

**A REVIEW OF ADEQUACY
IN
FINANCING PUBLIC EDUCATION
IN ARKANSAS
2016**

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

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Adequately Financing Public Education in Arkansas

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

- ⇒ Adequacy represents an attempt to move beyond considering the fairness of fiscal input toward the broad-based improvement of educational outcomes.
- ⇒ Adequacy seeks to ensure that all students have a quality education.
- ⇒ Adequacy asks, "What level of educational resources is sufficient to generate a specific set of educational outcomes?"

Over the years, state government has struggled to transform its approach to financing public education and to fulfill its promise of equal opportunity. Finally, a new funding structure for public schools was enacted by the General Assembly, and adopted by the Arkansas Supreme Court declaring the Arkansas school funding system constitutional. So, how does Arkansas rank on school finance when compared to other states? The **2015 Quality Counts** report published by Education Week gives Arkansas an overall grade of C and a national ranking of 28th among states on school finance.

In the area of student achievement, **The 2015 Quality Counts** report ranks Arkansas 37th among states. The report also shows that Arkansas' achievement gains on the NAEP since 2003 have been substantial. For example, gains in 8th grade math since 2003 are the 5th highest in the nation. Gains on 4th grade math are the 11th highest in the nation and in 4th grade reading, the 16th highest in the nation. The "**Breaking the Curve**" report released in **2015** by the Urban Institute takes into account a state's student demographics and ranks performance accordingly. In this report, Arkansas' ranking on the 2013 NAEP, demographically adjusted, is 20th among states. Also, Arkansas's ranking on how much NAEP scores increased between 2003-2013, relative to what might have been expected based on changes in student demographics, is 8th among states.

Arkansas has also been successful in closing the achievement gap. The **2015 Quality Counts** report indicates that for 4th grade math from 2000-2013, the performance gap between black and white students decreased from 31 points to 19 points. In 8th grade math, the gap decreased from 41 points to 27 points. While less than math, the performance gap in reading has also decreased.

On behalf of the children of Arkansas, the Arkansas Association of Educational Administrators (AAEA) is appreciative of this progress and the Legislature's efforts. However, if we expect children to achieve at high levels, then schools must be funded for success. Economists have long believed that investments in education, or "human capital," are an important source of economic growth. Dollar for dollar, investing in public education grows the economy. Several studies by the Brookings Institute conclude that the cost of improving education, through programs such as universal preschool, is covered several times over by the growth in national revenue.

In the Special Masters' Interim Report and Final Report it was pointed out that constitutional compliance is an "*ongoing task requiring constant study, review and adjustment.*" Continual assessment and funding priority are provided through state law. Therefore, the AAEA welcomes the

opportunity to submit written recommendations and commentary on sustaining and advancing an *adequate* education for the public schools and children of Arkansas.

The following describes and provides recommendations on adequate funding along with findings and research to support these proposed changes.

- **COLA (Cost of Living Adjustment)** - As established by Act 124 of 2007, the Foundation Funding Matrix is to be adjusted each year for inflation of any appropriate component of the funding system. Due to yearly statutory obligations for salaries of both certified and classified employees (AR Code 6-17-2403 for certified and AR Code 6-17-2203 for classified), it is crucial that a COLA be added each year to those components of the Funding Matrix. A COLA is in order to maintain current standards and requirements and does not cover any new requirements or loss of revenue placed upon school districts.
- **Carry-Forward (Transportation)** - Fund a high cost transportation category for those districts with an extremely high number of route miles within their boundaries. This could be phased in over time by freezing the current per student funding amount for transportation (\$321.20) and, as COLAs are applied to this amount in the future, distribute these additional funds to districts according to a high cost transportation formula. The Adequacy Committee recognized this inadequacy in 2010 and recommended a formula for distributing future transportation increase funding in a different manner. However, the Legislature chose not to follow this recommendation and appropriated an allotment of \$500,000 to be distributed to those districts with high transportation costs. In 2014, the Interim Study on Educational Adequacy recommended the creation of a separate, supplemental funding program for districts with high transportation costs. However, the Legislature chose not to follow this recommendation and no additional funding for transportation was allocated to the school district. The original Adequacy Report called for a study of a high cost transportation formula. While the issue has been discussed in several Adequacy studies, and several recommendations made by the Adequacy Committee, a yearly funding stream distributed by a high transportation cost formula has not been approved.
- **Categorical Programs** - Increase funding for FY17 and FY18 to reflect accurate COLA adjustments since many expenditures from the National School Lunch, English Language Learners, and Alternative Learning Environment categories are for personnel costs.
- **Teacher Salaries** - Teaching talent matters when it comes to improving student achievement and increased efforts are needed to raise teacher salaries in the state. The 2014 desk audit from Picus Odden & Associates says, “Many improving schools today consciously seek to recruit and retain the best talent, from effective principal leaders to knowledgeable, committed, and effective teachers.” However, Arkansas is losing ground when it comes to recruiting teachers. **In 2010 state universities had 8,255 enrolled in educator preparation programs. That number has dropped to 5,258 in 2015.** Arkansas teacher attrition also plays an important role in the number of educators for our students. The average percent of teachers lost after one year from 2001-04 was 14.5%. After three years the average was 27.39% and the attrition average for five years from 2001-10 was 34.56%. This reduction in potential teachers and administrators seems to indicate that teaching is not an attractive field to enter and stay as a career. Salaries and other benefits certainly make an impact on people’s decision on entering the teaching profession along with the accountability and public pressure. Currently the

