



Research Report

Isolated and Special Needs Isolated Funding and Expenditures

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INTRODUCTION

Isolated and small schools in Arkansas may qualify for special funding from the legislature known as **isolated**, **special needs isolated** and **special needs isolated – transportation** funding. The approximately \$11 million dedicated to these funding sources accounts for only a quarter of a percent (.25%) of the state's total education funding and supplemented the budgets of 29 of the 235 school districts in 2016-17. (Charter schools do not receive any type of isolated dollars.)

Even though these funds together take a mere drop out of the pool of state education dollars, they make a bigger splash in the budgets of the affected districts. Districts' isolated funding accounts from a mere .3% to a high of 26.1% of these districts' restricted and unrestricted state and local funding amounts for 2016-17, as shown in the table below:

District	Total District Local and State Funding (Lines 24+39)	Total Isolated Funding	Isolated/SNI as % of Total Funding
MELBOURNE	\$9,050,810	\$26,766	0.3%
CLEVELAND COUNTY	\$7,658,512	\$43,151	0.6%
JACKSON COUNTY	\$7,847,835	\$95,191	1.2%
MINERAL SPRINGS	\$7,568,612	\$134,881	1.8%
MULBERRY/PLEASANT VIEW BI-COUNTY	\$3,658,173	\$71,831	2.0%
HUNTSVILLE	\$19,559,333	\$450,855	2.3%
AUGUSTA	\$4,258,378	\$123,230	2.9%
MARVELL	\$4,149,424	\$120,087	2.9%
STRONG-HUTTIG	\$3,614,413	\$106,442	2.9%
DERMOTT	\$4,047,624	\$123,626	3.1%
HERMITAGE	\$4,490,651	\$138,991	3.1%
DEWITT	\$12,644,948	\$413,901	3.3%
BEARDEN	\$4,671,589	\$160,179	3.4%
VIOLA	\$3,912,853	\$134,698	3.4%
KIRBY	\$3,165,459	\$109,446	3.5%
MAMMOTH SPRING	\$4,246,131	\$150,027	3.5%
NEVADA	\$3,755,639	\$139,905	3.7%
MOUNT IDA	\$4,157,771	\$155,616	3.7%
CEDAR RIDGE	\$9,580,926	\$378,684	4.0%
HARMONY GROVE (Ouachita)	\$9,170,358	\$451,117	4.9%
SEARCY COUNTY	\$9,800,971	\$500,978	5.1%
EMERSON-TAYLOR-BRADLEY	\$10,118,326	\$530,288	5.2%
MOUNTAIN VIEW	\$14,233,487	\$783,523	5.5%
COSSATOT RIVER	\$10,584,389	\$657,209	6.2%
OUACHITA RIVER	\$6,497,592	\$514,911	7.9%
OZARK MOUNTAIN	\$7,278,084	\$835,988	11.5%
JASPER	\$9,560,939	\$1,533,464	16.0%
HILLCREST	\$4,860,207	\$996,605	20.5%
DEER/MT. JUDEA	\$3,881,147	\$1,014,406	26.1%

Sixteen of these districts received isolated funding, 25 received special needs isolated funding and 13 received special needs isolated – transportation funding. The Adequacy Study Statute (A.C.A. §10-3-2102) requires that the legislature review the expenditures from these three funding mechanisms each biennium. However, it is difficult to interpret how important the General Assembly has deemed isolated funding to be for adequacy purposes. For instance, the law creating special needs isolated funding states that it is based on the General Assembly's finding that "school districts which contained isolated schools need additional funding to provide an adequate education for students attending schools in those districts." (Act 1452 of 2005)

However, only two years later, the General Assembly added another provision stating that special needs isolated funding is not a necessary component of providing an adequate education:

Funding provided under this section is in addition to and in excess of the amount of funds necessary to provide an adequate education as required by the Arkansas Constitution and cannot be relied upon beyond the expiration date of an appropriation made for the purposes of this section. (A.C.A. §6-20-604)

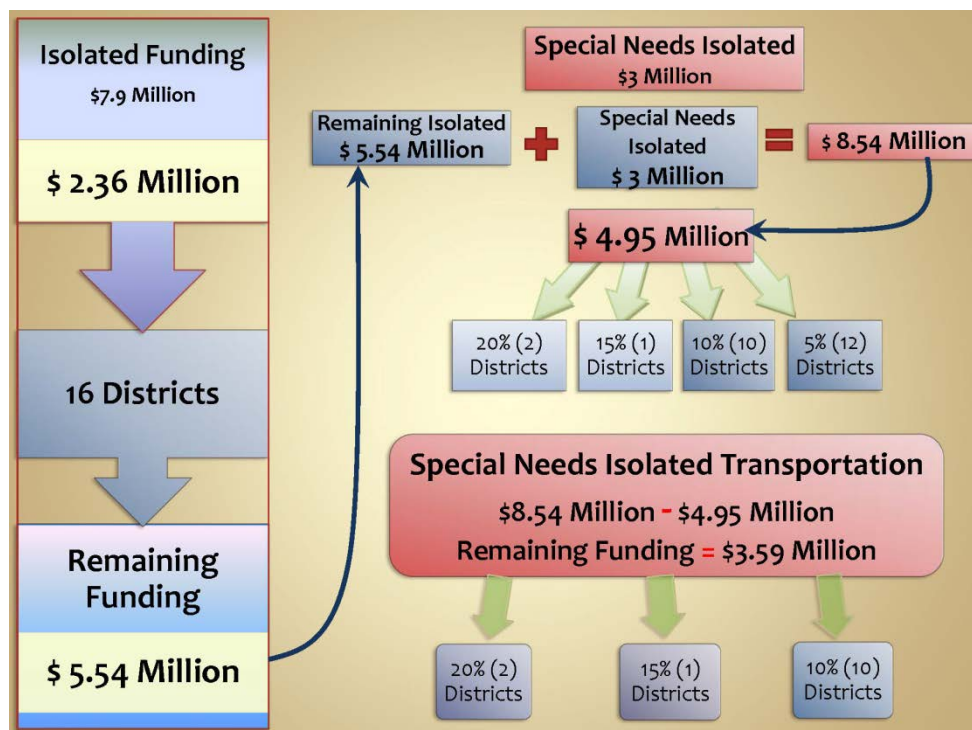
The legislation and formulas surrounding the various funding streams associated with isolated and small school districts are, to say the least, complex. That’s partly because what sounds like three categories of funding actually subdivide into several more.

