

For More Information about this Policy Brief and other education issues in Arkansas contact us:

Office for Education Policy
211 Grad Ed Building
Fayetteville, AR 72701
Phone: (479) 575-3773
Fax: (479) 575-3196
oep@uark.edu

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www.officeforeducationpolicy.com

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PhD

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