

A Review of  
*Adequacy in Financing*  
Public Education in Arkansas

2020



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Prepared for:  
The Education Adequacy Subcommittee  
of the Arkansas General Assembly

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Prepared by:  
Arkansas Association of Educational Administrators



# AAEA Executive Summary

## Adequately Financing Public Education in Arkansas

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1. “What does an adequate education look like in 2020 and beyond?” It is time to revisit the Adequacy process and answer that crucial question. In the final Lakeview mandate released by the Supreme Court in 2007, the Court concluded, “constitutional compliance in the field of education is an ongoing task requiring constant study, review, and adjustment.” AAEA supports additional study on educational issues currently facing public schools that were not part of the discussion in the original development of the funding Matrix. In addition, in accordance with Act 1082 of 2019, a crucial part of this review needs to be a thorough study of the approved programs for ESA categorical funds.
2. It is vital that any review of Adequacy includes a thorough examination of school safety including the need for additional mental health services in schools.
3. It is crucial that funding be added to the Matrix components that currently are funded less than actual school expenditures. For example, the most recent BLR report on Resource Allocations shows districts spending \$842.02 per student on Maintenance & Operations. The Matrix provides only \$664.00. By fully funding this line item, districts will not have to divert money from other Matrix items, such as teacher salaries, for Maintenance & Operations. This need is even more critical due to the recent increase in the state minimum hourly wage and future increases. Quite a number of hourly school employees are paid from the Maintenance and Operations budget.
4. AAEA opposes any efforts to divert public funds to private schools through vouchers or “scholarships” without the same oversight and accountability mandated for public schools. Research shows that voucher programs across the country are not successful in improving student achievement, do not improve equity, and actually increase discrimination.
5. **Quality** teaching talent matters when it comes to improving student achievement. Teacher salaries need to be raised to address the current teacher shortage by attracting the best and brightest to the profession. AAEA applauds Governor Hutchinson’s initiative and the Legislature’s passage of the Educator Compensation Reform Program (Act 877 of 2019). However, the additional funds appropriated through this Act does not address the ongoing costs of the salary increases. Foundation funding in FY22 and FY23 should be increased to meet this cost shortfall.

6. The Facilities Partnership Program should be adequately funded. Investing in school facilities meets the needs of students and schools and is an economic investment that supports Arkansas construction trades. According to information from OEP and DFA, the portion of the state budget that goes to public education is steadily declining, from 49% in 2002-2003 to 42% in 2016-2017. Maintaining a stable level of support from general state revenue would provide for facility funding as well as for other investments in education, such as teacher salaries.
7. Increase categorical funding for FY22 and FY23 to reflect COLA adjustments since many expenditures from the Enhanced Student Achievement, English Language Learners, and Alternative Learning Environment categories are for personnel costs. This need is even more critical due to the passage of the Educator Compensation Reform Program and the recent increase in the state minimum hourly wage.
8. Special Education Catastrophic Funding: The cost to adequately provide the needed care for special needs students with extraordinarily high-cost services is increasing steadily. However, state funding for reimbursement of these crucial services has remained stagnant. DESE has revised catastrophic funding rules for reimbursing school districts for these costs. Additional conversation should be held on the reporting structure for districts to file for reimbursement as it is very burdensome and should be automated. The AASEA Board is volunteering to work with key DESE personnel to streamline this application process.
9. It is essential that Arkansas expand and adequately fund CTE programs in schools and area career centers to ensure all students in all areas of the state have an opportunity to explore alternative educational paths; an economic investment that will help fill current well-paying job openings in the state due to industry demand and need.
10. The Arkansas Teacher Retirement System is essential to ensure the recruiting, retaining and rewarding of career school employees. AAEA supports the efforts of the legislative Public Retirement and Social Security Programs committee to monitor the various systems to ensure the integrity and financial stability of the retirements systems. The ATRS Board has demonstrated the willingness to make difficult policy decisions within legislative guidelines to ensure the stability of the system. AAEA supports the member elected board of ATRS and believes history has shown that it works well. AAEA also agrees that policy changes should be proposed by the ATRS elected board through the legislative process.