It may be helpful to first take a broad overview of these components, and then delve into the specifics of each. This will be followed by an analysis of how these funds are used by the districts that receive them and, finally, by a comparison of some attributes between districts that receive isolated funds and those that do not.

OVERVIEW AND LEGISLATIVE BACKGROUND

The three large funding categories associated with isolated school districts (isolated, special needs isolated and special needs isolated – transportation) depend on interrelated funds. Districts that meet the definitions of isolated found in ACA §6-20-601-603 are the districts funded first out of \$7,896,000, the amount that has been consistently appropriated as isolated funding for more than a decade. This money has never been depleted after funding the isolated districts. Whatever balance remains is added to the \$3 million that is appropriated for school districts qualifying for special needs isolated funding. Historically, money is still left over after paying all of the districts qualifying for special needs isolated funds as well. All of those remaining funds are evenly divided and distributed to school districts that qualify for special needs isolated – transportation funding.

The following sections will go into more detail about each of the funds, and the following graphic illustrates how the distribution of these funds occur, using 2016-17 data:



ISOLATED SCHOOL DISTRICTS

Isolated funding has its roots in 1983 legislation, which defined an isolated school district as one that met four of the following five conditions:

- Had long distances (12+ miles) on hard-surfaced roads to the neighboring district's high school
- Had low student density of bus riders (fewer than 3 students per square mile)
- Were 100 square miles or more (legislation later cut this requirement to 95 square miles)
- Had a low proportion of hard-surfaced roads (less than 50% of the district's bus route)
- Contained geographic obstacles (lakes, rivers, mountains, etc.) isolating schools that otherwise would be appropriate for consolidation

Once a school district met this definition, a formula based on its enrollment would produce an amount of funding that would be paid to the district IF it met certain budget and millage requirements AND had an enrollment of fewer than 350 students. School districts with a student density ratio of fewer than 1.2 students per square mile qualified for another 50% of the original isolated amount.

The underlying criteria of having an enrollment of 350 or less, of course, became all but obsolete with passage of the Education Reorganization Act during the Second Extraordinary Session of 2003. That legislation – Act 60 – was part of the legislature's reform effort in response to the Arkansas Supreme Court's 2002 Lake View decision. Act 60 mandated that all school districts with fewer than 350 students were to be annexed into or consolidated with another school district.

School districts may still fall below the 350 enrollment threshold, however, though usually for a limited period of time as they face annexation or consolidation after two consecutive years with an enrollment below 350. The Weiner School District is the most recent to qualify for this classification, though it was short-lived, according to ADE.¹

(Act 377 of 2015, which allows small school districts to apply for waivers from ADE on a yearly basis that would permit them to remain open for longer than two years with fewer than 350 students, theoretically could have the impact of increasing the number of isolated school districts. In these instances, a school district could apply for isolated school district status, but ADE would have to first determine if the school district met the necessary criteria put forth in §6-20-601 (b)-(d) before it qualified for isolated funds. ADE is not sure there are any districts that would meet all of the criteria to meet the definition of an isolated school district under the statute, however.²)

Act 60 of 2003 also prevented reorganized school districts that had added isolated schools through consolidation or reorganization from closing them. Therefore, the challenge of educating students in isolated schools did not disappear, even though their districts did.

To that end, the legislature also passed Act 65 during the 2003 session to ensure the continuance of isolated funding. The act identified 56 "isolated school areas" that had been isolated districts before the massive post-Lake View reorganization. In addition to identifying the districts with their corresponding isolated school areas, Act 65 stipulated the per pupil amount of funding that would be paid to each district (see Appendix A), funding amounts which exist to this day.

Even with the isolated funding, operating isolated schools was often an expensive operation and some were finding it crucial to close an isolated school. Act 1397 of 2005 created a process by which that could occur by allowing school districts to close an isolated school if its school board

¹ Meeting with Cindy Hollowell and Anita Sacrey with the Arkansas Department of Education, Jan. 24, 2018.

² Email from Cindy Hollowell with ADE dated Feb. 13, 2018.

voted unanimously to do so. If the vote for closure was less than unanimous but represented a majority of the school board members, the State Board of Education would decide the matter based on what was best for all students in the district.

Allowing school districts to close isolated schools naturally raised questions about what to do with the funding. Attorney General Opinion No. 2005-115 addressed these concerns by opining that “a school district that completely closes an isolated school will receive no additional funds for that school.”

Attempts at clarifying this language in legislation led to Act 1131 of 2011, now found in §6-20-603(i), which spells out the current law regarding closures of isolated areas: “If all of an isolated school area in a school district is closed, the school district shall receive funding based on the prior-year three-quarter average daily membership of the isolated school area” (§6-20-603(i)(1)(A)) but adds that “If part of an isolated school area in a school district is closed, the school district funding is based on the prior-year three-quarter average daily membership of the part of the isolated school area that remains open.” (§6-20-603(i)(1)(B)).

