

**2026 EDUCATIONAL  
ADEQUACY STUDY**

**RESOURCE ALLOCATION ■**  
**PART II**



PREPARED FOR THE SENATE AND HOUSE INTERIM  
COMMITTEES ON EDUCATION  
MARCH 10, 2026





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## INTRODUCTION

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This report is presented in partial fulfillment of the requirements of the Continuing Adequacy Evaluation Act of 2004.<sup>1</sup> Ark. Code Ann. § 10-3-2102(a)(6) requires the committees to “review and continue to evaluate the costs of an adequate education for all students in the State of Arkansas, taking into account cost-of-living variances, diseconomies of scale, transportation variability, demographics, school districts with a disproportionate number of students who are economically disadvantaged or have educational disabilities, and other factors as deemed relevant, and recommend any necessary changes.”

The first resource allocation report showed that public school districts and open-enrollment charter districts spent a little more than \$7.43B during the 2025 school year. During the 2025 school year, foundation funds were used to pay for 49% of district and charter spending during, with the other 51% paid for using other fund sources, including additional state and local funding streams and federal dollars. Out of the state and local funding streams, foundation funds make up 56% of total state funding with the other 44% coming from four “categorical” fund sources, several “supplemental” fund sources, and funds categorized as “additional.”<sup>2</sup> Definitions for these fund sources can be found in Appendix A.

While the first resource allocation report focused on an examination of how foundation funds were used, this report will examine expending from categorical, supplemental, and additional state and local funding streams where state financial data are available.

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<sup>1</sup> Ark. Code Ann. §§ 10-3-2101 – 10-3-2104.

<sup>2</sup> 2026 Adequacy Funding Report

## CHAPTER 1: CATEGORICAL FUNDS

The four categorical funds include Alternative Learning Environment (ALE), English Learners (EL), Enhanced Student Achievement (ESA), and Professional Development (PD), which have supplemented foundation funding since it was first distributed in 2005. Three of the four categorical funds are targeted to specific populations of students to further the state’s efforts toward providing a constitutionally mandated equitable education.<sup>3</sup> Because categorical funds are restricted in their use, their distribution is based on rules promulgated by the State Board of Education (SBOE). According to DESE Rules for the Arkansas Public School Computer Network (APSCN), these state funds are identified as “special needs categories.”<sup>4</sup> The funding provided through the categorical streams may be spent only on the intended uses defined in statute and rules. However, they may also be transferred to spend on other categorical purposes. For instance, it is common for districts to transfer some of their ESA funding to use for English learners or for students in alternative learning environments.

During the school year, expenditures from categorical fund sources accounted for 4% of total spending. This section of the report will examine expenditures from categorical fund sources.

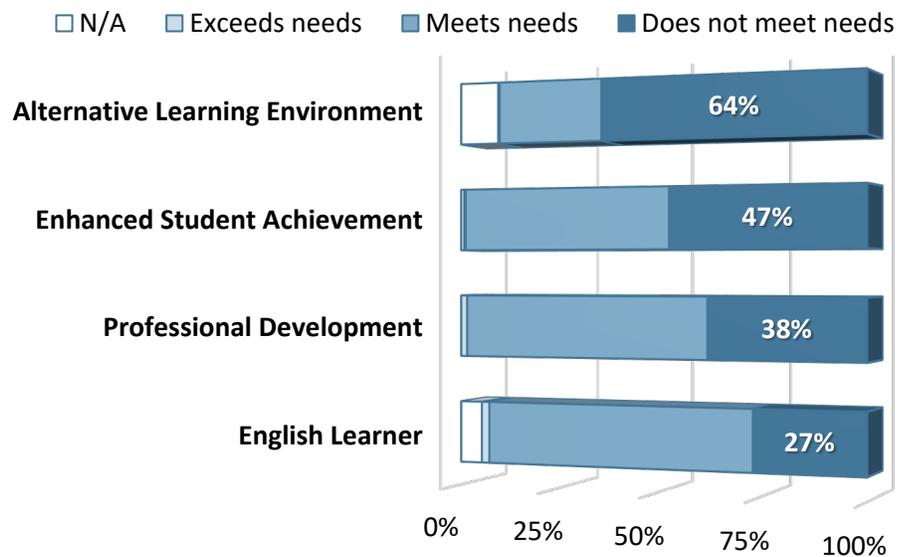
### Arkansas Educator Feedback

In 2025, the BLR asked each superintendent the following question to rate how categorical funding met their needs for the school year.<sup>5</sup>

The fund with the most need, as reported by superintendents, was ALE funding with 64% of superintendents reporting that it “does not meet needs” and 26% that it “meets needs.” For the other three categorical funds, more than half of the superintendents surveyed reported that their needs were met by the amount of funding provided in 2024-2025 school year.

**Exhibit 1.1**

**“Please RATE the extent to which the following categorical funds meet your district’s needs during the 2024-2025 school year:”**



### Alternative Learning Environment (ALE)

As part of its series of education reforms in response to the Arkansas Supreme Court’s 2002 *Lake View* decision, in which the court declared the state’s education funding system to be unconstitutional, the General Assembly passed legislation to provide funding that addressed issues of adequacy and equity in Arkansas’s education system. Act 59 of the Second Extraordinary Session of 2003 established a categorical fund for districts to provide alternative learning environments (ALEs). The expenditure analysis of ALE funding in this report includes any spending on ALE programming and from the ALE categorical fund.

<sup>3</sup> Final Report on the Legislative Hearings for the 2024 Educational Adequacy Study, Volume 1, page 16.

<sup>4</sup> 6 CAR § 63-102(5).

<sup>5</sup> 2026 Educator Superintendent Survey Report

According to DESE’s Guide for Alternative Education, there is a difference between “alternative education” and an “alternative learning environment.” Because “ALE” has been used historically for both instruction and place, the DESE clarifies that the use of “ALE” in this guide refers to the programming:

“To clarify a difference, the term “Alternative Education” denotes specialized educational programming, while “Alternative Learning Environment” seems to place more emphasis on the location of the instruction.”<sup>6</sup>

The responsibilities of DESE and ALE programs were later redefined by the General Assembly to require rules for measuring the effectiveness of these programs, distributing ALE funding, and identifying characteristics for students.<sup>7</sup> Now, codified in statute, ALE categorical funding is provided above the foundation funding amount to help cover the additional costs and resources to “eliminate traditional barriers to learning” who are in the alternative learning environment for at least 20 consecutive days.<sup>8</sup> If a student’s academic and social progress is negatively affected by their personal characteristics or situation, the student may be placed in an ALE.<sup>9</sup> According to the DESE Rules Governing Student Special Needs Funding, a student must be “experiencing or exhibiting two (2) or more of the situations or characteristics below that negatively affect the student’s academic and social progress:

- Ongoing, persistent lack of attaining proficiency levels in literacy and mathematics;
- Abuse: physical, mental, or sexual;
- Frequent relocation of residency;
- Homelessness;
- Inadequate emotional support;
- Mental/physical health problems;
- Pregnancy;
- Being a single parent;
- Personal or family problems or situations;
- Recurring absenteeism;
- Dropping out of school; or
- Disruptive behavior”<sup>10</sup>

To be placed in an ALE, that student must also need “innovative programs and strategies.” Since the creation of this categorical fund, public school districts in Arkansas were required to provide an ALE for all students meeting the criteria. Pursuant to Act 911 of 2025, school districts are no longer required to provide an ALE. For the districts that choose to provide an ALE, statute requires them to use one or more of the following methods:

- Establish and operate an alternative learning environment (this can be a stand-alone school or a school-embedded program);
- Cooperate with one or more other school districts to establish and operate an alternative learning environment;
- Use an alternative learning environment operated by an education service cooperative; or
- Partner with an institution of higher education or a technical institute to provide concurrent courses or technical education operations for students in grades 8-12.<sup>11</sup>

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<sup>6</sup> Division of Elementary and Secondary Education. *Alternative Education Process Guide*. July 2025. Page 3. Available at [https://dese-admin.ade.arkansas.gov/Files/AE\\_Process\\_Guide\\_\(July\\_2025\)\\_LS.pdf](https://dese-admin.ade.arkansas.gov/Files/AE_Process_Guide_(July_2025)_LS.pdf)

<sup>7</sup> See Ark. Code Ann. § 6-48-104(a)(1)(B) (providing that DESE rules shall establish criteria that “identifies the characteristics of students who may be counted for the purpose of funding an alternative learning environment program including without limitation that a student is educated in the alternative learning environment for a minimum of twenty (20) consecutive days”).

<sup>8</sup> See Act 1118 of 2011. Ark. Code Ann. § 6-20-2305(b)(2)(A).

<sup>9</sup> Ark. Code Ann. § 6-48-101(1)(A)(i) (defining an “alternative learning environment”).

<sup>10</sup> 6 CAR § 272-202(a)(1)(B)

<sup>11</sup> Ark. Code Ann. § 6-48-102(a).

Each public school district providing an ALE must also report to the DESE information on race and gender of the students in each school district's ALE and any other information regarding students' education in each school district's ALE that DESE requires by rule.<sup>12</sup>

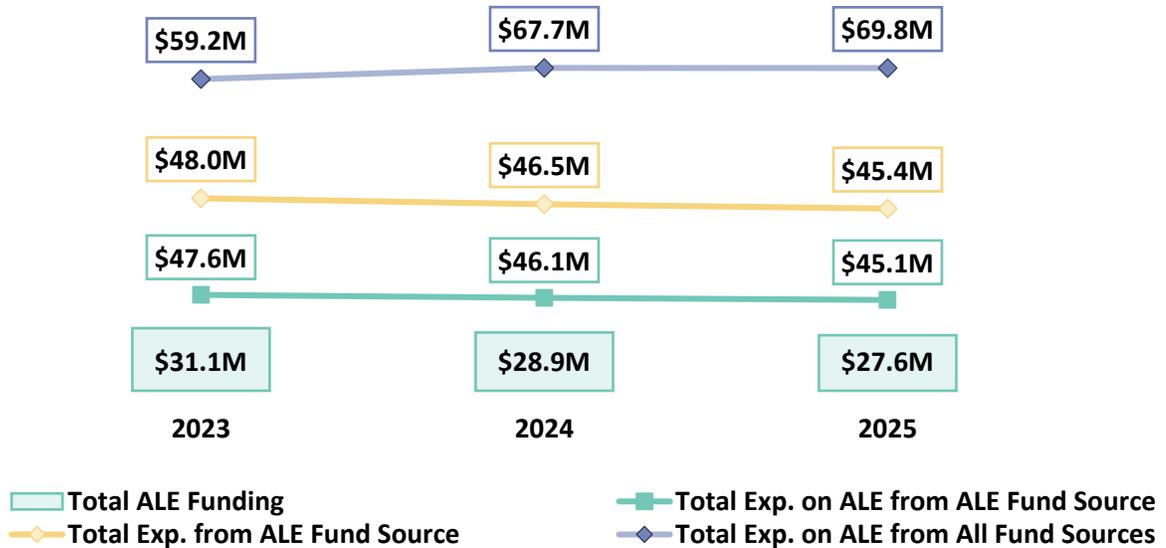
Rules further require student/teacher ratios for “every classroom in an ALE program.”<sup>13</sup> However, public school districts receive funding for full-time equivalent students (FTEs) rather than the number of students served. As shown in Exhibit 1.3, the number of FTE students is about half of the number of actual students participating in the ALE programs each year. Additionally, ALE funding is distributed based on the number of FTE students in the program in the prior school year. To account for those students that may attend ALEs for a full school day or a full school year, or both, and those attending the program for partial days or for part of a school year, or both, funded students are determined by the following FTE calculation:

$$\frac{\text{Total number of days in ALE}}{\text{Total number of school days}} \times \frac{\text{Hours per day in ALE}}{6 \text{ hours}}$$

Special language in 2023 provided that DESE may “provide funding in a proportionate manner and upon special request” for an ALE in excess of the limit of 6 hours per day for ALE programs that operate for more than 12 hours a day.<sup>14</sup> “Hybrid” students, referring to students participating onsite in nontraditional ALEs “for direct support at least twenty percent (20%) of the total instructional time,”<sup>15</sup> are counted at 0.5 FTE for funding purposes.<sup>16</sup> The total amount for the ALE categorical fund includes the per-student funding provided in statute multiplied by the number of FTE students identified in ALE programs during the previous school year.<sup>17</sup>

Exhibit 1.1 shows the total amount of ALE categorical funding, total spending on ALE programs and services from ALE categorical funds, total expenditures from ALE categorical funds, and the total amount spent providing ALE programs and services from all fund sources. In 2025, 206 public school districts and one open-enrollment public charter received ALE funding; 28 school districts did not receive any ALE funding.

**Exhibit 1.1 ALE Funding and Spending**



<sup>12</sup> Ark. Code Ann. § 6-48-104(d).

<sup>13</sup> 6 CAR § 272-206.

<sup>14</sup> See Act 572 of 2023. Ark. Code Ann. § 6-48-104(a)(1)(D).

<sup>15</sup> 6 CAR § 272-204(d)(3)(A).

<sup>16</sup> 6 CAR § 272-206(d).

<sup>17</sup> Ark. Code Ann. § 6-20-2305(b)(2).

Chapter 1: Categorical Funds

Because ALE funding is based on prior-year FTE students, expenditures for a given year do not necessarily reflect the same number of students for which they received funding. As shown in the three-year chart, total spending on ALE programs amounted to over two times the amount of ALE funding provided. Close to 77% of ALE expenditures provided salaries and benefits for certified (\$29M) and classified staff (\$5M). Springdale School District received the most ALE funding at about \$2.8M, or around 10% of the total ALE funding provided. ALE funding has decreased by 11% over the past three school years and spending from ALE categorical funds on ALE has decreased by 5%; however, expenditures from all fund sources on ALE has increased by 18%. Spending on ALE from all fund sources has been around 55% higher, on average, than ALE funding over the last three years.

Schools have spent increasingly more on ALE using foundation funds, close to an 82% increase between 2023 and 2025, while the use of ALE categorical funds on ALEs has declined from 80% in 2023 to 65% in 2025. Including transfers for ALEs from other categorical funds, more than 80% was spent using all categorical fund sources.

As shown in Exhibit 1.2, per-student spending on ALE has increased over the last three school years, but the number of ALE FTE students reported has decreased, as shown in Exhibit 1.3. The 2025 per-student funding amount for ALE was \$5,086, and the per-student spending amount from ALE categorical funds was \$8,322. Though the per-student ALE funding amount continues to increase, the total amount of ALE categorical funding provided has decreased from year to year. The per-student spending amount on ALE programs from all fund sources has been significantly higher than the per-student funding amount for all three years.