# Adequately Financing Public Education in Arkansas

## Supporting Documentation

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Under the Arkansas Constitution, it is the state's responsibility to provide a revenue structure that supports an adequate and equitable education for all students in its public school system.

- ⇒ Adequacy represents an attempt to move toward the continuous improvement of educational outcomes to ensure that all students have a quality education.
- ⇒ Adequacy asks, "What level of educational resources is sufficient to generate a specific set of educational outcomes?"

On behalf of the children of Arkansas, AAEA greatly appreciates the Legislature and State Board of Education for the added flexibility through waivers that allow schools to more easily personalize learning and expand opportunities for all students. The continuing efforts by the ADE to reduce paperwork on schools is also much appreciated. However, if we expect children to achieve at high levels, schools must be funded for success. Economists have long believed that investments in education, or "human capital," are an important source of economic growth.

Dollar for dollar, investing in public education grows the economy. AAEA welcomes the opportunity to submit recommendations on sustaining and advancing an adequate education for children.

Also, AAEA believes that it is time to revisit this biennial review process and answer the crucial question, "what does an adequate education in 2020 and beyond look like?" Many issues that schools face today weren't even mentioned during the original discussions of an adequate education. The following are all topics districts are currently implementing.

- TESS
- LEADS
- Dyslexia Interventions
- New Curriculum Standards such as Financial Literacy and Computer Coding
- Expanding Digital Learning
- Increased Focus on Expanded CTE Programs for Students
- Facility Maintenance / Preventive Maintenance Requirements
- School Safety measures including and addressing vaping concerns and additional mental health services

Vaping is an epidemic that is exploding in our schools and addiction is increasing. AAEA supports Senator Jim Hendren's proposed School Safety Act with funds raised going to school district to combat

not only vaping but to increase mental health services. Speak with any principal across Arkansas, and they will report that mental health concerns and social-emotional issues with students have increased dramatically in recent years. Most principals can share stories of students who are traumatized in a way that results in students being disconnected from the learning environment at the least, to students with severe behaviors that result in damaged property and injured students and adults at the most. Special Education and Section 504 Accommodation Plans are not always part of the solution for many of the students. Although poverty can and does play a role in this concern, it is not always a poverty problem.

The following section provides recommendations on adequate funding for FY22 and FY23.

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### **COLA (COST OF LIVING ADJUSTMENT)**

As established by Act 124 of 2007, the Foundation Funding Matrix is to be adjusted each year for inflation of any appropriate component of the funding system. Due to yearly statutory obligations for salaries of both certified and classified employees (AR Code 6-17-2403 for certified and AR Code 6-17-2203 for classified), a COLA should be added each year to all components of the Matrix. A COLA is in order to maintain current standards and requirements and does not cover any new requirements or loss of revenue placed upon school districts.

An alternative method would be to add funding to the Matrix components that currently are less than actual school expenditures. For example, the most recent BLR report on Resource Allocations shows districts spending \$842.02 per student on Maintenance & Operations. The Matrix provides only \$664.00. By fully funding these line items, districts will not have to divert money from other Matrix items such as teacher salaries for Maintenance & Operations.

### **DIVERTING PUBLIC FUNDS TO PRIVATE SCHOOLS**

AAEA opposes any efforts to divert public funds to private schools without the same oversight and accountability mandated for public schools. State policymakers should support public education as a means to grow their economies, and help create a well-educated citizenry. All children in communities, large and small, should have access to quality public education. State policymakers should resist attempts to provide state funds for private school vouchers and their variants (scholarships), including tuition tax credits for private schools.

Voucher programs across the country are not shown to be successful in improving student achievement:

Voucher programs have not consistently shown improved results. Reports on the Cleveland, Milwaukee,

and Washington DC voucher programs have found “little or no difference in voucher and public school students’ performance.”

A 2017 major study of Louisiana’s voucher program found negative results in both reading and math achievement. Public elementary school students who started at the 50th percentile in math and then used a voucher to transfer to a private school dropped to the 26th percentile in a single year. Results were somewhat better in the second year, but were still well below the starting point. The most recent study regarding the Louisiana voucher program, released in 2019, reached the same conclusion as research out of Indiana, Ohio, and Washington, D.C. showing that vouchers reduce students’ math test scores and keep them down for two years or more. Together, they rebut some initial research suggesting that the declines in test scores would be short-lived, diminishing a common talking point for voucher proponents.