Simply put, if a district fully closes an isolated area, it will receive for the following year an amount of money based on its isolated area’s average daily membership (ADM) of the preceding year. After that, because there would be no prior year ADM, the isolated funding ceases. But, if a district closes only part of an isolated school area, it gets only part of the money and continues to do so as long as part of the school remains open. For instance, if a K-6 isolated school becomes a K-5 isolated school, its funding will be based on prior year enrollment for grades K-5. This funding continues as long as there are prior ADM counts on which to base it.

Act 1131 further states that if a district that had closed an isolated school decided to reopen it as an alternative learning environment (ALE) or for regular classroom teaching, the funding could be applied for and reinstated based on the three-quarter ADM of the prior year. This happens periodically, according to ADE. Magnolia School District is a current instance of this, as it will receive funds under this provision during the 2018-19 school year because it is using one of its previously closed isolated buildings to house an ALE for this school year.

The amount of isolated funding distributed statewide has decreased as isolated schools have been closed over the years. By 2016-17, in fact, only 33 isolated schools in 16 districts qualified for funding.

District	Isolated Funding Amount
DeWitt	\$82,820
Cleveland County	\$43,151
Mulberry/Pleasant View Bi-County	\$71,831
Cedar Ridge	\$26,814
Melbourne	\$26,766
Jackson County	\$95,191
Hillcrest	\$183,649
Huntsville	\$27,301
Jasper	\$396,971
Deer/Mt. Judea	\$269,439
Harmony Grove	\$74,039
Ouachita River	\$120,008
Cossatot River	\$291,230
Searcy County	\$109,285
Ozark Mountain	\$299,486
Mountain View	\$239,810

For an example of how isolated funding is calculated under §6-20-603, consider Cedar Ridge School District. The amount per student specified in statute for Cedar Ridge’s isolated funding is \$235 and the previous year’s three-quarter average daily membership of its isolated area was 114.1, so:

$$\$235 \times 114.1 = \$26,813.50.$$

A more complicated formula is in statute for school districts newly qualifying under §6-20-601.

SPECIAL NEEDS ISOLATED DISTRICTS

In addition to adding a mechanism to close isolated schools during the 2005 session, legislators also successfully argued that isolated districts needed additional funding so they could meet the new education requirements put in place after Lake View. As a result, they passed Act 1452 of 2005, which created a new form of funding for isolated schools called special needs isolated funding.

The criteria districts must meet to qualify for three of the four categories of this funding includes:

- The district must have been part of a consolidation or annexation
- The local school board must have determined that combining the operation of an isolated school with another school in the district would be “impractical or unwise”
- The school districts had to meet the requirements established under the original isolated funding program found in A.C.A. §6-20-601 and file affidavits with the State Board of Education confirming that they met the original isolated funding criteria.

Once a school district meets the above criteria, it still must meet specific benchmarks to qualify for one of three levels of special needs isolated funding, all of which demand slightly different school situations. Depending on which category’s criteria districts meet, they will receive funding equal to 20%, 15%, or 10% of their foundation funding for each student in the isolated school area (or *areas*, as some districts contain more than one) or for the district.

An additional category for small districts (fewer than 500 students with a density ratio of 2 students or fewer per square mile) was created, even if the districts were not previously considered isolated. School districts in the small district category receive 5% of their foundation funding in special needs isolated funding.

Though a school district may meet the criteria for more than one category of special needs isolated funding, §6-20-604(g) specifies that it can receive funding for only one of the categories. (This is usually the one with the highest level of funding.)

The table below shows the criteria as it exists currently (density ratios have been adjusted upward over the years.)

Statute	# of Isolated Schools	District’s Prior 3 Qtr ADM	Density Ratio	% of Foundation \$\$ Rec’d
6-20-604(c)	1 or more	500 or less	1.5 students or fewer / sq. mile	20% for district ADM
6-20-604(d)	2 or more isolated schools serving all grades K-12	501 – 1,000 (or more than 1,000 if the isolated school has been annexed or consolidated into the district)	1.5 students or fewer / sq. mile	15% for district ADM
6-20-604(e)(2)	1 or more isolated schools serving all grades K-12	NA	NA	10% for isolated area

Statute	# of Isolated Schools	District's Prior 3 Qtr ADM	Density Ratio	% of Foundation \$\$ Rec'd
				ADM
6-20-604(e)(2)	1 or more serving any grade K-12 AND closed an isolated school for grades 7-12	NA	NA	10% for isolated area ADM
6-20-604(f)	NA	Fewer than 500	2 students or fewer / sq. mile	5% for district ADM

And below is the list of the 25 districts that received special needs isolated funding (including small district funding) in 2016-17, the amount of funding received and the category of special needs isolated funding in which they belong:

District	2016-17 Funds Received	Category
Hillcrest	\$536,917	20%
Deer/Mt. Judea	\$468,928	20%
Jasper	\$860,454	15%
Ozark Mountain	\$260,463	10%
DeWitt	\$55,042	10%
Emerson-Taylor-Bradley	\$254,249	10%
Cedar Ridge	\$75,831	10%
Huntsville	\$147,515	10%
Harmony Grove	\$101,039	10%
Ouachita River	\$118,864	10%
Cossatot River	\$89,940	10%
Searcy County	\$115,654	10%
Mountain View	\$267,674	10%
Hermitage	\$138,991	5%
Dermott	\$123,626	5%
Mammoth Spring	\$150,027	5%
Viola	\$134,698	5%
Mineral Springs	\$134,881	5%
Mount Ida	\$155,616	5%
Nevada	\$139,905	5%
Bearden	\$160,179	5%
Marvell	\$120,087	5%
Kirby	\$109,446	5%
Strong-Huttig	\$106,442	5%
Augusta	\$123,230	5%