Exhibit 1.2 ALE Per-Student Funding and Spending

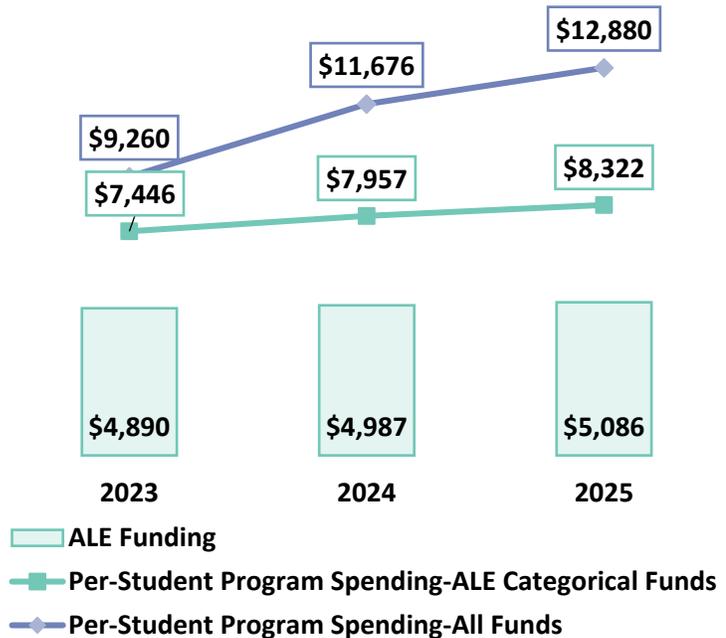
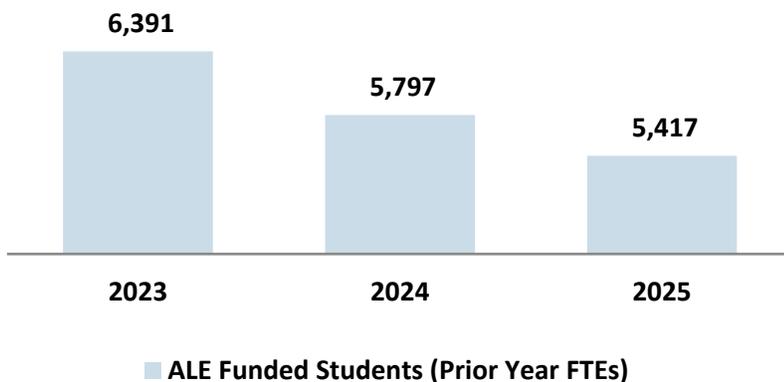


Exhibit 1.3 ALE Student Count



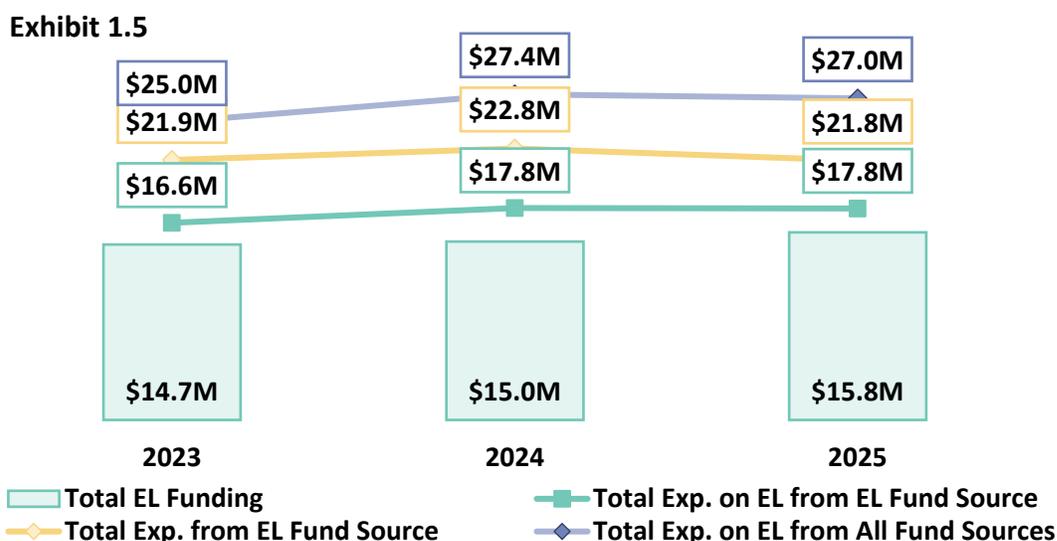
## English Learners (EL)

Title VI of the Civil Rights Act of 1964 requires school districts to provide an equal educational opportunity to language minority students. Federal law provides that, "[n]o state shall deny equal educational opportunity to an individual on account of his or her race, color, sex, or national origin by ... the failure by an educational agency to take appropriate action to overcome language barriers that impede equal participation by its students in its instructional programs."<sup>18</sup>

Arkansas provides categorical funds to assist districts and open-enrollment public charter school districts in meeting these requirements for English learner (EL) students. EL funding is provided to districts based on the number of "students identified as not proficient in the English language based upon the statewide Entrance and Exit Procedures criteria, including an approved English proficiency assessment instrument."<sup>19</sup> The current assessment instrument is the English Language Proficiency Assessment for the 21<sup>st</sup> Century (ELPA21).

English learner categorical funding spending restrictions are found in DESE rules.<sup>20</sup> These restrictions on EL spending include salaries for EL-skilled instructional services, relevant trainings for teachers and other providers, released-time for EL program development, instructional materials and services, and assessment and evaluation activities.<sup>21</sup>

As shown in Exhibit 1.5, EL funding has increased by 7% over the past three school years and spending from EL categorical funds on EL has increased by the same percentage. Total spending from EL categorical funds hasn't changed, but spending on English as a second language (ESL) services from all fund sources has increased by 8%.



Spending on ESL services from all fund sources has been around 43% higher, on average, than EL funding. In 2025, total EL funding came to \$15.8M based on 43,068 EL students, while total spending for ESL services from EL categorical funds totaled \$17.8M, indicating use of fund balances. Of the \$27 million spent in English learner categorical funding, 94% went towards salaries and benefits.

Categorical funds made up the largest portion of EL spending (66%) with foundation funding making the second largest portion of EL spending (19%). While EL categorical funding made up 97% of categorical spending on EL students, a small portion (3%), came from Enhanced Student Achievement (ESA) funds. Additionally, the use of federal funds for ESL services decreased from 12% of total spending 2023 to 8% in 2025.

<sup>18</sup> 20 USC § 1703(f)

<sup>19</sup> Arkansas Division of Elementary and Secondary Education Division Rules Governing Student Special Needs Funding (June 2022). [https://dese.ade.arkansas.gov/Files/ade\\_268\\_2022\\_StudentSpecialNeedsFundingRules\\_Legal.pdf](https://dese.ade.arkansas.gov/Files/ade_268_2022_StudentSpecialNeedsFundingRules_Legal.pdf)

<sup>20</sup> 6 CAR § 272-302.

<sup>21</sup> 6 CAR § 272-305.

Exhibit 1.6 shows EL per-student funding amounts, per-student EL expenditures from EL categorical funds, and per-student EL expenditures from all funds. The per-student funding amount has remained the same for all three school years, and data shows that per-student spending from all fund sources has exceeded per-student spending for all three years. Per-student spending between 2024 and 2025 declined; however, the number of English learners increased by seven percentage points during that same time, as shown in Exhibit 1.7.

Exhibit 1.6

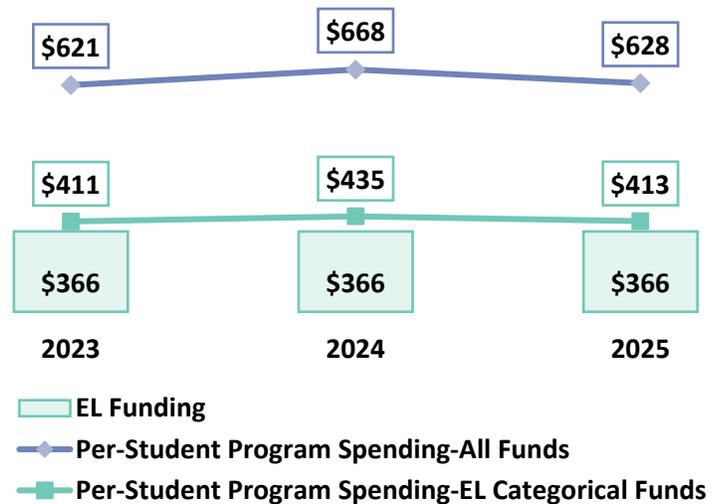
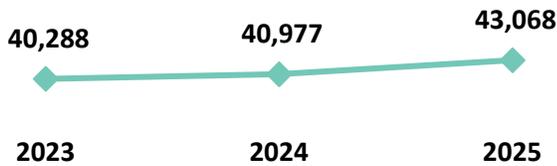
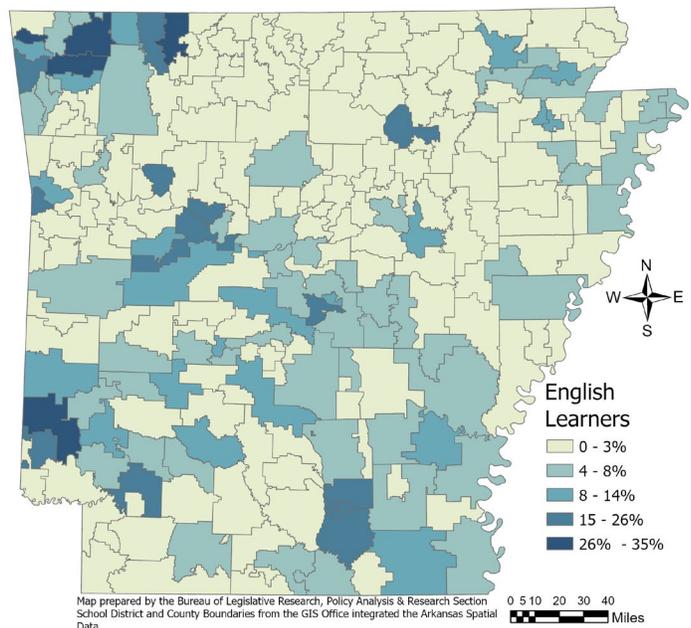


Exhibit 1.7 Number of English Learners



This map shows the distribution of these students, shown as a percentage of total district enrollment for the 2025 school year. Charter districts are not included in the map since they do not have geographic boundaries. Of the 25 charters in 2025, 19 had EL students ranging from 1.4% in KIPP Delta to 70% at the Exalt Academy of Southwest Little Rock. All districts had at least one EL student, ranging from 0.7% of all students to 38%.



### Enhanced Student Achievement (ESA)

ESA funding is provided to districts on a per-student basis for each student who qualifies for the national free and reduced-price lunch program.<sup>22</sup> The per-student amounts are awarded based on the concentration of national school lunch students in the school population, as shown in the table.

Because funding cliffs occur at the 70% and 90% thresholds, transitional and growth ESA funding are distributed based on enrollment changes to smooth funding changes over several years (growth and transitional funding amounts are included in the total funding amount in Exhibit 1.8).

For ESA growth funding, DESE looks at Cycle 2 enrollment data for the previous four years to calculate a three-year trend in district enrollment. If a district has grown at least 1% for each of the previous three years, the

<sup>22</sup> For those schools and districts that participate in federal lunch programs (Provision 2 and Community Eligibility Program) that do not require annual documentation of qualifying students, the Division of Elementary and Secondary Education provides guidance for estimating the number of children for which funding is provided in the Rules Governing Student Special Needs Funding.

district qualifies for ESA growth funding. ESA growth funding is awarded based on a formula using average growth in enrollment, the district's prior-year percentage of students eligible for free and reduced-price lunch, and the ESA per-student funding amount.<sup>23</sup>

For ESA transitional funding, if a school district would receive, in the current school year, ESA funding based on a different per-student amount than the school district received in the immediately preceding school year due to a percentage change in National School Lunch students, DESE shall adjust the funding to the school district in a three-year transitional period.<sup>24</sup>

2025 ESA Funding Amounts	
<70% free or reduced-price lunch	\$538
70% - 90% free or reduced-price lunch	\$1,076
>90% free or reduced-price lunch	\$1,613

According to DESE rules, ESA funding “shall be expended for eligible program(s) or purpose(s) that are aligned to the needs of the students in the district based on evidence from the district’s needs assessment.”<sup>25</sup> The funds must be used for “evidence-based program(s) or purpose(s) for students at risk in order to improve instruction and increase academic achievement” of students who qualify for the national free and reduced-price lunch program.<sup>26</sup> In addition, the rules require that expenditures must “include strategies to increase student achievement, reduce gaps in achievement among student subgroups, or create conditions that support student learning with a direct tie to improved student outcomes.”<sup>27</sup>

Eligible expenditures must fall under one of six categories listed in statute<sup>28</sup> and DESE’s rules, which include: 1) hiring of additional teachers for core academic subject areas, or additional teacher salary in certain circumstances; 2) academic supports and interventions; 3) social, emotional, and behavioral supports; 4) physical and mental health resources; 5) early intervention resources; and 6) access to post-secondary opportunities. ESA funding cannot be used to “meet, satisfy, or supplant” the state Standards for Accreditation or minimum teacher salary requirements.<sup>29</sup>

Under Act 322 of 2021, districts were required to submit a three-year plan to DESE by July 1, 2022, outlining how the district intended to use its ESA funding.

Act 807 of 2025 removed the requirement for districts to submit three-year ESA plans to DESE describing a school district’s strategies to enhance student achievement and how ESA funds would be used to support those strategies. Act 807 requires that information on prioritization and intended use of funding, including ESA funding, be included in each district’s strategic plan. Act 807 also removed the requirement that DESE report on the progress of school districts in meeting ESA plan goals to the House and Senate Education Committees in odd-numbered years. However, Arkansas Code § 6-20-2305 still states that the SBOE shall promulgate rules that shall include (without limitation), the process for submitting an ESA plan, the process for monitoring the expenditure of funds, and the specific requirements, qualifications, and criteria for allowable supports and resources.<sup>30</sup> DESE has not promulgated new rules based on Act 807; the current rules still contain the requirement for a district to submit a three-year ESA plan.<sup>31</sup>

<sup>23</sup> 6 CAR § 272-403.