A recent study of the Indiana school voucher program also reported dismal results. Indiana lawmakers originally promoted the state’s school voucher program as a way for children from poor and lower middle class families to leave public schools that failed to meet their needs. But five years after the program was established, more than half of the state’s voucher recipients have never attended Indiana public schools, meaning that taxpayers are now covering private and religious school tuition for children whose parents had previously paid the cost. Many vouchers also are going to wealthier families, those earning up to \$90,000 for a household of four.

Voucher programs do not improve equity and actually increase discrimination: The decrease in funding for public schools would hurt the students left in public schools, who are some of the most disadvantaged students. Vouchers are mostly only available to students in urban areas, not in rural areas where there are fewer private schools available. Vouchers leave behind many disadvantaged students because private schools may not accept them or do not offer the special services they need.

Voucher programs are not held accountable: Private schools are not held to the same standards and requirements as public schools, including testing, budget transparency, and open meetings.

We appreciate legislators approving Act 1400 of 2019 which will study the effectiveness of the voucher program in Arkansas.

## **CARRY-FORWARD (TRANSPORTATION)**

AAEA applauds the legislative efforts to fund a high cost transportation category for those districts with an extremely high number of route miles within their boundaries. It is essential that high cost transportation continue to be funded with yearly increases that reflect actual expenditures.

## **CATEGORICAL PROGRAMS**

Increase funding for FY22 and FY23 to reflect COLA adjustments since many expenditures from the Enhanced Student Achievement (formerly National School Lunch), English Language Learners, and Alternative Learning Environment categories are for personnel costs. This need is even more critical due to the passage of the Educator Compensation Reform Program and the recent increase in the state minimum hourly wage.

## **TEACHER SALARIES**

Teaching talent matters when it comes to improving student achievement and increased efforts are needed to raise teacher salaries in the state. In 2010 Arkansas had 8,255 enrolled in educator preparation and alternative certification programs. That number has dropped substantially in more recent years. As reported by BLR in August 2018, the average Arkansas teacher salary in 2016-17 was \$48,304, compared to a national average of \$59,660. Teacher salaries need to be raised to address the current teacher shortage by attracting the best and brightest to the profession. AAEA applauds Governor Hutchinson's initiative and the Legislature's passage of the Educator Compensation Reform Program (Act 877 of 2019). However, the additional funds appropriated through this Act does not address the ongoing costs of the salary increases. Foundation funding in FY22 and FY23 should be increased to meet this cost shortfall.

## **TECHNOLOGY (BANDWIDTH)**

AAEA would like to thank Governor Hutchinson and the Legislature for working on the bandwidth issue in Arkansas. School districts are being provided additional broadband that will greatly benefit students and teachers. However, as more and more virtual learning opportunities are provided, the need for adequate bandwidth outside of school is essential so students are not limited in their learning -- "learning anytime, anywhere." AAEA supports Governor Hutchinson's "Arkansas Rural Connect" initiative, the establishment of the Arkansas Broadband Office, and the \$25 Million allocation for Broadband Deployment.

## **ENHANCED STUDENT ACHIEVEMENT (ESA) FUNDING**

AAEA believes it is imperative that this funding source remains intact and enhanced for public schools to continue improving the quality of education for the children of Arkansas. In addition, in accordance with Act 1082 of 2019, a crucial part of this review needs to be a thorough study of the approved programs for ESA categorical funds. Since its inception, this categorical funding source has been used for various strategies that improve learning for struggling students and to improve educational outcomes for all students. There is strong evidence (NAESP 2017 Highlights) indicating that Arkansas public schools were successful in the decade after Lakeview at closing the achievement gap between white and black students and between students on free/reduced meals and those that are not.