An example of how special needs isolated funding is calculated is provided below. In 2016-17, Deer/Mt. Judea had two isolated schools, a prior-year three-quarter average daily membership of 352.79 and a density ratio of .79 students per square mile, placing the district in the special needs isolated category for an extra 20% of the per pupil foundation funding amount, which was \$6,646 that year. That 20% amount -- \$1,329.20 -- is multiplied by the district's prior year three-quarter average daily membership, which was 352.79:

$$\begin{array}{r}
 \text{Eligible \%} \\
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 \$468,928.47$$

Year	# Districts Receiving Special Needs Isolated Funding	Total Special Needs Isolated Funding
2014-15	24	\$8,347,715
2015-16	22	\$8,480,192
2016-17	25	\$8,538,205

SPECIAL NEEDS ISOLATED - TRANSPORTATION

One of the challenges superintendents and legislators representing isolated school districts often pointed to was transportation. The very definition of isolated districts often meant that their students lived relatively long distances from their schools and from each other, and the buses carrying them back and forth from school often had to travel a portion of those distances over roads that were rough, narrow and, therefore, difficult and more costly to traverse.

Act 1052 of 2007 created special needs isolated – transportation funding to help isolated districts with transportation needs. The distribution formula was pretty straight-forward: any of the appropriated \$11 million remaining after isolated and special needs isolated districts had been funded would be distributed evenly to all special needs isolated districts that qualified for the 20%, 15% or 10% categories of that funding. That meant that small school districts (the 5% category) were the only special needs isolated districts unable to receive the additional funding. As the name implies, this funding is for for the isolated area’s transportation expenses only.

In 2016-17, the following districts each received \$276,039 in special needs isolated – transportation funding: DeWitt, Emerson-Taylor-Bradley, Cedar Ridge, Hillcrest, Huntsville, Jasper, Deer/Mt. Judea, Harmony Grove (Ouachita), Ouachita River, Cossatot River, Searcy County, Ozark Mountain and Mountain View.

Year	# Districts Receiving SNI – Transportation Funding	SNI – Transportation Funding Per District	Total Funding for SNI – Transportation
2014-15	15	\$254,188	\$3,812,820
2015-16	14	\$290,259*	\$4,017,555*
2016-17	13	\$276,039	\$3,588,507

*Special language regarding student density requirements affected only the Hillcrest School District. Therefore, funding for that that district was set at \$254,188, the amount it received the previous year.

When superintendents were surveyed by the Bureau of Legislative Research (BLR) about matrix funding needs, a notable variation regarding transportation funding emerged. When aggregate responses were compared for superintendents of districts receiving isolated funding vs. those of all districts receiving any form of isolated funding vs. all other districts, only the group receiving the isolated transportation funds did not have transportation identified as one of the five highest funding needs in the adequacy funding matrix.

The following chart shows the aggregated responses to the following question:

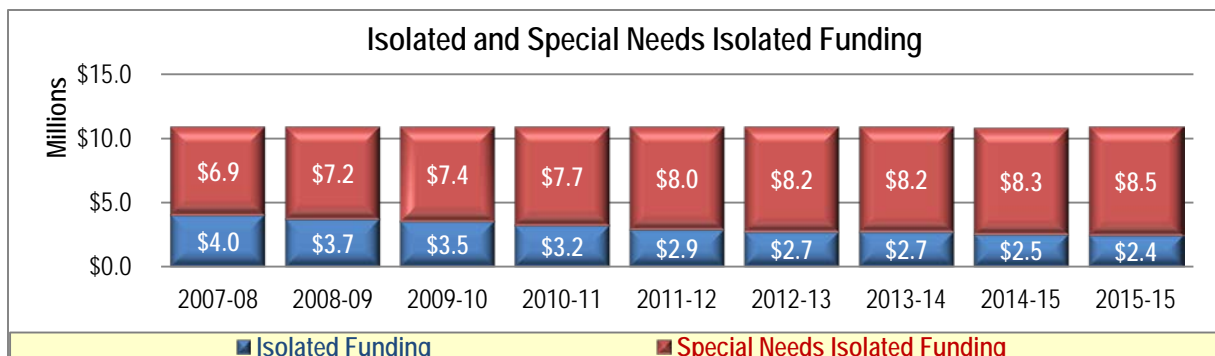
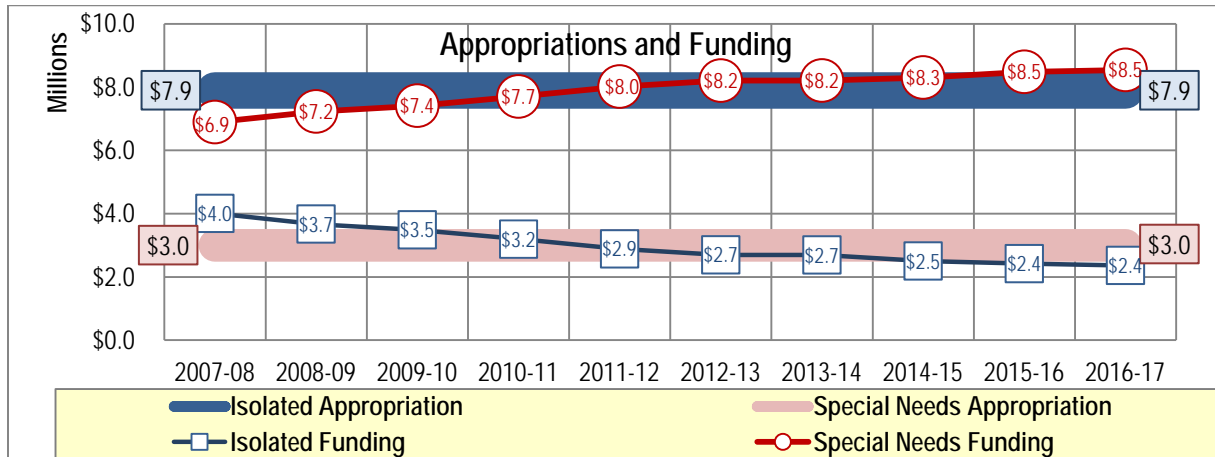
Rank the following resources in the matrix (click here for an attached summary) in terms of areas where your district most needs additional funding (of any amount), with 1=MOST in need of additional funding and 17=LEAST in need of additional funding.