minimum starting teacher salary in Arkansas, as listed in A.C.A. 6-17-2403(b) is \$30,122 for a Bachelor's Degree and \$34,640 for a Master's Degree. For 2015-16, starting teacher salaries in districts across the state range from the minimum of \$30,122 to \$46,816. As updated by SREB in May 2015, the average Arkansas teacher salary in 2013-14 was \$47,319, which ranks 13th out of the 16 SREB states. BLR has previously reported that Arkansas' average teacher salary ranked 8th among SREB states in 2005-2006. On a related issue, Lakeview charged the state with decreasing the disparity of teacher salaries across the state. However, no progress has been made in this area. For 2015-16, starting teacher salaries in districts across the state range from the minimum of \$30,122 to \$46,816. The top of district salary schedules for career teachers range from the minimum of \$42,140 to \$75,316. **In the future, AAEA recommends that any increases in the per-student foundation funding amount should be accompanied by the same percentage increase in the minimum starting teacher salary.**

- **Public School Employee Health Insurance** - AAEA appreciates the work of the Legislative Task Force on Health Insurance and the work completed by the Task Force. This is an area that will require continued efforts from the legislative body to ensure the retention of school personnel by making sure benefits are affordable. **AAEA supports the modification of the current State and Public School Health Insurance Board to include more representation from public school employees.** Currently, of the fourteen (14) Board members, only three (3) are public school employees, which represents approximately 21% of the total board. Yet, the school employees represent 60% of the members of the State Public School Health Insurance Program.
- **Technology (Bandwidth)** - AAEA would like to thank the legislative body for working on the bandwidth issue in Arkansas. School districts are being provided broadband from the state and it will be beneficial for future students. We would also like to applaud Speaker Jeremy Gillam as he has proposed high-speed bandwidth for the entire state, which will expand out-of-school access to high-speed broadband. **“The homework gap” is fast becoming part of our new digital divide.** Speaker Gilliam's plan will certainly benefit our kids in Arkansas, but it will also enhance economic development opportunities in Arkansas. AAEA would like to issue a caution here as well. Several years ago, Arkansas lead the nation in access to broadband and connecting schools. However, we didn't continue to address the need to maintain the system, and we soon found ourselves behind the nation. This issue should remain an area where legislators monitor and adjust as technology continues to expand and as the need to be connected continues to grow. We, like Mr. Speaker, like the thought of making Arkansas the “Tech Capitol of the South.”
- **National School Lunch (NSL) Funds** - AAEA believes it is imperative that this funding source remains intact and enhanced for public schools to continue improving the quality of education for the children of Arkansas. AAEA acknowledges that it is time to review the funding distribution model and allowable expenditures. The **ForwARd Arkansas** Report also recommends changes in the NSL funding distribution model.