<sup>24</sup> 6 CAR § 272-404(a).

<sup>25</sup> 6 CAR § 272-407. Arkansas Eligible programs and purposes for enhanced student achievement funding

<sup>26</sup> 6 CAR § 272-405. Required use of enhanced student achievement funds

<sup>27</sup> 6 CAR § 272-407. Eligible programs and purposes for enhanced student achievement funding.

<sup>28</sup> Ark. Code Ann. § 6-20-2305(b)(4)(C)(i)(a).

<sup>29</sup> 6 CAR § 272-406. Impermissible use of enhanced student achievement funds.

<sup>30</sup> Ark. Code Ann. § 6-20-2305(b)(4)(C)(i)(b).

<sup>31</sup> 6 CAR § 272-408. Three-year enhanced student achievement plan.

School districts are required to budget 100% of ESA funds each year.<sup>32</sup> Districts must provide justification for any transfer of funds.<sup>33</sup> Districts are also required to spend a minimum of 85% of the district’s current year ESA funding allocation.<sup>34</sup> If a district has a balance in excess of 15% of its ESA funding on June 30, the district must reduce its total ESA funding balance by at least 10% in each year that follows<sup>35</sup>. A district can request a waiver for that requirement for an unusual and limited circumstance.<sup>36</sup> If a district does not comply with the requirement to spend down its ESA fund balance, DESE may, in the following school year, withhold ESA funding equal to the amount required to be spent by the school district to be compliant.<sup>37</sup>

Exhibit 1.8 shows ESA funding has decreased by almost 3% over the past three school years and spending from ESA categorical funds on ESA programs has decreased by 2%. Total spending from ESA categorical funds has also decreased by 2%. Spending on ESA from all funds sources has shown little change over the last three school years. There was no other categorical fund source used to pay for ESA program expenditures, so the “other categorical” bar shows 0%. The majority of ESA program spending is from the ESA categorical fund source; expenditures from ESA categorical accounted for more than 93% or more of total ESA program expenditures each year from 2023 to 2025. Spending from all other fund sources accounted for 3% or less of ESA program expenditures each year from 2023 to 2025.

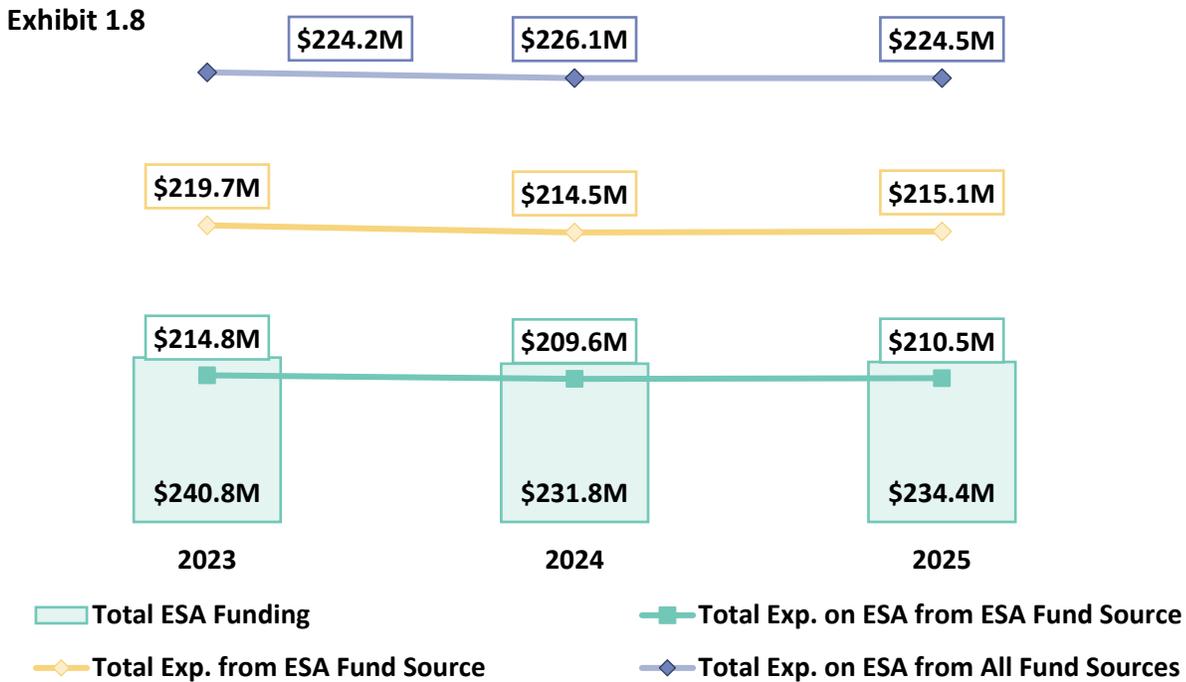
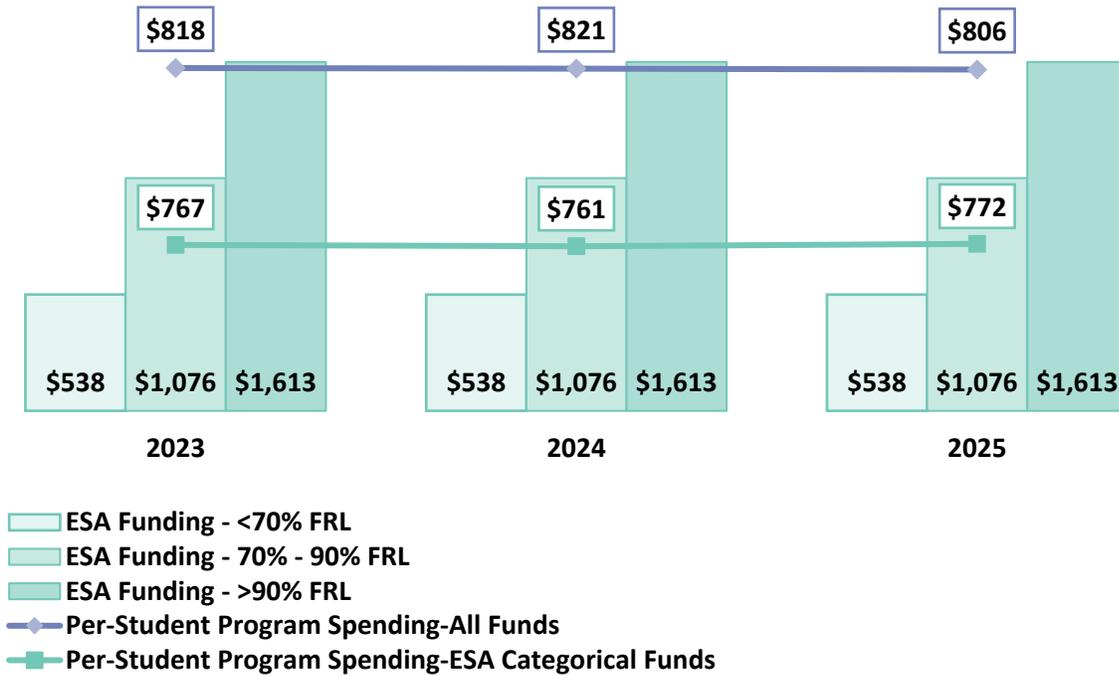


Exhibit 1.9 shows ESA per-student funding amounts, per-student ESA expenditures from ESA categorical funds, and per-student ESA expenditures from all funds. ESA per-student spending from ESA categorical funds changed less than 1% from 2023 to 2025. ESA spending from all sources decreased less than 2%.

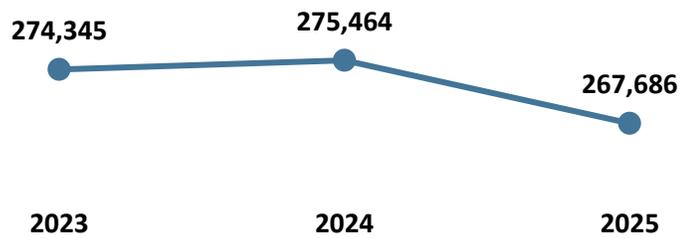
<sup>32</sup> Ark. Code Ann. § 6-20-2305(b)(4)(C)(ii)(a).  
<sup>33</sup> Ark. Code Ann. § 6-20-2305(b)(4)(C)(ii)(b).  
<sup>34</sup> Ark. Code Ann. § 6-20-2305(b)(4)(E)(i).  
<sup>35</sup> Ark. Code Ann. § 6-20-2305(b)(4)(E)(ii).  
<sup>36</sup> Ark. Code Ann. § 6-20-2305(b)(4)(E)(iii)(a).  
<sup>37</sup> Ark. Code Ann. § 6-20-2305(b)(4)(E)(v)(b).

Exhibit 1.9



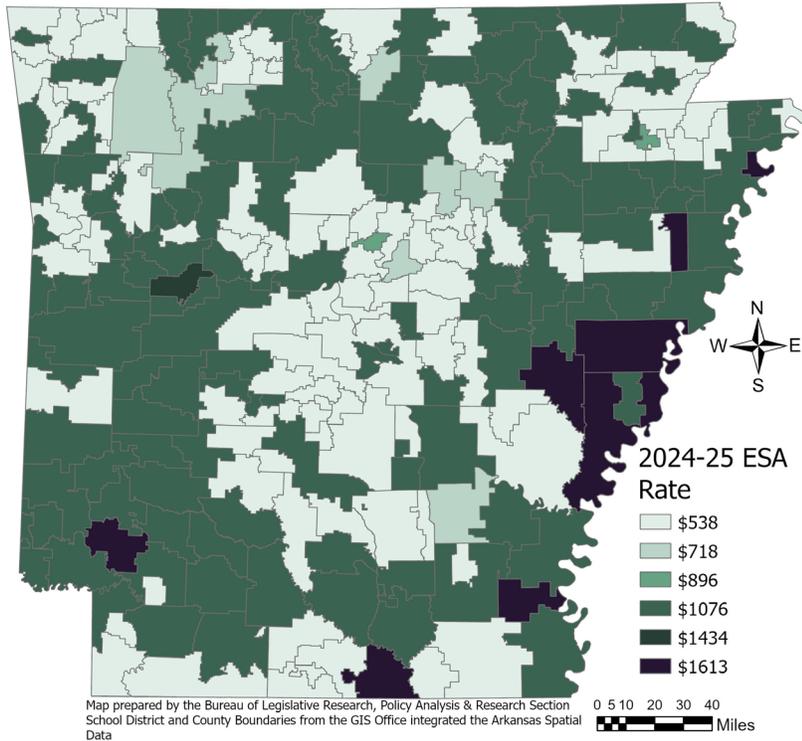
ESA funding is based on the number of students who were free and reduced price (“FRL”) eligible in the previous school year. Exhibit 1.10 shows the number of students who were eligible in the prior school year for 2023 to 2025. The number of eligible students increased slightly from 2023 to 2024 and fell between 2024 and 2025.

Exhibit 1.10 Number of Students Eligible for Free Reduced Price Lunch



Chapter 1: Categorical Funds

The following map shows regular districts by ESA funding amount in 2025. The districts receiving \$718, \$896, or \$1,434 per-student receive transitional funding in addition to the district's ESA rate. Of 24 charter districts, nine (38%) received \$538 per student. Four charter districts (17%) received \$1,076 per student.



The map below shows regular districts by the percentage of students eligible for free and reduced-price lunch in 2025.

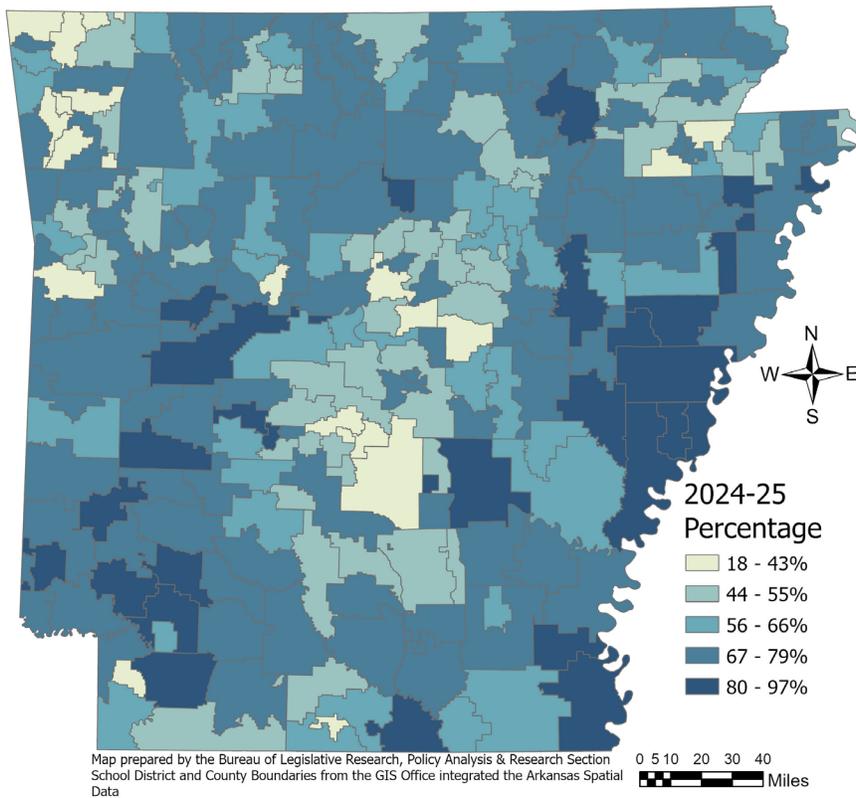
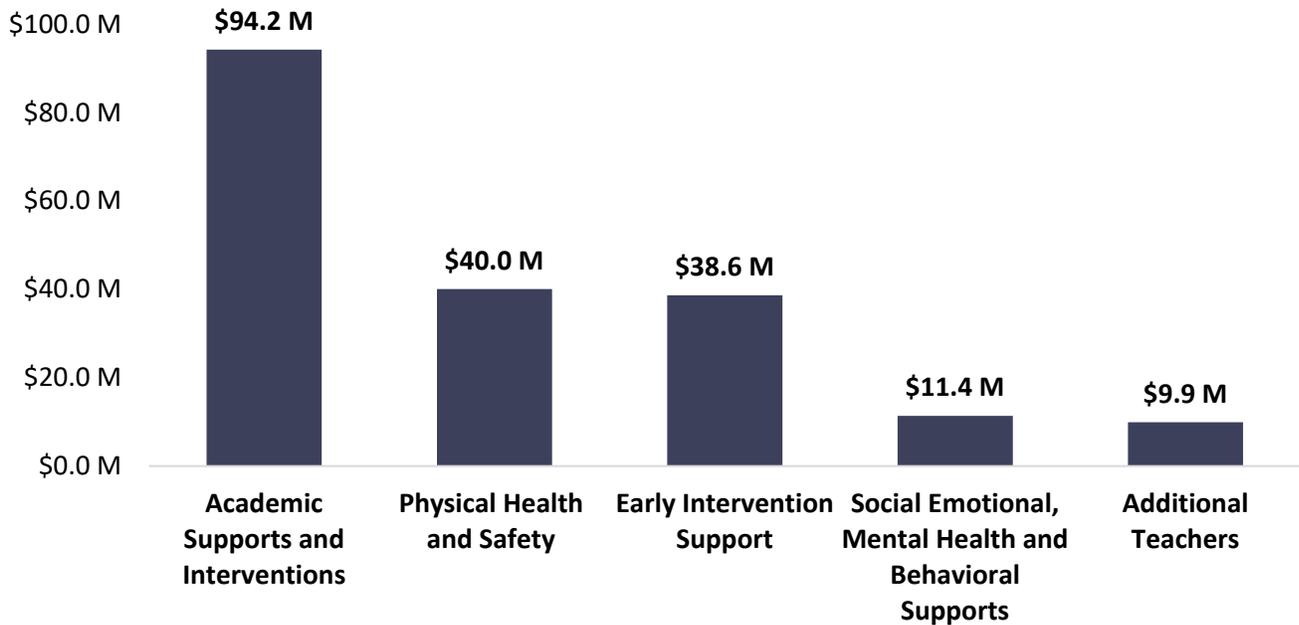


Exhibit 1.11 shows the top five categories of ESA expenditures. Almost half of total expenditures on ESA purposes were spent on academic supports and interventions, more than twice any other category of ESA expenditure.