5 Matrix Areas Most in Need of More Funding		
Isolated or Special Needs Isolated	Special Needs Isolated-Transportation	Other
1. Classroom teachers	1. Classroom teachers	1. Classroom teachers
2. Special education teachers	2. Special education teachers	2. Special education teachers
3. Operations and maintenance	3. Technology	3. Operations and maintenance
4. Transportation	4. Operations and maintenance	4. Transportation
5. Technology	5. Instructional Facilitators	5. Technology

(Fuller discussions of the BLR surveys of superintendents, principals and teachers will occur in later adequacy reports.)

FUNDING TRENDS

The amount of money appropriated for isolated (\$7,896,000) and special needs isolated schools (\$3 million) has not changed for the past decade. Yet, the amount required to fund districts with isolated school areas has decreased over the years, leaving more money to be added to the special needs isolated funding. The result is that more funds are distributed as special needs isolated, though the appropriation is actually lower, and vice versa for isolated funds. This phenomenon is illustrated in the following graphs:



The special needs isolated funding amounts include the special needs isolated – transportation funding, which amounted to nearly \$3.6 million in 2016-17. That money was distributed evenly to 13 school districts.

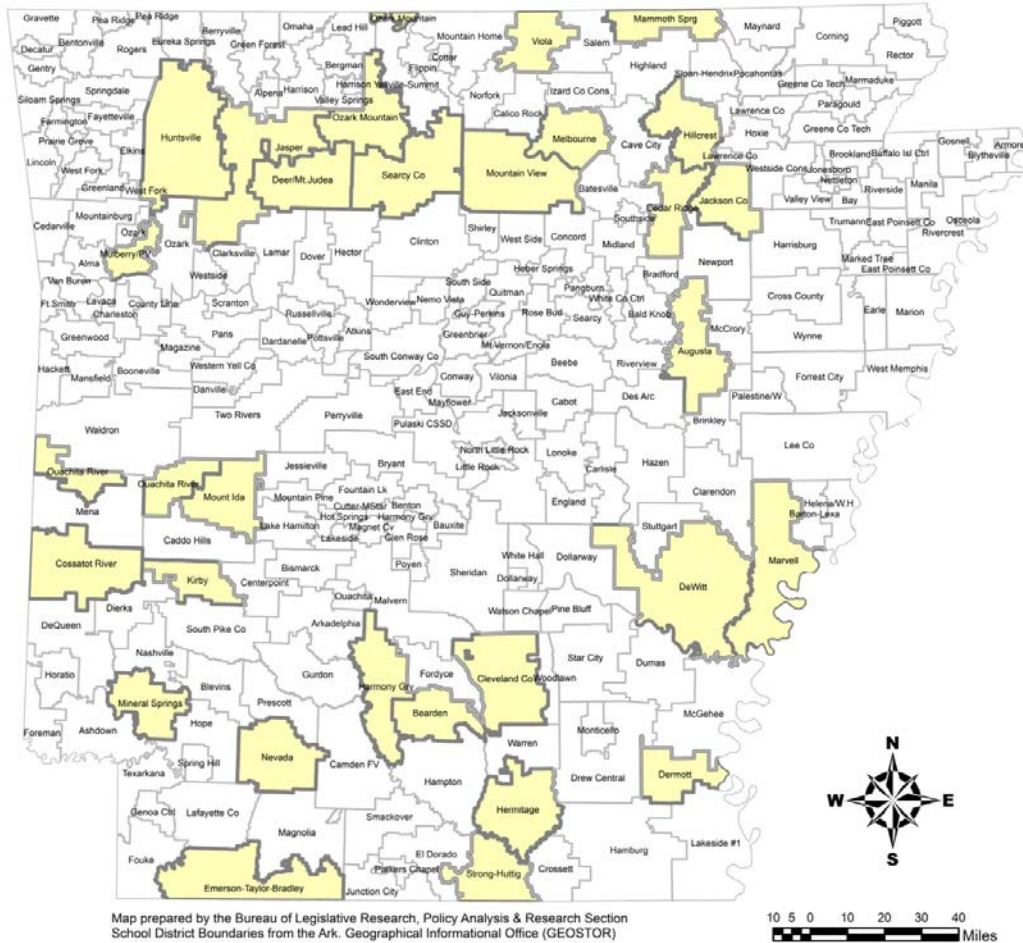
The number of districts receiving some type of isolated or special needs isolated funding over the years has fluctuated slightly. While some districts that once receive isolated funding no longer do, some additional small districts have qualified to receive special needs isolated funding in the 5% category. For instance, from the 2015-16 to the 2016-17 school year, these changes occurred:

- Bryant School District closed Paron Elementary School at the end of 2014-15, so it did not receive isolated funding in 2016-17.
- Four school districts – Marvell, Bearden, Strong-Huttig and Augusta – received special needs isolated funding in the 5% or small district category in 2016-17 though they had not in 2015-16.