Funding for struggling learners (more commonly known as NSL or NSLA funding) has been part of the state-funding formula for Arkansas public schools since the 2006-2007 school year. The term NSLA refers to the National School Lunch Act. The number of K-12 students in each school district that received free/reduced meals, in accordance with NSLA eligibility

guidelines, determines the funding allotment for each district. Since its inception, this categorical funding source has been the funding source on various strategies that improve learning for struggling students and to improve educational outcomes for all students. Districts are provided flexibility to utilize these funds for a number of programs/initiatives under laws established by the Arkansas Legislature and rules developed by the Arkansas Department of Education. **There is strong evidence indicating that Arkansas public schools have been successful over the past decade in both closing the achievement gap and raising the achievement levels of all students.** As reported by BLR in September 2015, **The Arkansas achievement gap is narrower than the U.S. gap in all four assessments reported by NAEP.** The most significant progress in closing the achievement gap has been in 4th grade math where performance gap scores between poverty and non-poverty students narrowed from 23 points to 16 points (NAEP scale scores, 2000-2015).

- **English Language Learners (ELL) Funds** - According to an Oct, 2015 BLR report to the Joint Interim Committee on Education, school districts and open-enrollment charter school expenditures of ELL funds for FY15, including expenditures of funds transferred to ELL, totaled \$15.9 million or \$425 per student. Thus, on average, districts spent roughly 134% of the ELL categorical funding they originally received for that purpose. Statewide, districts are spending almost \$4 million more providing ELL services than is sent to them through the Matrix. In addition, the number of ELL students in Arkansas has almost doubled in the past decade. It is crucial that additional funding be provided to districts for needed services to English Language Learners. **The ForwARd Arkansas Report** also recommends a greater investment in funding for ELL students.
- **Professional Development** - In the final Odden & Picus Report to the Joint Committee on Educational Adequacy in September 2003, a recommendation was included that all school faculties receive ongoing professional development. In fact, this Report goes even further by referring to recent research in identifying six (6) structural features of effective professional development.
 1. Form – PD should be school-based, job-embedded, & focused on the curriculum being taught.
 2. Duration – At least 100 hours of PD and closer to 200 hours per year.
 3. Collective Participation – PD should be organized around groups of teachers from a school that over time includes the entire faculty.
 4. Content Focus – PD should be focused on improving and deepening teachers’ content knowledge as well as how students learn the content.
 5. Active Learning – PD is most effective when it includes opportunities for teachers to work directly on incorporating new techniques into instruction.
 6. Coherence – The alignment of PD to standards, evaluation, and goals.

In January 2014, the Arkansas Bureau of Legislative Research presented to the Joint Committees on Education a policy brief entitled “Essential Points from Research on Effective Interventions (Strategies) for Achievement Gains.” Regarding professional development, this brief included the following statements.

1. Three essential factors leading to effective teaching are hiring practices, effective leaders, and professional development.
2. In schools that successfully “turn around” academic performance, leaders work with academic coaches and other teachers to create a culture, structures, and dispositions that promote continuous incremental professional development aimed at identifying individual teacher and student needs.

In the Desk Audit of the Arkansas School Funding Matrix presented by Picus Odden & Associates to the Education Adequacy Committee in September 2014, a recommendation was made to increase the allotment for PD to \$100 per student. The current PD is \$32.40 per student. A portion of this amounts goes directly to AETN.

Arkansas has implemented three ambitious initiatives that create a tremendous need for targeted and specialized professional development in order to be successful. As Arkansas continues implementation of the Arkansas State Standards, continues the implementation the Teacher Excellence and Support System (TESS), and fully implements the Leader Excellence and Development System (LEADS), the need for targeted and specialized professional development that is research-based and standards-based will increase dramatically. Also, as Arkansas moves towards a focus of career readiness and preparing students both for college, technical training, and the job force, quality professional development for educators in these areas is crucial.

- **Using the Matrix/Foundation Funding as an Expenditure Model** - The Adequacy Matrix initially established to fund Arkansas schools by Lawrence Picus & Alan Odden made assumptions concerning necessary staffing levels and other expenses in comparison to a hypothetical model of the 500-student school. Even in its earliest years, the real application of this funding model failed to conform to the actual needs found in real schools of all sizes throughout Arkansas. Local school leaders used the total funds to address needs for staffing and other expenditures consistent with the actual conditions in communities. Some spent more for special education teachers than assumed, others required more student/staff support in the form of counselors, social workers or administrators and others found that more clerical assistance was required for efficient operation. In every case, local school leaders found that a “one size fits all” model for spending funds was not appropriate. This finding in no way diminishes the value of the scholarly model presented by Picus & Odden.