**Exhibit 1.11 Top Five ESA Categorical Expenditures Categories**



## Research and Best Practices

Research finds that increased funding can have a positive impact on the academic success of low-income students, especially when it is used to reduce class size (15-18 students) for at-risk students and to ensure teacher quality for those students.<sup>38</sup> Odden and Picus' 2018 research offers that one key to helping struggling students (which refers to all EL students first and then to all non-EL low-income students) is to keep standards high for all students but "vary the instructional time so all students have multiple opportunities to achieve proficiency levels."<sup>39</sup>

The manner of determining funding amounts varies greatly among states. For instance, some states provide a flat amount to districts for each low-income student distinct from their base funding amount, while others weight the base funding amount for each low-income student. In some states, these per-student amounts or weights increase according to the concentration of low-income students in a district. Wyoming provides block grants for an additional 0.15 staff to serve at-risk students.<sup>40</sup>

In its report provided to the Education Committees in December 2020, Augenblick, Palaich and Associates (APA) recommended that Arkansas adopt a per-ESA student weighting system to smooth funding cliffs. (Arkansas presently addresses funding cliffs through ESA transition funding, which allows for a graduated change in fund levels over a three-year period.) APA also recommended funding students the same weighted amount regardless of the concentration of low-income students within a school.<sup>41</sup>

<sup>38</sup> Baker, B. (Learning Policy Institute, July 2018.) "How Money Matters for Schools."

<sup>39</sup> Odden and Picus, 2018.

<sup>40</sup> Data from Education Commission of the States state comparison funding charts combined with data from EdBuild found at [EdBuild | Funded - Examining State Policies for Funding Education across all 50 States](#).

<sup>41</sup> Augenblick, Palaich and Associates (Presentation to Senate Committee on Education and House Committee on Education, December 1, 2020.) "Arkansas School Finance Study."

## Professional Development (PD)

As noted in the Funding report,<sup>42</sup> Arkansas disburses PD categorical funds in three ways. This section will focus on the portion distributed to districts through DESE as grants and the portion going to public school districts and open-enrollment charters as a per-student categorical amount.

Arkansas law<sup>43</sup> states that the purpose of professional development is to “improve teaching and learning in order to facilitate individual, school-wide, and system-wide improvements designed to ensure that all students demonstrate proficiency on state academic standards.” The DESE Rule Governing Professional Development outlines the specific requirements related to professional development.<sup>44</sup>

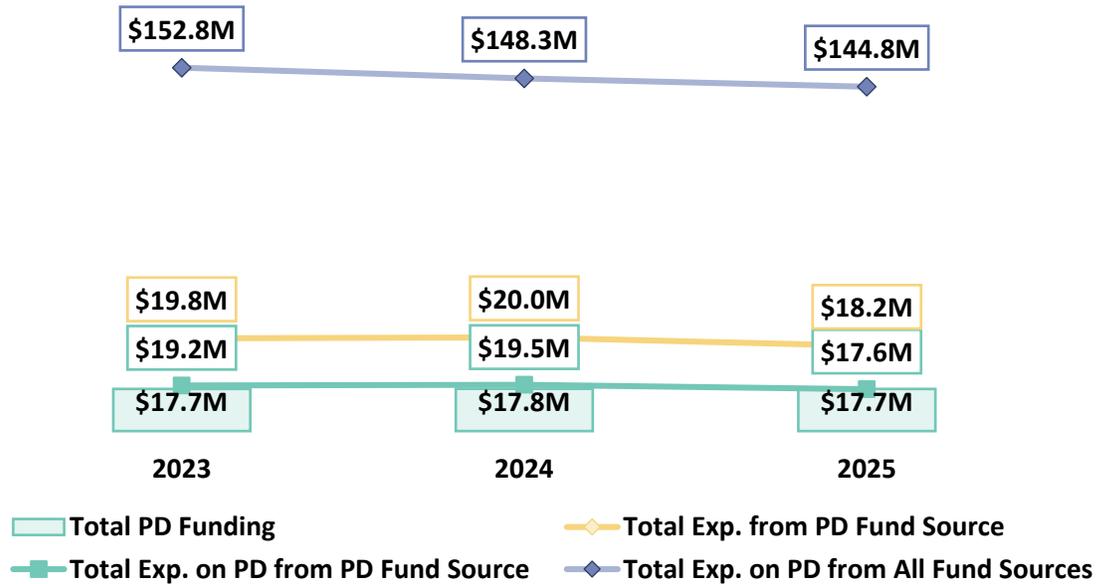
State categorical funding is provided for professional development for Arkansas public school teachers to be used for professional development activities and materials that do the following:

- “Improve the knowledge, skills, and effectiveness of teachers;
- Address the knowledge and skills of administrators and paraprofessionals concerning effective instructional strategies, methods, and skills;
- Lead to improved student academic achievement; and
- Provide training for school bus drivers as outlined in rules promulgated by the Commission for Arkansas Public School Academic Facilities and Transportation.”<sup>45</sup>

Exhibit 1.12 shows PD funding has remained relatively the same over the past three school years. In 2025, total funding came to \$17.7M based on an average daily membership (ADM) of 473,080. Total spending from PD categorical funds came to \$18.2M, an 8% decrease from 2024. Comparatively, total PD categorical funding decreased by almost 0.3% between 2024 and 2025. Spending on PD from PD categorical funds and spending from PD categorical funds overall decreased by 8% between 2023 and 2025.

Total spending on PD from all fund sources decreased by 2%. Total spending on PD from all fund sources came to \$145M in 2025 with the highest proportion of PD spending is from federal dollars. Spending on PD from all fund sources is around 88% higher, on average, than PD funding. Districts spent \$145M on PD activities in 2025. More than 60% went towards salaries and benefits for certified teachers. The highest proportion of PD spending is from federal dollars.

**Exhibit 1.12**



<sup>42</sup> 2026 Adequacy Funding Report

<sup>43</sup> Ark. Code Ann. § 6-17-704(b)

<sup>44</sup> 6 CAR § 183

<sup>45</sup> Ark. Code Ann. § 6-23-2305(b)(5)(B)

Exhibit 1.13 shows the 2025 per-student funding amount for PD received by districts was \$37.5. Districts spent close to \$38 per-student from PD categorical funds on PD, a decrease of almost four dollars per student from 2024 or eight percentage points. For total per-student PD spending from all funds, districts spent \$306, a decrease of fifteen dollars per-student or four percentage points from 2023.

### Professional Learning Grant Program

Act 795 of 2025 changed how additional PD categorical funds were to be used. This law removed the \$16.5 million appropriation for additional PD. Instead, funding provided above the per student PD funding amount shall be used by DESE for “implementation of the LEARNS Act to improve student academic outcomes.”<sup>46</sup> DESE is allowed to distribute the additional funding through grants to eligible entities.<sup>47</sup>

According to ADE, the Professional Learning Grant Program is “designed to enhance student learning outcomes by fostering continuous, job-embedded professional development for educators.”<sup>48</sup> In 2025, DESE distributed \$16.2M in these professional learning grants to 245 districts based on a per-student calculation, as of May 22, 2025.<sup>49</sup> All districts were eligible to receive funding. Of the total 259 districts, ten did not apply and one was not approved.<sup>50</sup>

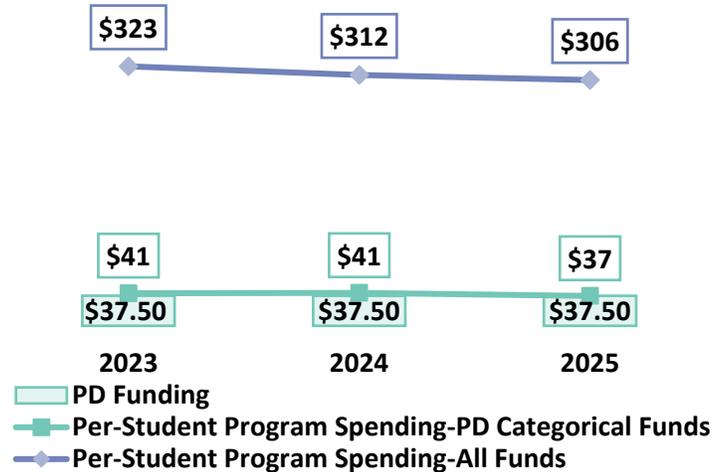
## Research and Best Practices

In their most recent evidence-based model,<sup>51</sup> Odden and Picus (O&P) estimate the cost for effective professional development would be about \$125 per student for professional development trainers. This includes paying for central office professional development staff, outside consultants, or school turnaround organizations as well as reimbursements for teacher conference registrations or for tuition for teachers who enroll in appropriate coursework at approved colleges and universities. Costs may also include miscellaneous administrative, materials, supplies, and travel expenses. O&P also recommend that teachers have ten days of their work year dedicated to professional development. The full evidence-based model can be found in Appendix D.

## Arkansas Educators’ Feedback

In BLR’s 2026 adequacy survey<sup>52</sup> of Arkansas public school teachers, teachers were asked about the professional development they received in the 2025 school year. Data show collaboration with other educators/staff (51%) as the form of PD most received, followed by district-provided PD not using Arkansas IDEAS (43%). When asked which forms of PD were most useful, collaboration with other educators/staff was rated highest (55% rated as essential) with another 31% rating very useful. The second most useful rated form of PD was conferences or workshops with 21% rating it as essential and another 39% rating it as very useful.

**Exhibit 1.13**



<sup>46</sup> Ark. Code Ann. § 6-23-2305(b)(5)(C)(i)

<sup>47</sup> Ark. Code Ann. § 6-23-2305(b)(5)(C)(ii).

<sup>48</sup> ADE, Professional Learning Grant Report – 2024-2025 School Year

<sup>49</sup> *Id.* Page 1

<sup>50</sup> *Id.* Page 3

<sup>51</sup> Odden, Allan, & Picus, Lawrence O. (2019). *School finance: A policy perspective*, 6<sup>th</sup> ed. New York: McGraw-Hill

<sup>52</sup> 2026 Adequacy Teacher Survey, questions 34-35

## CHAPTER 2: SUPPLEMENTAL FUNDS

Since the initial *Lake View* reforms, additional or “supplemental” funding streams have been added over the years to assist school districts and open-enrollment charter school districts with specific needs provide an adequate education. Some of these funding streams exist to help small schools and districts, as well as districts with fluctuating enrollment trends. In recent years, several funding streams have been added to help address specific adequacy-related expenses: transportation; special education; enhanced student achievement (poverty); and teacher salaries. During the 2025 school year, expenditures from supplemental fund sources accounted for 5% of total spending. This section of the report will examine expenditures from supplemental fund sources.

### Isolated

Isolated funding is supplemental funding distributed to districts with low enrollment or geographic challenges, such as rugged road systems and/or low-student density, which can increase costs. There are four types of isolated funding: isolated funding;<sup>53</sup> special needs isolated funding;<sup>54</sup> special needs isolated funding – small district;<sup>55</sup> and special needs isolated – transportation funding.<sup>56</sup> Varying types of restrictions are placed on how these funds can be used.

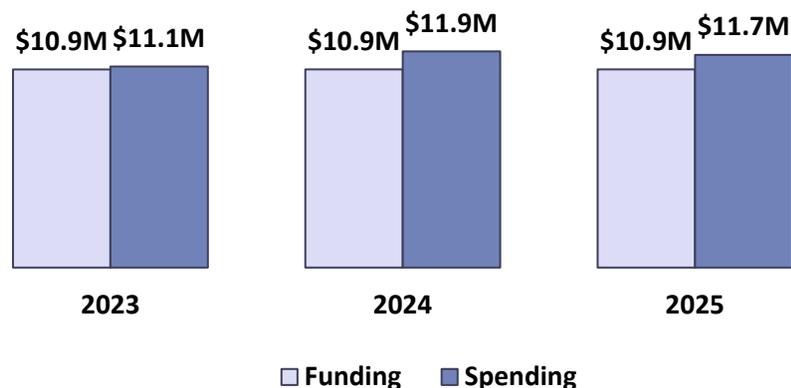
In 2025, the state distributed almost \$11 million to the 32 school districts that fell into one or more of the four above isolated funding categories. The amount of isolated funding in 2025 is an overall increase of six percentage points from 2023 but decreased by almost two percentage points from 2024.