One reason this fluctuation regarding small districts may occur is because school districts may not receive both special needs isolated and declining enrollment funding. ADE calculates which category will provide the district more money. From the state’s perspective, however, this makes a difference, albeit with a small amount of money. That’s because the funding allocated for isolated and special needs isolated funding remains the same and has always been fully distributed. Declining funding, however, is based on a separate calculation and the appropriation for it has grown from \$10 million in 2007 to nearly \$14 million in 2017, while the actual amount funded fluctuates each year.³



The following map shows the location of the 29 districts that received either isolated or special needs isolated funding in 2016-17:



³ In fact, according to ADE, the state would have paid almost \$715,000 more in declining enrollment funding to 10 districts if those districts had not qualified for more in special needs funding. The 10 districts are Dermott, Hillcrest, Mount Ida, Jasper, Deer/Mt. Judea, Bearden, Marvell-Elaine, Kirby, Cossatot River and Strong-Huttig.

EXPENDITURES

School districts historically have tended to spend most if not all of their isolated and special needs isolated funds each year.

Year	Funding	Expenditures
2014-15	\$10,895,996	\$11,825,609
2015-16	\$10,895,990	\$10,650,084
2016-17	\$10,895,996	\$10,988,885

For the last several years, an overall fund balance of \$5 million to \$6 million has remained, with nearly all school districts with these funds maintaining a balance. According to ADE, payments of isolated funds are made in the second semester, sometimes as late as June, so that may explain why fund balances remain each year. At the end of 2016-17, 26 school districts carried over fund balances of isolated and special needs isolated funds averaging \$203,366 each. (These 26 include most but not all of the 26 that received isolated or special needs isolated funding in 2016-17; others on the list are districts that met one of the isolated definitions in previous years.) The fund balances in 2016-17 ranged from \$149 at Ozark Mountain School District to \$777,428 at Emerson-Taylor-Bradley School District.

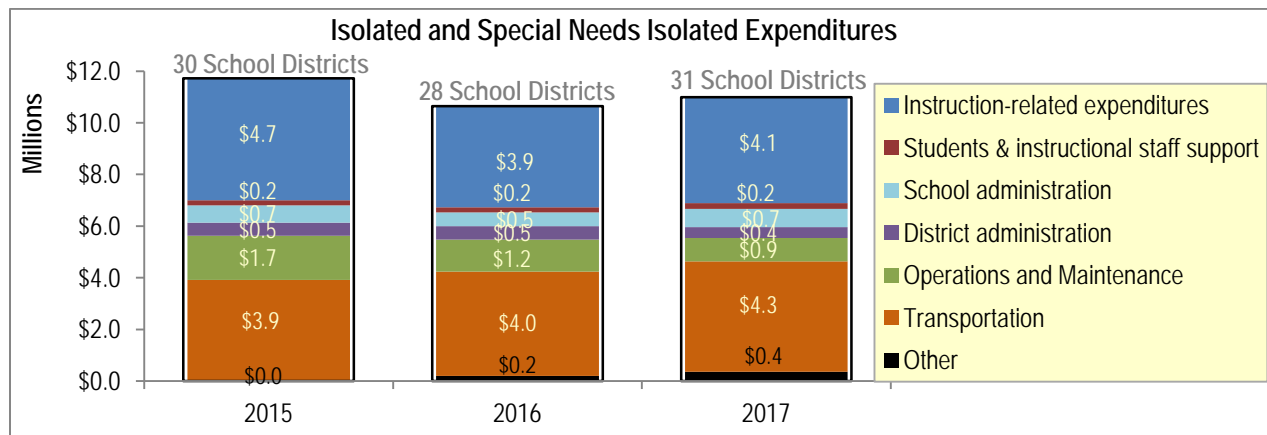
Year	Total Year End Isolated Balance	Districts with Ending Fund Balance
2014-15	\$5,124,136	29
2015-16	\$5,491,145	32
2016-17	\$5,287,428	26

USE OF FUNDS

Arkansas statute limits districts' use of isolated funds received under §6-20-603 and three of the four categories of special needs isolated funds found in §6-20-604 to the support of isolated schools. Special needs isolated funding in the 5% category is for small districts, thus the use of those funds are unrestricted. Use of special needs isolated – transportation funding, as the name indicates, is confined to funding transportation needs.

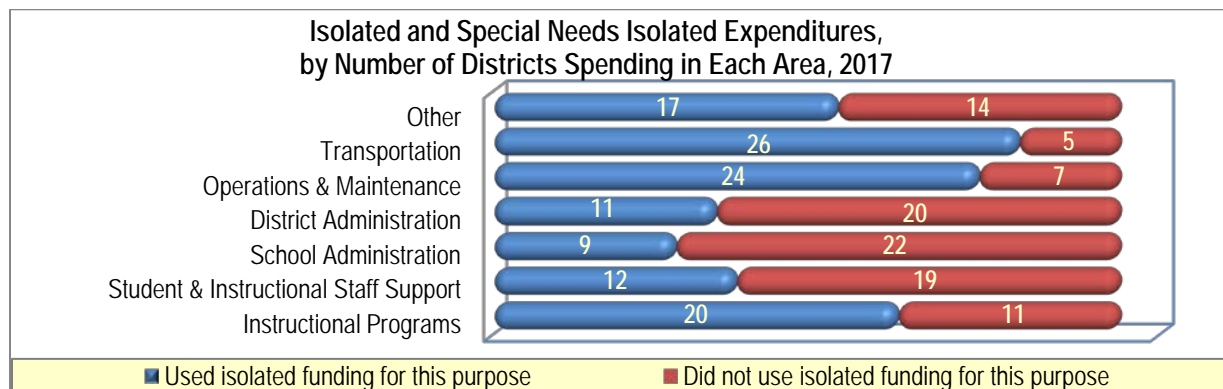
Funding Type	Restricted Use
Isolated	Operation, maintenance and support of the isolated school area
Special Needs Isolated	Operation of the isolated school area
Special Needs Isolated (Small District)	None
Special Needs Isolated (Transportation)	Transportation costs for the isolated school area

The following chart illustrates the way districts typically spend the majority of isolated and special needs isolated funding. Instruction-related and transportation expenditures account for most of the ways these funds are used by districts. A description of each category follows the chart.