## **ENGLISH LANGUAGE LEARNERS (ELL) FUNDING**

According to a December 2017 BLR report to the Joint Education Committee, school district expenditures and open-enrollment charter school expenditures of ELL funds for FY17, including expenditures of funds transferred to ELL, totaled \$17.7 million or \$421 per student. Thus, on average, districts spent roughly 125% of the ELL categorical funding they originally received for that purpose. Statewide, districts are spending almost \$4.4 million more providing ELL services than is sent to them through the Matrix. Additional funding should be provided to districts for needed services to English Language Learners.

## **ALTERNATIVE LEARNING ENVIRONMENT (ALE) FUNDS**

According to a November 2017 BLR report to the Joint Education Committee, it was reported that schools are spending almost \$15 million more on ALE students than what is provided through ALE and foundation funds. There is a critical need for more school-based classrooms that provide behavioral supports for identified students, coupled with an examination of the ALE student identification criteria that prioritizes supporting moderate to severe behavior students with ALE classrooms, with an emphasis on support for elementary-aged students. Additional funding should be provided to schools for needed services to Alternative Learning Environment students.

## **USING THE MATRIX/FOUNDATION FUNDING AS AN EXPENDITURE MODEL**

The Adequacy Matrix initially established to fund Arkansas schools made assumptions concerning necessary staffing levels and other expenses. Even in its earliest years, the real application of this funding model failed to conform to the actual needs found in real schools of all sizes throughout Arkansas. Local school leaders used the total funds to address needs for staffing and other expenditures consistent with the actual conditions in communities. In every case, local school leaders found that a “one size fits all” model for spending school funds does not work.

## **CAREER AND TECHNICAL EDUCATION**

The job market for high skill, high wage technical jobs is expanding rapidly. It is essential that Arkansas expand and adequately fund career and technical programs, including career centers, in Arkansas to ensure all students statewide have an opportunity to explore alternative educational paths. AAEA applauds the recent move of ARCareerED under the Division of Elementary and Secondary Education. Schools will now have one voice to listen to and hopefully CTE would be in the conversations of school educators as we move forward an agenda to give kids the employable skills to be successful in life.

There are other areas of education outside the Funding Matrix and Categorical Funding that also need to be addressed. AAEA is offering additional recommendations in these areas:

## **ACADEMIC FACILITIES**

Funds for the Facilities Partnership Program need to be replenished with either a secure ongoing appropriation or a one-time allocation from general revenue or general improvement funds. In collaboration, local school districts and the state have invested approximately \$3.54 billion to upgrade academic facilities since the inception (2006-2007) of the Partnership Program. Investing in school facilities not only meets the needs of students but also is a tremendous economic investment that creates jobs and supports Arkansas construction trades. According to information from OEP and DFA, the portion of the state budget that goes to public education is steadily declining, from 49% in 2002-2003 to 42% in 2016-2017. Maintaining a stable level of support would provide for facility funding as well as for other investments in education, such as teacher salaries.

In addition, a comparative study of the state’s school district facilities is needed to assess equity between districts and establish priorities for funding decisions. A statewide assessment of facilities has not been conducted since the original study over 10 years ago.

Open-enrollment charters are public schools. As public schools, the issue of adequate facilities applies to them also. AAEA continues to recommend that charter schools should be able to access facility

partnership funding. Certain requirements, such as a facility needs assessment, should be in place to protect the state's investment. ALL public schools, traditional and charter, that make requests for partnership funding, should follow the same procedures and guidelines to ensure that projects are funded according to the greatest needs. Charters should also have bonding authority with the ability to ask patrons for a millage increase to support facilities.

## **PRE-K EDUCATION**

Funding for high quality Pre-K educational programs should be increased. Research continues to confirm the importance of high-quality early childhood education as a strategy for improving the social, emotional, and intellectual development of children as well as increasing the likelihood of their future academic and economic success. 2015 research by the Washington Center for Equitable Growth indicates, by 2050 a universal prekindergarten program would yield \$8.90 in benefits for every dollar invested and \$304.7 billion in total benefits.