As shown in Exhibit 2.1, districts spent almost \$12M during 2025 in isolated and special needs isolated funding, almost one million more than the funding amount, indicating districts also used remaining fund balances. Isolated and special needs spending has exceeded funding for all three school years. There has been no change in funding over the last three school years, while spending has increased by 6%. On average, spending has been around 6% higher than funding over the last three years.

Isolated Funding Type	FY25 Funding Amount		FY25 Spending Amount
<b>1. Isolated Funding</b>	\$2,153,532	\$5,939,786	\$6,325,783
<b>2. Special Needs Isolated (SNI)</b>	\$3,786,254		
<b>3. SNI - Small School</b>	\$2,620,613		\$2,843,111
<b>4. SNI - Transportation</b>	\$2,335,600		\$2,526,189
<b>Total Isolated Funding</b>	<b>\$10,895,999</b>		<b>\$11,695,083</b>

Note: While funding is provided for the two separate funds, isolated and special needs isolated, expenditures for these are combined due to the APSCN coding structure.

**Exhibit 2.1 Total Funding and Spending**



<sup>53</sup> Ark. Code Ann. § 6-20-603.

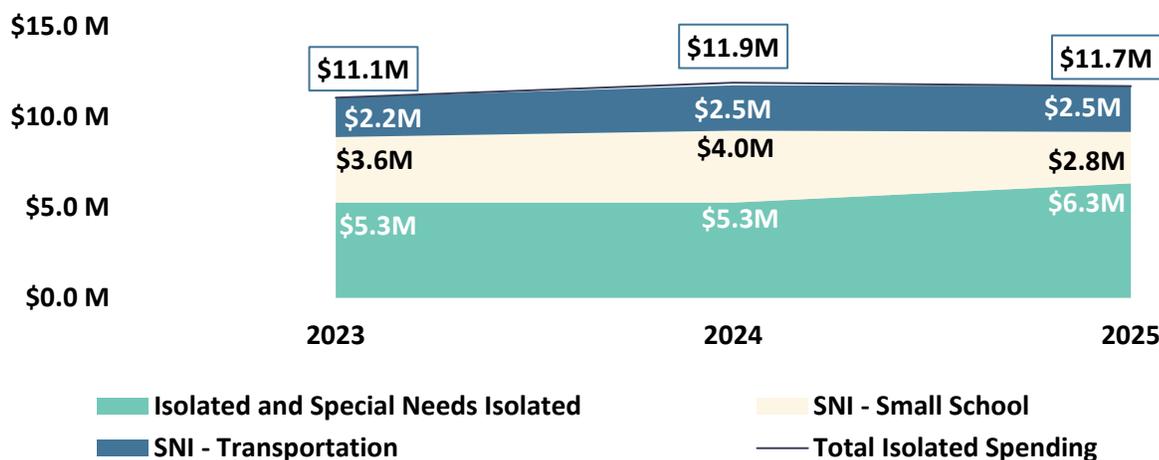
<sup>54</sup> Ark. Code Ann. § 6-20-603(c)-(e).

<sup>55</sup> *Id.* at (f).

<sup>56</sup> *Id.* at (h).

Exhibit 2.2 shows how that spending varies by fund type for the past three years. The combined spending of isolated and special needs isolated funding increased by \$1M or 20% from 2023. The combined funding increased by just over five percentage points. Inversely, the amount spent from SNI – small school funding decreased by just over \$2M or 21% points. Total funding for SNI – small school increased by 24% points.

**Exhibit 2.2 Isolated Funds: Expenditures by Isolated Fund Source**



Note: While funding is provided for the two separate funds, isolated and special needs isolated, expenditures for these are combined due to the APSCN coding structure.

Except for special needs isolated – small school, each form of isolated funding comes with its own spending restrictions. All these funds are supposed to be used for the specific isolated school area for which they are receiving funds. In some districts, these areas make up the majority, if not all, of the district, or a portion of the district. These restrictions are listed in the table below, alongside the top three district uses in 2025.

Isolated Funding Category	Spending Restrictions	Actual FY25 Spending – Top Uses
<b>Isolated</b>	Operation, maintenance, and support of the isolated school area <sup>57</sup>	1. Regular Instruction (39%) 2. Operations and Maintenance (19%) 3. District and School Administration (16%)
<b>Special Needs Isolated</b>	Operation of the isolated school area <sup>58</sup>	1. Regular Instruction (44%) 2. Operations and Maintenance (16%) 3. Transportation (13%)
<b>Special Needs Isolated (Small School)</b>	None	1. Transportation (90%) 2. LEA Indebtedness (8%) 3. District or School Administration (1%)
<b>Special Needs Isolated - Transportation</b>	Transportation costs for the isolated school area <sup>59</sup>	

Note: Expenditures for Isolated and Special Needs Isolated Funding are combined due to coding structure.

## Research and Best Practices

In their evidence-based model,<sup>60</sup> Odden and Picus recommend adjustments for school districts that have smaller enrollment numbers. Odden and Picus state that school districts below 975 students require additional support staff for an adequate program. For a district with 975 students or fewer, they recommend staffing one assistant

<sup>57</sup> Ark. Code Ann. § 6-20-603(d).

<sup>58</sup> Ark. Code Ann. § 6-20-604(c)-(e).

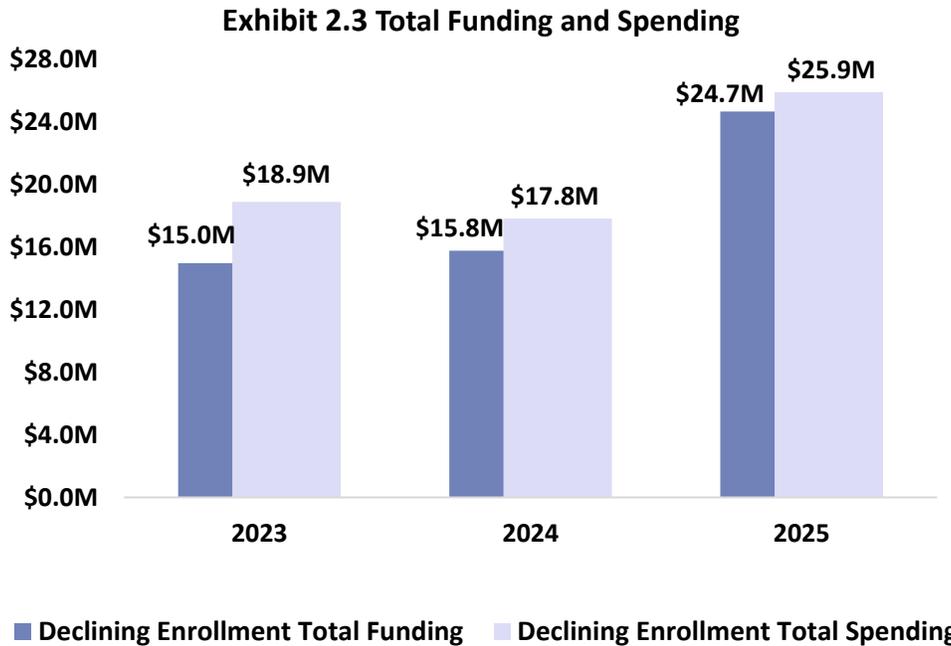
<sup>59</sup> *Id.* at (h).

<sup>60</sup> Odden, Allan, & Picus, Lawrence O. (2019). *School finance: A policy perspective*, 6<sup>th</sup> ed. New York: McGraw-Hill

principal and one full-time teacher for every seven students. This would provide staffing that the very small district can deploy in any way it wishes. In 2025, 142 Arkansas school districts had fewer than 975 students, or 55% of all school districts.

### Declining Enrollment

Declining enrollment is funded based on a formula, which can be found in Appendix B, that uses yearly ADM. The formula results in a district receiving approximately half of the foundation funding amount for each student a district loses. Declining enrollment is unrestricted funding. As shown in Exhibit 2.3, declining enrollment funding has increased by 65% over the last three school years, and spending has increased by 37%. Declining enrollment spending has exceeded funding for all three school years. Spending has been around 15% higher, on average, than funding over the three school years.



DESE rules specify that, because of reporting requirements for declining enrollment funding, declining enrollment funds cannot be transferred to another fund but must be spent directly from the declining enrollment fund.<sup>61</sup>

The table below shows the three top categories of declining enrollment expenditures from 2023 to 2025. The top categories of declining enrollment expenditures changed each year from 2023 to 2025 but included certified staff and vehicles each year.

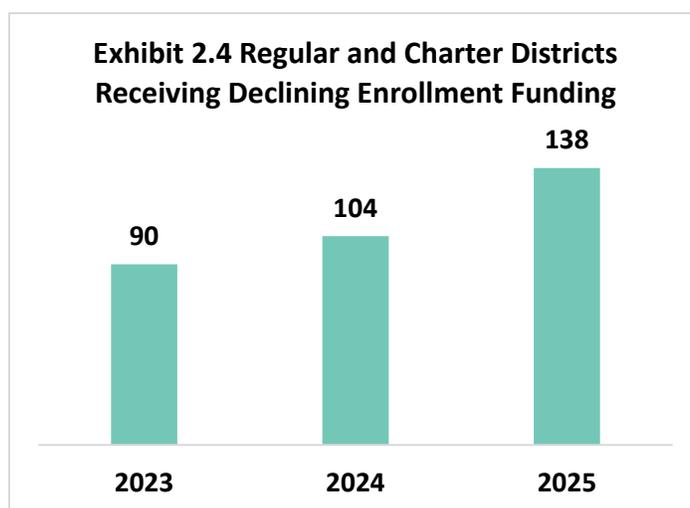
**3-YR Declining Enrollment Top Expenditure Categories**

2023		2024		2025	
Certified Staff	\$2.8 M	Vehicles	2.4 M	Certified Staff	\$5.4 M
Vehicles	\$2.4 M	Certified Staff	\$1.7 M	Vehicles	\$3.1 M
Non-Technology Related Repairs and Maintenance	\$1.7 M	Substitute Teachers	\$1.7 M	Classified Staff	\$1.9 M

<sup>61</sup> 6 CAR 271-103(c)(3) Declining enrollment funding.

Exhibit 2.4 shows the number of regular districts and charter districts that received declining enrollment funding from 2023 to 2025. The number of districts receiving declining enrollment funding rose each year from 2023 to 2025, with a percentage change of 16% from 2023 to 2024 and 33% from 2024 to 2025.

The table below shows the five districts that received the most declining enrollment funding from 2023 to 2025, along with the amounts each district received. The five districts receiving the most declining enrollment funding changed each year from 2023 to 2025.



### Declining Enrollment

2023		2024		2025	
Pine Bluff School District	\$1,296,830	Little Rock School District	\$1,907,547	Arkansas Lighthouse Academies	\$1,990,930
Watson Chapel School District	\$786,037	Pine Bluff School District	\$1,090,402	North Little Rock School District	\$1,294,610
Marion School District	\$574,063	eStem	\$552,076	Fayetteville School District	\$926,148
Ozark Mountain School District	\$481,845	Texarkana School District	\$508,083	Little Rock School District	\$899,493
West Memphis School District	\$477,434	Watson Chapel School District	\$485,229	Fort Smith School District	\$894,170

### Research and Best Practices

Odden and Picus recommend calculating student counts using attendance counts rather than resident counts; attendance counts look at the students actually attending a school while resident counts look at the number of students residing in the school or district's zone. Furthermore, Odden and Picus recommend funding declining enrollment based on a three-year rolling average student count. Odden and Picus note that providing declining enrollment has the potential to create "phantom" students—referring to a student who leaves one district and enrolls in another will be fully funded in the new district and partially funded in the old district through declining enrollment funding.<sup>62</sup>

Proponents of declining enrollment provisions argue that the provisions serve two goals: 1) allowing time for communities and economics in rural areas to rebound, improve, and adjust to changes in population and revenue; and 2) ensuring that students in rural areas are offered an adequate education.<sup>63</sup> Opponents of declining enrollment funding argue that declining enrollment funding allows districts to avoid restructuring for smaller enrollments, discourages experimentation, and diverts funding from other uses.<sup>64</sup>

<sup>62</sup> Odden, Allan, & Picus, Lawrence O. (2019). *School finance: A policy perspective*, 6<sup>th</sup> ed. New York: McGraw-Hill, page 79.

<sup>63</sup> Jimerson, L. (Rural School and Community Trust Policy Brief, February, 2006.) "Breaking the Fall: Cushioning the Impact of Rural Declining Enrollment."

<sup>64</sup> Fullerton, J. and Roza Marguerite. (Education Next, May 1, 2013.) "Funding Phantom Students."

Declining enrollment policies can take several forms: 1) protections against declining enrollment; 2) hold-harmless provisions; 3) small district subsidies; and 4) minimum categorical allocations.<sup>65</sup>

Hold-harmless provisions guarantee districts a certain level of funding. In Connecticut, for example, the 36 lowest-performing districts in the state, known as Alliance Districts, are permanently held harmless at the fiscal year 2017 funding amount, even if the districts experience a decline in population that would otherwise mean a decline in funding.<sup>66</sup>

Hold-harmless provisions may also be specific to districts losing students to charter schools. Connecticut funds districts based on the enrollments of students living in their region whether the student attends a district school or a charter school. In Massachusetts, when a student leaves a district for a charter school, the district no longer receives the revenue associated with that student; the revenue goes to the charter school. Massachusetts then provides a partial tuition reimbursement to the district for up to six years after the student begins attending the charter school.<sup>67</sup>

Declining enrollment protections are additional funds provided to districts that are experiencing a decline in enrollment.<sup>68</sup> The formulas vary by state. For example, in Colorado, a district with declining enrollment receives funding based on the average of up to three prior years' October student counts and the current year's October student count. In Nevada, schools with declining enrollment may base funding on either of the two prior years' average daily membership, whichever is greater. Districts with a declining enrollment of less than 5% get additional funding for one year, but districts with a decline in enrollment of 5% or more receive two years of additional funding.<sup>69</sup>

Another form of declining enrollment funding is small district subsidies. In some states, the subsidies are a weight in the state allocation form based on district size. In other states, the state funds certain items by district; for example, a particular kind of staff member might have a funding level of one per district. In these states, the cost-per-student of the one-per-district item is much higher in smaller schools because of the lower number of students.<sup>70</sup>

Some states that use categorical funds require minimum allotments for certain categorical funding allocations. In this situation, the state sets a minimum allotment for a categorical funding allocation. A district with a very small number of the targeted population will receive at least the minimum allotment.<sup>71</sup>

In its 2020 Arkansas study, APA offered two alternative approaches to funding declining enrollment: using a three-year average and using a percentage per year. The three-year average would provide districts with the highest ADM of the current year, average of the current year and prior year, or average of the last three years. A percentage per-year model would assign percentages to the prior year, two years back, and three years back ADM, with each year further back receiving smaller percentages of funding. Both methods would increase the overall amount of declining enrollment funding.<sup>72</sup>

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<sup>65</sup> Ibid.