- **Instruction-Related Expenditures:** Teacher salaries and instructional materials for core subjects, career education, special education and elective courses (e.g., band, choir, art, drama, gifted and talented)
- **Students and Instructional Staff Support:** Student support services may include attendance and social work services, guidance counseling, school nurses, etc. Instructional staff support services may include expenses associated with curriculum development, professional development, library/media services and technology-related services
- **School Administration:** Expenditures for school principals' offices
- **District Administration:** Expenditures for general administration (school board administration and superintendent's office) and central services (accounting, auditing, personnel services, etc.)
- **Operations and Maintenance:** Operations and maintenance of buildings (custodians, plumbers, electricians, etc.) and grounds services
- **Transportation:** Operational costs of student transportation, services, servicing and maintenance

Another way to get a picture of how school districts are using their isolated and special needs isolated funds is to see how many districts are spending some of this money in each category. The following chart shows again that in 2017, the most common categories for district spending were transportation, operations and maintenance and instructional programs.



The Arkansas Department of Education does not routinely monitor how districts spend restricted isolated money.⁴ They do, however, verify that districts are appropriately spending the funding when asked to do so by Legislative Audit or other entities. Furthermore, it may be difficult to determine that any particular isolated funding expenditure does or does not support an isolated school as required by statute.

⁴ ADE meeting with Hollowell and Sachrey.

CHARACTERISTICS OF ISOLATED SCHOOLS

In 2016-17, 29 school districts received either isolated or special needs isolated funding. These districts by definition tend to be low enrollment districts with low student-per-square mile ratios. This section will look at these and some other characteristics of the districts that receive isolated and/or special needs isolated funding.

The map on page 9 shows that the school districts receiving isolated funding tend to be in the more rural areas of the state, as one would expect. In terms of land area and density, districts receiving isolated funding do on average encompass more square miles and have fewer students living close together.

2016-17	Districts w/ Isolated Funding	Other Districts
Avg. Square Miles	391.8	202.91
Avg. # Students per Square Mile	1.84	17.33

To add more context to this, notice that two of the five largest districts geographically qualify for isolated funds while none of the five smallest do. Likewise, all of the lowest five districts in terms of student density qualify for isolated funding, while none of the five with the highest levels of student density do.

5 Smallest Districts	Square Miles
Harmony Grove (Saline)	22
North Little Rock	29
Cutter Morning Star	32
Farmington	33
Cotter	34

5 Largest Districts	Square Miles
DeWitt*	922
Waldron	764
Huntsville*	740
Hamburg	732
Pulaski County	635

*Denotes district that receives isolated funding.

Lowest Density Districts	Students /Sq. Mile
Marvell*	.7
Deer / Mt. Judea*	.8
Strong-Huttig*	1.0
Augusta*	1.0
Hermitage*	1.0

Highest Density Districts	Student/Sq. Mile
North Little Rock	289.1
Little Rock	227.7
Fort Smith	204.4
Jonesboro	162.9
Springdale	116.1

*Denotes district that receives isolated funding.

Historically, several specific challenges associated with isolated districts include higher transportation costs and the difficulty of retaining and recruiting qualified faculty. These have been pointed out in past legislative reports and were central to arguments made by the Deer / Mt. Judea School district in its long-running court battle that culminated in the 2016 Pulaski County Circuit Court decision of *Deer/Mt. Judea School District v. Asa Hutchinson*.⁵

⁵ *Deer/Mt. Judea School District v. Asa Hutchinson*. Originally filed as *Deer/Mt. Judea vs. Mike Beebe* in 2010, the suit addressed the state's system of funding education. The main issue concerning isolated funding, a prominent issue in the lawsuit, was the claim that isolated funding wasn't rationally related to the schools' needs and that the 2006 adequacy report noted this and recommended the statutes be rewritten. On appeal, the Supreme Court ruled that this claim was barred by *res judicata*. Later at trial, Deer/Mt. Judea argued that its isolated funding and special needs isolated funding since 2009 should have included a cost-of-living increase. The trial court's opinion stated that Deer-Mt. Judea had not shown how the current isolated and special needs isolated funding was insufficient to provide an adequate education. Another issue related to isolated funding centered on legislation passed as special language in the education appropriation bill in 2010 that created a condition that applied only to the Melbourne School District,

The charts below take a closer look at some of the characteristics associated with these and other issues. Data for these tables were obtained from Arkansas Department of Education data files.

	Districts w/ Isolated Funding	Other Districts
Transportation Expenditures / Student	\$624	\$402
Average Route Miles	796	1123
Average Ridership Ratio	74.5%	60.8%
Total Per Pupil Expenditures	\$11,310	\$9,778
Average Students per Classroom Teacher	11.7	13.2
Average Minimum Teacher Salary*	\$32,087	\$34,315
Average Teacher Salary**	\$42,450	\$45,174

*ADE Salary Schedule Report

**2016-17 Annual Statistical Report actual expenditures data for 2016-17 school year.

In terms of student characteristics and performance, isolated districts have lower student scores, but that may be a function of having more economically disadvantaged students. In future years, ESSA Index Scores, which include information regarding weighted achievement and growth in academic achievement, will provide a more nuanced look at the academic performance comparison between isolated and other school districts.