Since its inception, biennial reviews of the Adequacy Matrix have revealed areas which were clearly underfunded. Minor adjustments to selected areas have partially addressed these categories, but some of the inadequacies in staffing have been uncorrected. Evidence gathered by BLR as well as testimony presented during the hearing process has documented the fact that school districts of all sizes are required to supplement several staffing categories by adding funds from other sources or by using funds included in the matrix for other purposes to address local needs. This aspect of the Adequacy Matrix as a funding method as opposed to a spending plan should be without question in view of this evidence.

When the Arkansas General Assembly required that Foundation Aid generated for each school district be segregated into a separate fund in order to ascertain spending patterns, the resulting

data served to further confuse the issue. By requiring that only Foundation Aid be recorded into this created fund and that additional expenditures in corresponding categories be recorded elsewhere created an artificially-imposed ceiling on apparent spending. Simultaneously other matrix categories in which school districts spent less than the assumed allocation were treated as “excess” and used as a reason to reduce or freeze funding. The entire method is obfuscation-using data and is not a genuine attempt to assess Adequacy in the spirit of the Arkansas Supreme court decision in *Lake View*.

The Adequacy Matrix is a viable method of assessing the provision of resources to Arkansas schools. However, it is not and never was designed as a spending pattern for every district in view of the disparate sizes and demographic needs of local schools.

According to “A Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy” dated November 1, 2014 by BLR, “Unlike some other types of funding, foundation funding is unrestricted. This means that the state does not specify what school districts may or may not purchase with the foundation funding they receive. This flexibility is intended to account for the specific needs of each school district, allowing some districts to spend more on teacher salaries, for example, while other districts may have higher transportation needs.” Schools understand this fact and are obviously funding personnel and operational costs as local conditions require. It is disingenuous to fail to consider the excess costs in several mandated/needed categories while holding funding constant in most categories. The adequacy determination process must rely on data and upon the testimony of those who operate the schools. As we move further away from the Lakeview Court Case, AAEA is concerned that policy makers may not understand why the matrix was designed as a revenue model and not an expenditure model.

As you know, every school in every area of the state has different needs, and school leaders need the flexibility to meet those needs at the local level. For example, a district may not be spending the matrix amount on technology because they have identified an intervention program not funded by the matrix but which has been successful in improving student achievement. Or, they have identified funds outside the matrix (such as federal funds) for technology expenditures. The matrix does not match how a district needs to spend those dollars. Example: the matrix provides one teacher for every 20 kindergarten students. What happens when a district has 25 kindergarten students or 15 kindergarten students? Or, what happens when a district has to spend more money transporting kids to school than the matrix provides? In another example: the matrix funds schools of 500 for .85 library media specialist and 1 principal. However, the Arkansas Standards for Accreditation requires a school of 300 must employ a full-time licensed library media specialist and a full time principal. Since the matrix does not fit the actual school, the district must fund those positions with other matrix funding or the use of local funds. While numerous other examples exist, the bottom line is the matrix is an unrestricted funding model to distribute dollars. The closer the matrix gets to becoming an expenditure model the closer schools will be to fiscal distress because the matrix does not match their needs.

- **Staffing** - It has been some time since staffing in the funding matrix has been studied. AAEA encourages a new study of staffing be done to research the costs of additional requirements and responsibilities that have been added onto district administrators and staff. Some of the supplementary administrative and staff duties include: TESS, LEADS,

dyslexia, new curriculum standards, digital learning, and facility requirements. In fact, the recently released **FORwARd Arkansas** report recommended the creation of a school administration manager role to support operations as a school principal support strategy. They also recommended establishing teacher leader roles that should be explored.

- **Career and Technical Education** - In many cases, teachers, administrators, parents, etc. tell students to be successful they must earn a four year college degree. This is just not true today. Depending on which economic report you review, approximately 80% of jobs do not require a college degree. Yet, in many school districts 50% to 70% of their students are encouraged to enroll in a four-year college. The job market where people can earn a quality career include high skill, high wage technical jobs that are expanding rapidly. We need to ensure our educational system provides opportunities for kids to be successful in those type careers.