<sup>66</sup> Atherton, M. and Rubado, M. (Center on Regional Politics, December 2014.) "Hold Harmless Education Finance Policies in the U.S.: A Survey." School + State Finance Project. "Education Cost Sharing (ECS) Formula."  
<https://ctschoollfinance.org/issues/ecs-formula>.

<sup>67</sup> Ibid.

<sup>68</sup> Fullerton, J. and Roza Marguerite. (Education Next, May 1, 2013.) "Funding Phantom Students."

<sup>69</sup> Atherton, M. and Rubado, M. (Center on Regional Politics, December 2014.) "Hold Harmless Education Finance Policies in the U.S.: A Survey."

<sup>70</sup> Jimerson, L. (Rural School and Community Trust Policy Brief, February, 2006.) "Breaking the Fall: Cushioning the Impact of Rural Declining Enrollment."

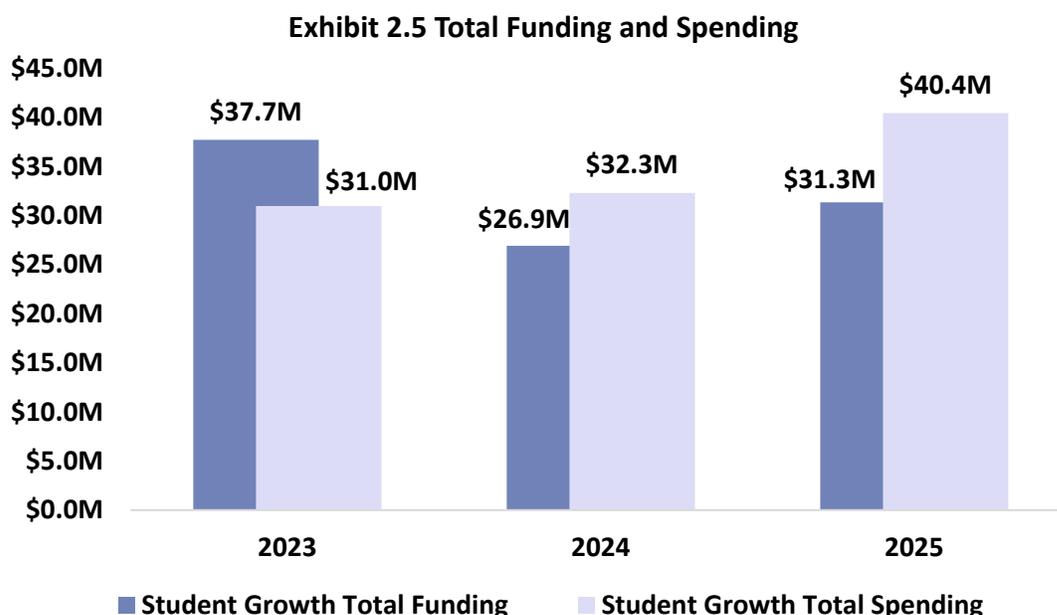
<sup>71</sup> Fullerton, J. and Roza Marguerite. (Education Next, May 1, 2013.) "Funding Phantom Students."

<sup>72</sup> Augenblick, Palaich and Associates (Presentation to Senate Committee on Education and House Committee on Education, June 8, 2020.) "Growth Funding and Declining Enrollment."

## Student Growth

Student growth is funded based on a formula, which can be found in Appendix C, that uses quarterly ADM. The formula results in a district receiving approximately the foundation funding amount for each student a district gains. Student growth funding is unrestricted funding.

Exhibit 2.5 shows that student growth spending has increased by 31% over the last three school years, while funding has decreased by 17%. DESE rules specify that, because of reporting requirements for student growth funding, student growth funds cannot be transferred to another fund but must be spent directly from the student growth fund.<sup>73</sup>



Because declining enrollment funding is based on yearly ADM and student growth is based on quarterly ADM, it is possible for a district to qualify for both types of funding in one year. DESE provides the funding category that yields the most funding to the school district.<sup>74</sup>

The table below shows the three top categories of student growth expenditures from 2023 to 2025. The top expenditure categories in student growth changed each year from 2023 to 2025. The only category in the top three categories from 2023 to 2025 was eTextbooks.

General supplies and materials includes expenditures for supplies and materials for the operation of the district, including freight and cartage.<sup>75</sup> Managing Service – Consulting is professional services provided in order to assist management in board policy or the operation of the district.

**3-YR Student Growth Top Expenditure Categories**

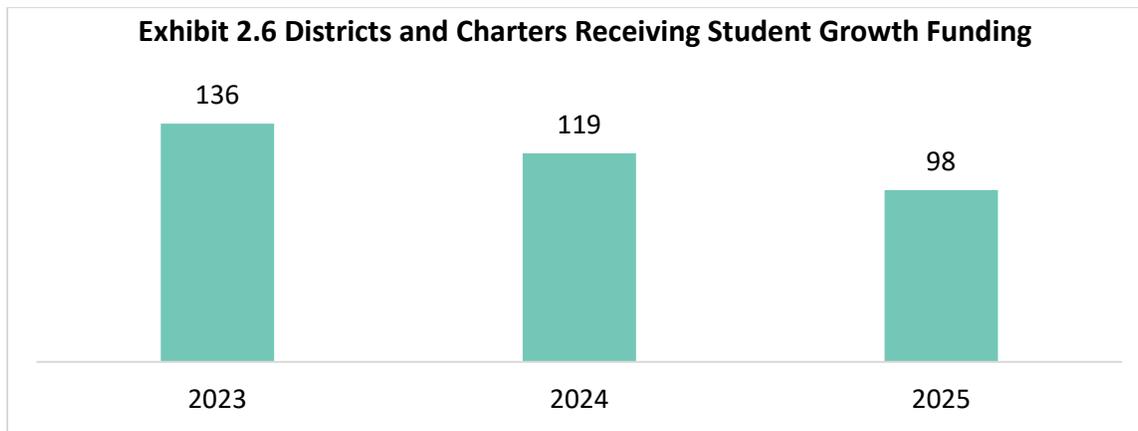
2023		2024		2025	
Certified Staff	\$4.9M	Vehicles	\$3.1M	Managing Service - Consulting	\$9.6M
eTextbooks	\$2.7M	eTextbooks	\$3.1M	Vehicles	\$4.2M
General Supplies and Materials	\$2.6M	Certified Staff	\$2.8M	eTextbooks	\$2.8M

Exhibit 2.6 shows the number of districts receiving student growth funding from 2023 to 2025.

<sup>73</sup> 6 CAR 271-103(f)(3) Declining enrollment funding.

<sup>74</sup> 6 CAR § 271-103(c).

<sup>75</sup> Arkansas Financial Accounting Handbook, July 1, 2024, page 59.



The table below shows the districts receiving student growth funding between 2023 and 2025. The number of districts receiving student growth funding fell each year from 2023 to 2025, with a percentage change of 13% between 2023 and 2024 and 18% between 2024 and 2025. The Bentonville School District, Arkansas Connections Academy, and Graduate Arkansas all received one of the top five amounts of student growth funding every year from 2023 to 2025. In 2025, Arkansas Virtual Academy and Arkansas Connections Academy together accounted for \$15.3M of all student growth funding, or almost 40% of total student growth funding.

**Student Growth**

2023		2024		2025	
Bentonville School District	2,484,523	Bentonville School District	2,836,448	Arkansas Virtual Academy	7,899,727
Graduate Arkansas	1,773,301	Arkansas Connections Academy	2,442,902	Arkansas Connections Academy	7,141,549
Arkansas Connections Academy	1,649,189	Premier High School of Little Rock	1,301,935	Bentonville School District	3,309,319
Jacksonville North Pulaski School District	1,595,463	Graduate Arkansas	1,134,206	Graduate Arkansas	890,673
Van Buren School District	1,443,089	Farmington School District	1,051,474	Nettleton School District	835,402

**Research and Best Practices**

Odden and Picus’ evidence-based model recommends funding districts based on the full-time ADM, using the actual count for schools with stable or rising district counts.<sup>76</sup>

Many states have no form of student growth funding. This is particularly true in states that use current-year enrollment counts for funding; Arkansas uses prior-year ADM to determine foundation funding.<sup>77</sup> States use different approaches to growth funding. In some states, the state provides high-growth districts additional funding based on the percentage of growth in the current year. In others, the state averages the amount of a district’s growth over a period of years and adds the average percent of growth to the district’s enrollment

<sup>76</sup> Odden, Allan, & Picus, Lawrence O. (2019). *School finance: A policy perspective*, 6<sup>th</sup> ed. New York: McGraw-Hill

<sup>77</sup> Augenblick, Palaich and Associates (Presentation to Senate Committee on Education and House Committee on Education, June 8, 2020.) “Growth Funding and Declining Enrollment.”

count. In still other states, the state adjusts more than once in a school year, with the district receiving all or half of the foundation funding amount for each student gained.<sup>78</sup>

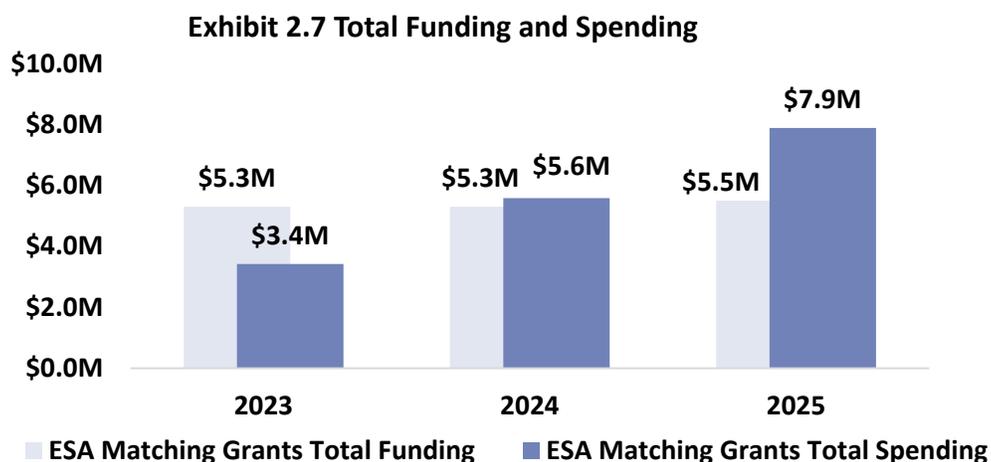
In its 2020 Arkansas study, APA recommended funding districts that had at least a 2% growth rate. The change would decrease the number of districts receiving student growth funding, as well as the amount of overall funding.<sup>79</sup>

### ESA Grants

ESA Matching Grants reimburse schools for three research-based methods for increasing the achievement of low-income students (tutors, preschool, and after-school/summer school programs).<sup>80</sup> Funding eligibility for districts is based on prior-year expenditures of ESA funds by district in each of the three categories.<sup>81</sup> ESA Matching Grants were created in 2018 and have always been passed as special language.

Exhibit 2.7 shows funding and spending amounts for ESA Matching Grants for the 2023 to 2025 school years.

Funding increased has increased by 6% between 2023 and 2025, while spending increased by 131%. In 2025, 127 regular and open-enrollment public charter districts received ESA Matching Grant funds.



The table below shows the amounts spent on the three approved categories of preschool/early childhood, summer school/before- and after-school programs, and tutoring/reading, which totaled \$4.7M. The remainder of the funding was spent for other purposes.

Preschool/early childhood	Summer school/before- and after-school programs	Tutoring/reading
\$2.6M	\$0.7M	\$1.4M

<sup>78</sup> Ibid.

<sup>79</sup> “Growth Funding and Declining Enrollment” by Augenblick, Palaich and Associates, Presentation to Senate Committee on Education and House Committee on Education, June 8, 2020.

<sup>80</sup> See Acts 2025, No. 792, Section 1, Item 25.

<sup>81</sup> 6 CAR § 272-414(a)(2); 6 CAR § 272-414(f).

## Special Education High-Cost Occurrences

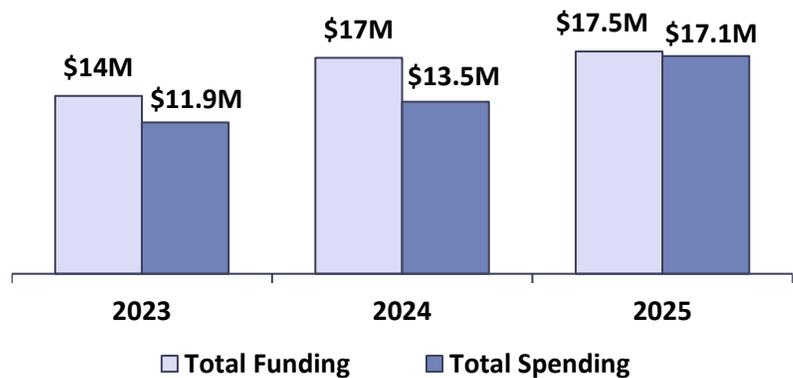
Special education high-cost occurrences funding is provided to districts when an individual student’s special education and related services required in his/her individualized learning plan (IEP) are unduly expensive, extraordinary, or beyond the routine and normal costs associated with special education and related services.<sup>82</sup> Districts must submit eligible claims<sup>83</sup> to be reimbursed by DESE. The district is responsible for 100% of the first \$15,000 after being adjusted for offsets. Offsets include Title VI-B (Federal IDEA Part B funding), Medicaid reimbursements, and other funds received (extended school year, third party liability, etc.). After that, districts can be reimbursed 100% of expenses between \$15,000 and \$65,000 and 80% of expenses of \$65,000 to \$100,000. Reimbursements are prorated if total reimbursement requests exceed the amount of funds available in the high-cost occurrences fund.<sup>84</sup>

Exhibit 2.8 shows special education high-cost occurrences funding has exceeded spending for all three school years. Total funding increased by 25% between 2023 and 2025, while total spending increased by 44%.