	Districts w/ Isolated Funding	Other Districts
% Eligible for Free- or Reduced-Price Lunch	76.8%	68.1%
Average % Ready or Exceeding in Literacy*	47.3	50.1
Average % Ready or Exceeding in Math*	40.9	44.2

*2016-17 scores provided by ADE.

CONCLUSION

While funding related to isolated schools accounts for less than 1 percent of the state's education funding, it is very important for the school districts that receive it. For four districts, isolated and special needs isolated accounts for more than 10% of their total funding.

Isolated funding dates back to the mid-1980s, when the state had many school districts with small enrollments. After the 2002 Lake View decision, the General Assembly passed Act 60 of 2003, which called for the annexation or consolidation of school districts falling below a 350-enrollment threshold. To take care of those students attending isolated schools, the legislature included provisions that would both keep the isolated schools open and direct the isolated funding to the districts encompassing them. Just under \$8 million was appropriated for these schools.

Though new legislation in 2005 allowed districts to close isolated schools, the General Assembly also that year created a new means of funding school districts with isolated schools so they would be able to provide an adequate education. An additional \$3 million in special needs isolated funding was appropriated for these schools, which has been combined with any leftover isolated funds each year to make the full amount available for school districts qualifying for special needs isolated status.

Each year, money has remained after funding the districts qualifying for isolated and special needs isolated funds. That money now becomes special needs isolated – transportation funding, a funding stream created by legislation in 2007. Now, as then, whatever money

which had closed an isolated high school and therefore was at risk of losing its isolated funding. This language was found unconstitutional at the trial level. In 2013, Act 1073 removed the language concerning specific dates that singled out Melbourne with the effect of allowing districts that closed isolated high schools to continue to receive special needs funding, regardless of when the closure occurred, so the issue was considered moot by the time the case reached the Supreme Court on appeal.

remains after the isolated and isolated special needs districts are funded is distributed evenly to qualifying districts to be used for transportation purposes.

Districts tend to spend most of their isolated funds each year, though an overall fund balance between \$5 million and \$6 million has occurred in recent years. The largest categories for spending are instructional programs, transportation, and operations and maintenance.

As one would expect, school districts that receive isolated monies tend to be in rural areas of the state with low student density. They are also characterized by fewer students in classrooms and by lower teacher salaries.

APPENDIX A: ISOLATED SCHOOL AREAS(As defined by Act 65 of the 2nd Extraordinary Session, 2003)

County	Isolated School Area	Current School District	Per-Student Funding
Van Buren	Alread	Clinton	\$2,219
Desha	Arkansas City	McGehee	\$2,040
Randolph	Biggers-Reyno	Corning	\$763
Miller	Bright Star	Fouke	\$916
Marion	Bruno-Pyatt	Ozark Mountain	\$329
Dallas	Carthage	Malvern	\$1,938
Independence	Cord-Charlotte	Cedar Ridge	\$235
Woodruff	Cotton Plant	Augusta	\$733
Crittenden	Crawfordsville	Marion	\$642
Newton	Deer	Deer/Mt. Judea	\$853
Greene	Delaplaine	Greene County Tech	\$215
Desha	Delta Special	McGehee	\$952
Nevada	Emmet	Blevins	\$307
Sharp	Evening Shade	Cave City	\$115
Ashley	Fountain Hill	Hamburg	\$339
Yell	Fourche Valley	Two Rivers	\$1,603
Arkansas	Gillett	DeWitt	\$1,000
Lincoln	Gould	Dumas	\$765
Lincoln	Grady	Star City	\$560
Polk	Hatfield	Mena	\$42
Monroe	Holly Grove	Clarendon	\$868
Arkansas	Humphrey	DeWitt	\$328
Union	Huttig	Strong-Huttig	\$668
Cleveland	Kingsland	Cleveland County	\$394
Madison	Kingston	Jasper	\$661
Phillips	Lake View	Barton-Lexa	\$1,054
Searcy	Leslie	Searcy County	\$628
Lawrence	Lynn	Hillcrest	\$782
Columbia	McNeil	Stephens	\$329
Union	Mount Holly	Smackover	\$898
Newton	Mount Judea	Deer/Mt. Judea	\$622
Izard	Mount Pleasant	Melbourne	\$225
Johnson	Oark	Jasper	\$1,576
Montgomery	Oden	Ouachita River	\$671
Saline	Paron	Bryant	\$733
Yell	Plainview-Rover	Two Rivers	\$297
Franklin	Pleasant View	Mulberry/Pleasant View Bi-County	\$679
Randolph	Randolph Co.	Twin Rivers	\$444
Lawrence	River Valley	Hillcrest	\$106
Stone	Rural Special	Mountain View	\$788
Searcy	Saint Joe	Ozark Mountain	\$727
Madison	Saint Paul	Huntsville	\$123
Hempstead	Saratoga	Mineral Springs	\$1,407
Van Buren	Scotland	Clinton	\$1,841
Dallas	Sparkman	Harmony Grove	\$487
Ouachita	Stephens	Stephens	\$1
Stone	Stone County	Mountain View	\$367
Jackson	Swifton	Jackson County	\$458
Columbia	Taylor	Emerson-Taylor	\$353
Howard	Umpire	Cossatot River	\$2,152
Union	Union	El Dorado	\$45
Columbia	Walker	Magnolia	\$819
Newton	Western Grove	Ozark Mountain	\$375
Cleburne	Wilburn	Concord	\$978
Sharp	Williford	Twin Rivers	\$475
Washington	Winslow	Greenland	\$494