## **SPECIAL EDUCATION CATASTROPHIC FUNDING**

The DESE Special Education “catastrophic” fund provides reimbursement to school districts that are educating special needs students with extraordinarily high-cost services. However, state funding for reimbursement of these crucial services has remained stagnant. The department has revised catastrophic funding rules for reimbursing school districts for these costs. Additional conversation should be held on the reporting structure for districts to file for reimbursement as it is very burdensome and should be automated. AASEA Board is volunteering to work with key personnel to streamline this application process.

It is essential that communication between schools, Medicaid, and Department of Human Services be improved regarding the reimbursement process. Educators need guidance in how best to work with the PASSE system to ensure students are having their needs met and schools are accessing the funding for those students when possible.

Also, consideration needs to be given to increasing the number of special education teachers provided in the Matrix to support general education teachers and ALL students in a classroom. There needs to be additional training for ALL staff members, not just special education teachers on how to best meet the needs of special education students. There is also a severe shortage of trained staff to choose from in many parts of the state that needs to be studied for solutions.

Early Childhood Special Education has been given the task of assuming services for all EIDT students without any additional funds. This has put a considerable burden upon school districts and Educational Service Cooperatives. This is an issue that every school district in the state of Arkansas is affected by and will need to be addressed in the future.

As mentioned in other sections of this report, additional Mental Health Services are needed for students with mental health needs, behavior challenges, and those with poverty and trauma backgrounds

## **GIFTED AND TALENTED EDUCATION**

While school districts are required to send a certain amount per identified gifted student, there has been no comprehensive study to determine if the needs of these students are being met and if the funding amount spent for these services is adequate. A comprehensive review of gifted and talented funding and services provide needs to be a part of the adequacy process. Representatives from AAGEA (Arkansas Association of Gifted Education Administrators) and other licensed G/T educators welcome the opportunity to take part in adequacy conversations on G/T services.

## **PROPERTY TAXES**

It is essential that Arkansas maintain the integrity of local property assessments. Traditionally, property taxes have been a stable source of school funding for local communities to help support children. However, in recent years the number of property tax appeals to the court system, especially from large corporations, has increased resulting in increased instability in local revenue for school districts. This instability impacts the state budget as well as district budgets.

Concerns: Districts sell bonds and establish debt service payments based on their projected assessments. Worst case scenario – districts may default on their bond payment, which, by law, is then paid by the state. Also, if more taxpayers, especially large companies, appeal their tax bills under current law, the state financial burden during the appeal process will increase as districts are made whole up to 98% of the URT.

Solutions: Expedite appeal process at the court level and require school districts to be notified as soon as possible regarding filed appeals.

## UNFUNDED MANDATES

In December 2005, during Lakeview deliberations, the Arkansas Supreme Court found that school districts were being faced with unfunded mandates. An unfunded mandate is a statute or regulation that requires a school district to perform certain actions without providing additional money to fulfill the requirement(s). Several prime examples of unfunded mandates for school districts are as follows:

- After the Educator Compensation Reform funding subsidies, districts will face a funding cliff and without appropriate foundation funding increases to offset the loss of Educator Compensation Reform funding, districts could face significant financial shortfalls.
- Health Insurance Premium Assistance/FICA Savings Transfer to EBD – Act 3 of the Second Extraordinary Session of 2014 requires school districts to send funds that are not required to be paid for federal taxes under the Federal Insurance Contributions Act (FICA) to EBD to use for premium assistance. The funds are generated from health insurance pre-taxed premiums. Districts had been utilizing those funds prior to Act 3 for operating needs within their budgets.
- Additional Staff Due to New Requirements – Examples include TESS, LEADS, Arkansas Curriculum Standards, Dyslexia, etc.
- New minimum hourly wage rate increases enacted by the state are increasing personnel costs for employers through the state, including public schools.

## CONCLUSION

In conclusion, there is little doubt that Arkansas will continue its efforts to provide its children an adequate and equitable public education. The challenge we face is to engage in continuous dialogue and a continuous process of assessing needs and appropriate levels of funding. AAEA appreciates the opportunity to be included in this process. AAEA also greatly appreciates the work of administrators across the state that provided data, recommendations, and time from their busy schedules in assisting the Association in the development of this crucial report. We also thank them for their commitment to quality instruction for the children of Arkansas.