The following table<sup>85</sup> shows details on the claim amounts made for special education high-cost occurrences. In 2025, 181 districts made \$65.6M in eligible claims for 2,180 students, of which \$30.1M was considered reimbursable, based on the above criteria. District received 58.1% of reimbursable claims, which decreased from 65.6% in 2023.

Data also shows both the eligible claims and reimbursable amount increased between 40% and 41% whereas available funding increased by 25% points. The amount of eligible claims not funded increased by 46% points.

**Exhibit 2.8 Total Funding and Spending**



	2023	2024	2025	Percent Change 2023 to 2025
<b>Number of Students</b>	1,605	1,853	2,180	36%
<b>Number of Districts/ Charters</b>	157	160	181	15%
<b>Total Eligible Amount of Claims</b>	\$46.9M	\$56.9M	\$65.6M	40%
<b>Max Amount of Reimbursement Based on Formula</b>	\$21.3M	\$26.2M	\$30.1M	41%
<b>Total Funding Provided to Districts</b>	\$14.0M	\$17.0M	\$17.5M	25%
<b>Percent of Reimbursable Funds Received</b>	65.6%	64.8%	58.1%	-11%
<b>Total Eligible Claims Not Funded</b>	\$32.9M	\$39.9M	\$48.1M	46%

Other than the restrictions on the types of claims that are eligible to be reimbursed, there are no restrictions on how those reimbursed funds are to be spent. In 2025, districts spent \$17.1M of their special education high-cost occurrences funding and 71% of those expenditures went towards special education teacher salaries and benefits. Of the \$12.1M spent on salaries and benefits, 80% went towards classified positions.

<sup>82</sup> Ark. Code Ann. § 6-20-2303(22).

<sup>83</sup> Eligible claims include those for students currently enrolled in the district at the time of submission, when costs exceed \$15,000, and the costs must have incurred solely because of the provision of special education and related services to the individual student.

<sup>84</sup> 6 CAR § 130-2206.

<sup>85</sup> Data Source: DESE

## Enhanced Transportation

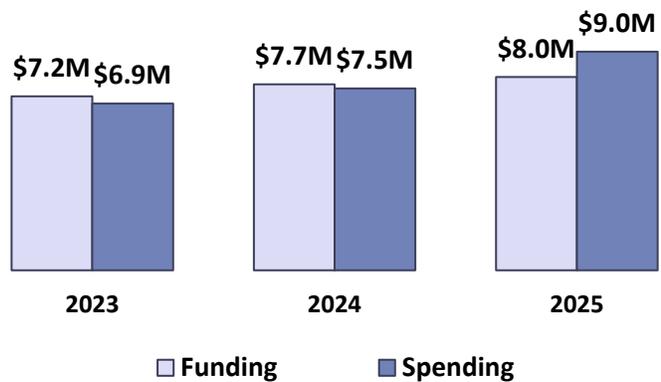
Enhanced transportation funding is distributed to school districts with high transportation costs.<sup>86</sup> While the matrix funding for transportation was \$337 per student in 2025, individual public school districts and open-enrollment charter districts spent between \$2.24 and \$4,654.20 per student on transportation from all funding sources.

A complex formula predicts transportation expenditures based on three factors: average daily membership; average daily number of riders; and average daily route miles. These predicted expenditures are compared to the actual funding provided by the foundation funding matrix and the actual expenditures of each regular and charter districts to determine transportation funding needs. Please see Appendix E for a more detailed explanation of the funding formula used for enhanced transportation.

The funding is distributed based on need on a pro-rata basis until the funding is depleted. In 2025, 148 districts and 1 charter district received enhanced transportation funding amounts ranging from \$1 to \$197,800.

Exhibit 2.9 shows that during 2025, regular and charter districts spent about \$9 million of the total \$8 million provided, indicating district use of fund balances. Expenditures from enhanced transportation funding exceeded funding by 13%. Funding for enhanced transportation has increased by around 11% over the three school years, while spending has increased by 31%.

**Exhibit 2.9 Total Funding and Spending**



Enhanced transportation is unrestricted funding and therefore may be spent on items other than transportation. The table below shows the largest expenditure using enhanced transportation funding was for student

transportation, primarily vehicle operation, servicing, and maintenance. The second largest use of enhanced transportation funds by school districts went towards operations and maintenance. Operations and maintenance expenditures included a variety of expenses, with the largest being electricity.

Enhanced Transportation Top Four Expenditure Categories (2025)		
Expenditure Category	Expenditures	Percentage of Total
<b>1. Student Transportation</b>	\$6,745,040	75%
<b>Vehicle Operation</b>	\$4,978,080	73%
<b>Vehicle Servicing and Maintenance</b>	\$1,556,181	24%
<b>2. Operations and Maintenance</b>	\$1,665,131	18%
<b>Electricity</b>	\$556,573	33%
<b>General Supplies and Materials</b>	\$350,884	21%

<sup>86</sup> 2026 Adequacy Funding Report

## Teacher Salary Equalization

Referencing to *Lake View* in the legislative findings, the General Assembly created teacher salary equalization funding to assist in addressing the disparities in teacher salaries within the state and compared to surrounding states.<sup>87</sup> Provided under the Public School Funding Act as one of the “additional educational categories,” this restricted funding is dedicated to teacher salaries and benefits.<sup>88</sup> In 2021, a statewide target average annual salary of \$51,822 was enacted for the 2021-2022 and 2022-2023 school years. For the 2024 and 2025 school years, and “each biennium thereafter,” the salary would be “set jointly by the House Committee on Education and the Senate Committee on Education as part of the adequacy review process.”<sup>89</sup> Beginning with the 2021-2022 school year, each eligible district with an average annual teacher salary below \$51,822 has received teacher equalization funding in an amount “equal to \$185 multiplied by the average daily membership of the school district for the previous school year.”<sup>90</sup>

Teacher salary equalization funding was established to be continuous, so eligible public school districts will not receive less than their initial funded amount even if ADM decreases. The funds that districts receive in the preceding fiscal year will continue to be provided in the same amount, in addition to the amount eligible in the current fiscal year. After funds are disbursed, they must be transferred to the teacher salary fund where multiple fund sources are comingled, and, typically, districts spend 100% of their funded amount.<sup>91</sup>

In 2025, 24 public school districts were not identified to receive teacher salary equalization funding. All other districts and charters received teacher salary equalization funding for a total amount of \$54.7M. According to an analysis of 2025 expenditure data, nearly 100% was spent on teacher salaries and benefits.<sup>92</sup>

Pursuant to Act 909 of 2025, the funding amount will decrease from \$185 for the 2025-2026 school year, to \$100 for the 2027-2028 school year, and \$50 for the 2028-2029 school year.<sup>93</sup> The statewide average target salary was unchanged, but the requirement that it be set each biennium by the Education Committees as part of the adequacy review process was repealed. The General Assembly stated its intention to “gradually phase out” and “transfer the funds to be used to assist in meeting the minimum teacher compensation requirements under § 6-17-2403.”<sup>94</sup>

## LEARNS Teacher Salaries

Under the “minimum teacher compensation requirements” in Arkansas statute, additional restricted funds, allocated by the General Assembly and established by the LEARNS Act of 2023, are to be used for “teacher salaries.”<sup>95</sup> Revenues for “teacher minimum salary levels and teacher raises” are held and distributed the Arkansas Department of Education from the LEARNS Minimum Teacher Salary and Raise Fund to provide “additional teacher compensation.” These funds were first disbursed in the 2023-2024 school year. In 2025, \$173.2M in LEARNS Teacher Minimum Salary and Raise funding was provided to all public school districts and \$8.3M to 18 open-enrollment public charter schools; 100% was spent, reflecting the total funding amount in an expenditure of a little more than \$181.5M.

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<sup>87</sup> See Acts 679 and 680 of 2021, (“Legislative Findings”), Section 1(a), available at <https://arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2021R%2FPublic%2FACT679.pdf>

<sup>88</sup> Ark. Code Ann. § 6-20-2305(b)(1).

<sup>89</sup> See Act 572 of 2023; Ark. Code Ann. 6-20-2305(b)(6)(A)(iii).

<sup>90</sup> See Ark. Code Ann. § 6-20-2305(b)(6).

<sup>91</sup> Because salary equalization is restricted and must be spent specifically on teacher salaries, BLR staff apply this funding first to account for teacher salary expenditures.

<sup>92</sup> Academies of Math and Science received \$90,123 in teacher salary equalization funding that was not identified as an expenditure from the teacher salary fund.

<sup>93</sup> Ark. Code Ann. § 6-20-2305(b)(6)(A)(i)-(iv).

<sup>94</sup> See Act 909 of 2025; (“Legislative Findings”), Section 1(b)(3), available at <https://www.arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2025R%2FPublic%2FACT909.pdf>

<sup>95</sup> Ark. Code Ann. § 6-17-2403.

## CHAPTER 3: ADDITIONAL FUND SOURCES

Additional funding for the 2025 school year includes numerous other funds received by public school districts and charters that are described in the Annual Statistical Report (ASR). These include federal and restricted and unrestricted state and local fund sources.

During the 2025 school year, public school districts and charters spent over \$3.1M from fund sources categorized as “additional,” or 42% of total spending. The following table provides expenditure totals by fund source detail.

Fund Source Detail	Total Expenditures
Activity Fund	\$116,438,807
Building Fund	\$777,908,175
Capital Outlay Fund	\$32,823,039
Debt Service Fund	\$359,709,506
Food Service Fund	\$355,698,730
Other State and Local Funds <sup>96</sup>	\$859,787,977
Federal <sup>97</sup>	\$616,862,092
<b>Grand Total</b>	<b>\$3,119,228,325</b>

<sup>96</sup> Includes federal funds for food service due to comingling of federal, state, and local fund sources in one fund.

<sup>97</sup> Excludes federal funds for food service.

## KEY FACTS AND FINDINGS

### Categorical Funding

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- Spending exceeded funding for every categorical fund source except for ESA for all three years.
- The number of students funded increased for EL but decreased for ALE and ESA.
- All regular school districts had at least one EL student, ranging from 0.7% of all students to 38%. Of the 25 charter districts, 19 had at least one EL student, ranging from 1.4% to 70%.
- PD is the only categorical fund that is provided based on total students, not a specific student group. Additionally, PD is the only categorical fund in which the regular school districts and charter districts do not receive the full per-student funding amount.

### Supplemental Funding

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- Spending exceeded funding for every supplemental fund source except for special education high-cost occurrences, teacher salary equalization, and LEARNS teacher salaries.
- Excluding the supplemental funding for teacher salaries, total spending increased for all supplemental funds.
- Enhanced Transportation spending exceeded funding for the first time over the last three school years.
- The total amount of special education high-cost occurrence eligible unfunded claims increased by 46% points between the 2023 and 2025 school years.

### Limitations to Data Analysis

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- The APSCN fund codes for Isolated funding and Special Needs Isolated funding are combined into one fund code, so expenditures from each of these two funds cannot be identified or analyzed

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## 2025 LEGISLATION

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### Act 909

Act 909 of 2025 amended the public school funding amounts under the Public School Funding Act of 2003.

### Act 919

Act 919 provides a process for an isolated school to detach from a resulting or receiving district. The act also establishes state funding aid for the first year of operation of an isolated school district, provides for governance and management of the isolated school district, and requires a local public school district under which a proposed isolated school district currently operates to agree to release ownership of the isolated school's facilities and any accompanying debt on the facilities to the isolated school district.

## APPENDIX A – FUND SOURCE DEFINITIONS

Fund Source Category	Fund Sources	Description
<b>Foundation</b>	<p><u>Comingled</u> funds including the following:</p> <p><b>State Foundation Funds:</b> state portion of funding needed to offset the amount of foundation funding not covered by URT, local source of funding</p> <p>+</p> <p><b>Local Funds:</b> generated from the first 25 mills of the millage money regular public school districts receive from local property taxes (charters do not have a tax base, so all their foundation funding is from the state kick-in)</p> <p>+</p> <p><b>Miscellaneous Funds:</b> funds received by a public school district from federal forest reserves, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, severance taxes, in lieu of taxes and local sales and use taxes dedicated to education under § 26-74-201 et seq., § 26-74-301 et seq., § 26-75-301 et seq., and the Local Government Bond Act of 1985, § 14-164-301 et seq.”<sup>98</sup></p>	<p>Unrestricted funding. Foundation funding, sometimes referred to as “matrix funding”, is the primary funding stream for K-12 education in Arkansas. The per-student funding amount is calculated using the matrix tool, which identifies the specific staff and resources deemed necessary for an adequate education as defined by the General Assembly.<sup>99</sup></p>
<b>Categorical</b>	<ol style="list-style-type: none"> <li>1. Alternative Learning Environment (ALE)</li> <li>2. English Language Learner (ELL)</li> <li>3. Enhanced Student Achievement (ESA)</li> <li>4. Professional Development (PD)</li> </ol>	<p>Restricted state funds. ALE, EL, and ESA are targeted to specific populations of students to further the state’s efforts toward providing a constitutionally mandated equitable education.</p>
<b>Supplemental</b> <sup>100</sup>	<ol style="list-style-type: none"> <li>1. Isolated</li> <li>2. Declining Enrollment</li> <li>3. Student Growth</li> <li>4. ESA Grants</li> <li>5. Special Education High-Cost Occurrences</li> <li>6. Enhanced Transportation</li> <li>7. Teacher Salary Equalization</li> <li>8. LEARNS Teacher Salaries</li> </ol>	<p>A mix of restricted and unrestricted funds to help address specific adequacy-related expenses: transportation; special education; enhanced student achievement (poverty); and teacher salaries.</p>

<sup>98</sup> Arkansas Department of Education, Arkansas School Funding Guide 2024-2025 Fiscal Services and Support, available at [https://dese.ade.arkansas.gov/Files/2024-2025\\_Arkansas\\_School\\_Funding\\_Guide\\_FAS.pdf](https://dese.ade.arkansas.gov/Files/2024-2025_Arkansas_School_Funding_Guide_FAS.pdf)

<sup>99</sup> An Evidenced-Based Approach to School Finance Adequacy in Arkansas. Final Report. September 1, 2003, page 21, available at

[https://www.arkleg.state.ar.us/Home/FTPDocument?path=%2Feducation%2FAdequacyReports%2FYearlyFinalReports%2F2003%2F2003+Final+Arkansas+Report+09\\_01\\_2003.pdf](https://www.arkleg.state.ar.us/Home/FTPDocument?path=%2Feducation%2FAdequacyReports%2FYearlyFinalReports%2F2003%2F2003+Final+Arkansas+Report+09_01_2003.pdf)

<sup>100</sup> Ark. Code Ann. § 10-3-2102(h) states that the study for subdivision (a)(6) shall be accomplished, in part, by reviewing expenditures from isolated school funding, national student lunch funding, declining enrollment funding, student growth funding, and special education funding.