We need to start measuring the success of a high school differently than just the average ACT score or their remediation rate. We need to measure the success of a school's graduates. We need to expand programs allowing schools to provide opportunities to earn an associate's degree or technical certificate while earning their high school diploma. We have schools doing great work with career academies, STEM, etc., and we need to encourage them to continue those programs and expand opportunities. We need to expand career awareness programs in our middle schools. We need to expand and fund career centers in Arkansas to ensure all students have an opportunity to explore alternative educational paths.

One of the biggest obstacles for ensuring collaboration between K-12, ADE and Career and Technical is the current makeup of the rule-making body for schools. We have the Arkansas Department of Education (ADE) and the Arkansas Department of Career Education (ACE). These two agencies have different missions and certainly different rules for schools to follow. AAEA believes their mission should be the same, which is to produce successful students. **Therefore, AAEA recommended in 2014 making Career and Technical Education a part of the ADE. The state has had numerous changes since 2014. We suggest that legislators monitor ADE and ACE to determine if changes are being made and barriers to implement needed changes are being torn down by the two separate divisions. If not, then AAEA would once again recommend merging the two divisions into one education department.** Then schools would have one voice to listen to and hopefully Career and Technical Education would be in the conversations of regular educators as we move forward an agenda to give kids employable skills to be successful in life.

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

- **Academic Facilities – Funds for the Facilities Partnership Program need to be replenished with either a secure ongoing appropriation or a one-time allocation from general improvement funds.** Act 1426 of 2005, the Arkansas Public School Academic Facilities Program Act, has the following language, “in order to satisfy the constitutional expectations of the Supreme Court, the state should: (1) provide constitutionally appropriate public school academic facilities for the education of each similarly situated child in the public schools of Arkansas, regardless of where that child resides within the state.” Since 2006,

through a large one-time general improvement funding allocation of \$500 million and other ongoing funding appropriations, the Partnership Program has committed over \$1 billion to school districts for the repair, expansion, and construction of academic facilities. However, there are still facility needs to be met in the state, as evidenced by a video presentation before the Joint Education Committee in October, 2013 by Arkansas Advocates for Children & Families. The one-time general improvement allocation has been spent down and a general revenue investment of less than \$35 million is woefully inadequate to meet the current and future school facility needs. In addition, a comparative study of the state's school district facilities is needed to assess equity between districts and establish priorities for funding decisions. A statewide assessment of facilities has not been conducted since the original study over 10 years ago.

It is crucial that the Facility Partnership Program remains intact to provide assistance in maintaining adequate facilities statewide and doing so without placing a financial burden on districts and taxpayers in economically depressed regions of our state. In August 2015, BLR submitted the "Academic Facilities Funding, Expenditures, and Distress" report to the Joint Interim Education Committee. Included in this report was data showing how much one mill in each district would generate for facility needs. This calculation ranged from a low of \$12,212 to a high of \$3,349,065. Districts on the low end are generally rural districts with the deadly combination of low property values and low and/or declining student enrollment. Without partnership assistance many of these districts would never be able to raise the needed funding to maintain adequate facilities. It is also crucial for these districts to be able to receive partnership funding for "warm, safe, and dry" projects designed to keep existing facilities up-to-date, safe, and comfortable for students and staff. These districts may never grow enough to utilize the partnership program to build a new facility, but they still educate kids and have facility needs. **AAEA recommends that "warm, safe, and dry" projects approved but not funded have access to partnership funds released to the state due to failed millages, etc.**

- Current legislation indicates that open-enrollment charters are public schools. As public schools, the issue of adequate facilities applies to them also. AAEA continues to recommend that charter schools should be able to access facility partnership funding. Certain requirements should be in place to protect the state and be fair. Such as under the following conditions:
 - A facility needs assessment (the same as traditional schools) is essential to determine the current condition of charter facilities and to determine those schools with the most pressing facility needs.
 - After the needs assessment, charter schools would be in the same pool as traditional schools for facility funding, following the same rules for eligibility. With limited state resources to support school facilities, ALL public schools, traditional and charter, that make requests for partnership funding, should follow the same procedures and guidelines to ensure that projects are funded according to the greatest needs.
 - Charters should have bonding authority with the ability to ask patrons for a millage increase or sales tax to support facilities.