Fund Source Category	Fund Sources	Description
<b>Additional</b>	<ol style="list-style-type: none"> <li>1. Activity Fund</li> <li>2. Building Fund</li> <li>3. Capital Outlay Fund</li> <li>4. Debt Service Fund</li> <li>5. Food Service Fund</li> <li>6. Other State and Local Funds<sup>101</sup></li> <li>7. Federal<sup>102</sup></li> </ol>	A mix of restricted and unrestricted funds. These cannot be reconciled with the exact lines in the ASR.

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<sup>101</sup> Includes federal funds for food service due to comingling of federal, state, and local fund sources in one fund.

<sup>102</sup> Excludes federal funds for food service.

## APPENDIX B – DECLINING ENROLLMENT

Declining enrollment is calculated by subtracting a district’s average daily membership (ADM) for the previous year from the average ADM for the previous two years. This amount is multiplied by the per-student foundation funding amount, resulting in providing foundation funding rate for about half of the students the district lost in a given year. The table below shows an example calculation.

Declining Enrollment Funding Example Calculation	
FY23 3 Qtr. ADM	2,000
FY24 3 Qtr. ADM	1,800
FY 23 and FY 24 Average ADM	1,900
Difference in Prior 2 Year Avg. ADM and Prior Year ADM	100
FY25 Foundation Funding Rate	\$7,771
<b>Total Declining Enrollment Funding</b>	<b>\$777,100</b>

It is important to note that, because foundation funding is based on prior-year ADM, districts with declining student populations receive foundation funding for more students than the districts are actually educating. The table below illustrates how a district receiving declining enrollment receives money for one and a half times the number of students the district lost (through foundation funding and declining enrollment funding).

Declining Enrollment Example Calculation					
Year	Current Year Students	Foundation-Paid Students (Based on Previous Year’s Students)	Difference Between Funded Students and Students District is Actually Educating	Students Funded by Declining Enrollment	Total Funded Students Above Current Year Students
2021	1,020				
2022	1,000	1,020	+20		
2023	980	1,000	+20	+10	+30
2024	960	980	+20	+10	+30
2025	940	960	+20	+10	+30

In the example, the district lost 20 students each year from 2021 to 2025. In 2025, the district is receiving the equivalent of foundation funding for 30 students that the district is not actually responsible for educating.

## APPENDIX C – STUDENT GROWTH

Student growth funding is calculated by comparing the average daily membership (ADM) for each quarter in the current year to the prior year's three-quarter ADM excluding the current fourth-quarter ADM. The fourth-quarter ADM is calculated by using the fourth-quarter ADM from the prior year and the three-quarter ADM from two years earlier. If there is an increase, DESE multiplies the amount of growth from each quarter by .25, and this equals the quarterly growth rate. The quarterly growth rate for each quarter is summed up to get the total growth rate. Finally, the growth rate is multiplied by the foundation funding rate, and this equals the amount of total growth funding. Ultimately, the formula provides districts and charters the full rate of foundation funding for approximately each student added.

Student Growth Example Calculation					
	Quarterly ADM	Three-Quarter ADM	Growth	*	Quarterly Growth Rate
4 <sup>th</sup> Quarter—FY24	524.57	506.87—FY19	17.7	.25	4.425
1 <sup>st</sup> Quarter—FY25	527.35	516.29—FY20	11.06	.25	2.765
2 <sup>nd</sup> Quarter—FY25	532.09	516.29—FY20	15.8	.25	3.95
3 <sup>rd</sup> Quarter—FY25	532.38	516.29—FY20	16.09	.25	4.0225
<b>Total Growth Rate</b>					15.1625

In the example, the total growth rate (15.1625) multiplied by the foundation funding rate (\$7,413) would equal \$112,400 in total student growth funding.

## APPENDIX D – EB MODEL RESOURCE RECOMMENDATIONS

Model Element	Evidence-Based Model Recommendation
<b>Staffing Resources for Core Programs:</b>	
<b>1. Preschool</b>	Full day preschool for children aged 3 and 4. <ul style="list-style-type: none"> <li>• 1.0 teacher for each 15-student class.</li> <li>• 1.0 instructional for each 15-student class.</li> </ul>
<b>2. Full-day kindergarten</b>	Full-day kindergarten program. Each K student counts as 1.0 pupil in the funding system.
<b>3. Elementary core teachers/class size</b>	<ul style="list-style-type: none"> <li>• 1:15 grades K-3 (average class size of 17.3)</li> <li>• 1:25 grades 4-5/6</li> </ul>
<b>4. Secondary core teachers/class size</b>	1:25 grades 6-12 (average class size of 25)
<b>5. Elective/specialist teachers</b>	<ul style="list-style-type: none"> <li>• 20% of core elementary teachers</li> <li>• 20% of core middle school teachers</li> <li>• 33 1/3% of core high school teachers</li> </ul>
<b>6. Instructional facilitators/coaches</b>	1.0 instructional coach position for every 200 students
<b>7. Core tutors/Tier 2 intervention</b>	<ul style="list-style-type: none"> <li>• 1:450 elementary and middle schools</li> <li>• 1:600 high schools</li> <li>• Additional tutors are enabled through poverty and ELL pupil counts in Elements 22 and 26</li> </ul>
<b>8. Substitute teachers</b>	5% of core and elective teachers, instructional coaches, tutors, and additional teacher positions under resources for at-risk students.
<b>9a. Guidance counselors</b>	<ul style="list-style-type: none"> <li>• 1:450 grade K-5 students</li> <li>• 1:250 grade 6-12 students</li> <li>• Additional student support resources are provided on the basis of poverty and ELL students in Element 23</li> </ul>
<b>9b. Nurses</b>	1:750 grade K-12 students
<b>10. Supervisory aides</b>	<ul style="list-style-type: none"> <li>• 2:450 elementary and middle schools</li> <li>• 3:600 high schools</li> </ul>
<b>11. Library media specialist</b>	<ul style="list-style-type: none"> <li>• 1.0 library media specialist for each 450-student elementary and middle school</li> <li>• 1.0 library media specialist for each 600-student high school</li> </ul>
<b>12. Principals and assistant principals</b>	<ul style="list-style-type: none"> <li>• 1.0 principal for the 450-student elementary and middle schools</li> <li>• 1.0 principal and 1.0 assistant principal for the 600-student high school</li> </ul>

<b>Model Element</b>	<b>Evidence-Based Model Recommendation</b>
<b>13. School site secretarial and clerical staff</b>	<ul style="list-style-type: none"> <li>• 2.0 secretary positions for the 450-student elementary and middle schools</li> <li>• 3.0 secretary positions for the 600-student high school</li> </ul>
<b>Dollars Per Pupil Resources for Core Programs:</b>	
<b>14. Gifted and Talented Education</b>	\$40 per pupil
<b>15. Intensive professional development</b>	<ul style="list-style-type: none"> <li>• 10 days of student-free time for training built into teacher contract year, by adding 5 days to the average teacher salary</li> <li>• \$125 per pupil for trainers (In addition, PD resources include instructional coaches [Element 5] and time for collaborative work [Element 4.]</li> </ul>
<b>16. Instructional materials</b>	<ul style="list-style-type: none"> <li>• \$200 per pupil for instructional and library materials</li> <li>• \$50 per pupil for extra help program of poverty, ELL, summer school, and extended-day</li> </ul>
<b>17. Short cycle/ interim assessments</b>	\$25 per pupil for short cycle, interim and formative assessments
<b>18. Technology and equipment</b>	\$250 per pupil for school computer and technology equipment
<b>19. Career and Technical Education</b>	\$10,000 per CTE teacher for specialized equipment
<b>20. Extra duty funds/student activities</b>	<ul style="list-style-type: none"> <li>• \$300 per student for co-curricular activities including sports and clubs for grade K-12</li> <li>• \$50 per student for preschool</li> </ul>
<b>Resources for At-Risk Students (Extra Help)</b>	
<b>21. Tutors</b>	<ul style="list-style-type: none"> <li>• 1.0 tutor position for every 100 ELL students</li> <li>• 1.0 tutor position for every 100 non-ELL poverty students</li> </ul>
<b>22. Additional pupil support staff</b>	<ul style="list-style-type: none"> <li>• 1.0 pupil support position for every 125 ELL students</li> <li>• 1.0 pupil support position for every 125 non-ELL poverty students</li> </ul>
<b>23. Extended-day</b>	<ul style="list-style-type: none"> <li>• 1.0 teacher position for every 120 ELL students</li> <li>• 1.0 teacher position for every 120 non-ELL poverty students</li> </ul>
<b>24. Summer school</b>	<ul style="list-style-type: none"> <li>• 1.0 teacher position for every 120 ELL students</li> <li>• 1.0 teacher position for every 120 non-ELL poverty students</li> </ul>
<b>25. ESL staff for English-language learners (ELL)</b>	<p>As described above:</p> <ul style="list-style-type: none"> <li>• 1.0 tutor position for every 100 ELL students</li> <li>• 1.0 pupil support position for every 125 ELL students</li> <li>• 1.0 extended-day position for every 120 ELL students</li> <li>• 1.0 summer teacher position for every 120 ELL students</li> </ul>

Model Element	Evidence-Based Model Recommendation
<b>26. Alternative schools</b>	<ul style="list-style-type: none"> <li>• In addition, 1.0 ESL teacher position for every 100 ELL students</li> <li>• 1 assistant principal position for every 7 ALE students in an ALE program</li> <li>• 1 teacher position for every 7 ALE students in an ALE program</li> <li>• 1 teacher position for every 7 Welcome Center eligible ELL students</li> </ul>
<b>27. Special education</b>	<p>8.1 teacher positions per 1,000 students, which includes:</p> <ul style="list-style-type: none"> <li>• 7.1 teacher positions per 1,000 students for services for students with mild and moderate disabilities and the related services for speech/hearing pathologies and/or OT PT</li> <li>• This allocation equals approximately 1 position for every 141 students</li> </ul> <p><b>Plus</b></p> <ul style="list-style-type: none"> <li>• psychologist per 1,000 students to oversee IEP development and ongoing review</li> </ul> <p><b>In addition</b></p> <ul style="list-style-type: none"> <li>• Full state funding for students with severe disabilities, and state-placed students, minus the cost of the basic education program and Federal Title VIb, with a cap on the number covered at 2% of all students</li> </ul>

**Staff Compensation Resources**

<b>28. Staff compensation</b>	<p>For salaries, average of previous year</p> <p>For Benefits:</p> <ul style="list-style-type: none"> <li>• Retirement or pension costs: A state set % per employee</li> <li>• Health Insurance: \$12,000-15,000 per employee</li> <li>• Social Security and Medicare: 7.65%</li> <li>• Workers' Compensation: 0.6%</li> <li>• Unemployment Insurance: 0% as the state fully reimburses costs</li> </ul>
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## APPENDIX E – ENHANCED TRANSPORTATION FUNDING CALCULATIONS

The process for determining which public school districts and open-enrollment charter districts are eligible for Enhanced Transportation (ET) funding is completed through a multistep process starting with the total amount of ET funding available for distribution and ending with all funding being disbursed on a pro-rata basis until all available funding is depleted; however, distributions will not exceed actual transportation expenditures. The pro-rata calculation is based on the level of need as a percentage of total need which is determined using a regression formula.

At the most basic level, the ET distribution model provides additional funding for each school district (SD) and charter district (hereafter referred to as charters) whose per-student predicted transportation expenditure amounts, after adjustments to remove the per-student transportation expenditures from sources other than foundation and ET funding, also known as “offsets”, exceed the actual foundation funding rate for transportation provided in the matrix. The model then supplies funding up to the amount SDs/charters’ actual expenditures exceed their actual total transportation foundation funding. The following provides a more granular explanation of the calculations in the model:

- 1) Using the most recent school year’s data available, BLR derives predicted transportation expenditures for each SD and charter using a regression formula based on three variables – current year ADM, average daily route miles, and average bus riders. These three variables consistently combine to be very accurate predictors of transportation expenses, often with predictive value of higher than 90% at a statistically significant level.
- 2) Using the variables identified in step one, a coefficient is determined for each variable using SPSS. The resulting coefficients are then multiplied by the corresponding actual value for each SD/charter for each variable and the products for all three variables are added together to provide a **model predicted expenditure** (MPE) amount:  $(\text{coefficient} * \text{riders}) + (\text{coefficient} * \text{route miles}) + (\text{coefficient} * \text{CYADM}) = \text{MPE}$
- 3) The model then subtracts expenditures funded by sources other than foundation funding and ET funding from the **model predicted expenditure** amount. This yields an **adjusted model predicted expenditure** (AMPE) amount, which is the estimated amount that the model projects is a reasonable expense for academic transportation from foundation funding and ET funding.
- 4) The model then identifies all the districts whose actual expenditures for transportation exceeded their foundation funding for transportation.
- 5) For SDs/charters whose expenditures exceeded foundation funding, the model converts the **adjusted model predicted expenditures** amounts for transportation to per-student amounts. Those districts with **adjusted model predicted expenditures** per student that are greater than the foundation funding rate for transportation are eligible for an ET payment. The variance of their **adjusted model predicted expenditures** per student to the foundation funding rate of for transportation becomes each public school district’s funding factor.
- 6) The first-round distribution calculation is determined by multiplying the total funding available for ET by the ratio each district’s funding factor bears to the total of all funding factors.
- 7) Next, the model adds the first-round funding amount to the amount that qualifying SDs/charters actual expenditures exceeded their foundation funding. If the sum of these two values exceeds zero, the amount over zero is considered an overpayment, and is redistributed to those districts whose transportation expenditures still exceed the sum of their first round ET funding plus their foundation funding.

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- 8) For any SD or charter with expenditures exceeding the total of their ET funding amount plus their foundation funding, a second round of funding is calculated using the same funding factors used in the first round.
- 9) The model repeats multiplying the ratio their funding factor comprises of the total of all funding factors (of the districts whose transportation expenditures exceed the total of their first round ET distribution plus their foundation funding) times the total amount of overpayments from the first round of funding. These funding rounds are repeated until no district has funding that results in an overpayment.