- The state would need to protect itself in case of default (facility would become state property).
- A.C.A. 6-21-808 (d)(1)(A) requires districts to expend 9% of foundation funding exclusively to the payment of utilities, and costs of custodial, maintenance, repair, building repair/renovation, including related personnel costs. This requirement plus the requirement that all districts use a computerized maintenance/preventive maintenance program (SchoolDude) to track all work orders has been very successful in improving the quality, cost efficiency, and safety of school facilities. A recent national study on the impact of a preventive maintenance (PM) program shows the following:
 - Arkansas leads the nation in the % of total work as PM. The average AR district performs about 58% of all work as PM, compared to the national average of 14%.
 - AR stands alone as a state in their emphasis on PM work, ranked 1st in the nation by a wide margin. Also, AR completes about 75% of all PM work within 30 days or less, compared to the national average of 51%.
 - PM has been shown to be less costly than emergency repairs. **As of 2015, emergency work orders have dropped in AR by 65% from 2007 levels.** This means reduced overtime costs, extended equipment life, and better use of maintenance personnel and improved equipment operation.

According to ADE reports, school districts are spending significantly more annually on actual maintenance and operation expenditures compared to the 9% M&O expenditure requirement. Therefore, **AAEA recommends that the 9% requirement and the statewide preventive maintenance program continue as currently implemented.**

- **Fund balances** continue to be an issue of discussion. For the past six years, when comparing statewide net legal balances to yearly total net expenditures, the balances have ranged from 16.4% to 18.4% of the yearly expenditures. (Source: Annual Statistical Report of AR Public Schools, 2008-2009 through 2013-2014). This represents approximately 2 months worth of expenditures. There seems to be historical precedence for balance carryover in this range. School districts do not receive any foundation funding from June 30 to August 31 each year. These months are also typically months of low collections rates for property taxes. Districts are also asked to fund federal programs, including personnel costs, until federal applications are approved, typically in early fall. Historically, districts carry over an amount adequate to meet payroll and operating expenses during July and August, or until the first Foundation funds are received for the new fiscal year. Due to the continued discussions of this issue and no defined parameters for school districts, AAEA recommends establishing a cap of the net legal balance and give districts an allotted amount of time to decrease their current balances much like was done with the categorical funding. The Government Finance Officers Association, an international association representing financial agents of cities, counties, school districts, and state government, has a "Best Practice" Statement regarding the appropriate level of **unrestricted** fund balance for governmental units. Their recommendation is that, in general, political subdivisions maintain an unrestricted fund balance in the general fund of no less than

two months of regular general fund revenues or expenditures. Two months, or one-sixth of a year, would be a unrestricted fund balance of 16.67%. The GFOA recommendation allows for even higher balances if local circumstances warrant this. For example, districts might have a debt service payment in the summer and the funds used to make this payment should not count towards the ending balance. Another example warranting a higher fund balance is districts having to “carry” federal programs for several months until final approval by the ADE. **AAEA recommends a district’s net legal fund balance be capped at 20% unless extenuating circumstances are approved by ADE.**

- **Pre-K Education** – Funding for high quality Pre-K educational programs needs to be increased. This is an AAEA recommendation and was also a recommendation in the **FORWARD Arkansas** report. Research continues to confirm the importance of high-quality early childhood education as a strategy for improving the social, emotional, and intellectual development of children as well as increasing the likelihood of their future academic and economic success. A 2008 Arkansas study (Barth, Nitta), for example, found that access to quality pre-k in Arkansas has done more than any other intervention to help close the education achievement gap between white and minority children and between middle-class and low-income students. However, the **2015 Quality Counts** report shows that since 2008, the % of Arkansas 3 and 4-year old children enrolled in pre-school has actually decreased and the “poverty gap” of enrolled children has increased. Numerous national campaigns, such as the National Opportunity to Learn Campaign (OTL) led by the Schott Foundation and the Grade Level Reading Campaign (GLR) led by the Annie E. Casey Foundation have made access to quality early childhood education a focal point of their campaigns to improve educational outcomes for all children.
- **Remediation** - We commend legislators for continuing to talk about the remediation rate in Arkansas. Although the remediation rate is at an all-time low (Source ADHE), we need to evaluate this issue to make sure sound policy decisions are being made in the future. We currently base the entire remediation issue on a student’s score on one exam, ACT. We do this in spite of knowing the ACT is not a good predictor of success in college. In a report submitted to the Joint Subcommittee on Grade Inflation in 2010, Dr. Neal Gibson from ADE, indicated a student’s high school GPA had a .601 correlation compared to the ACT, which had a .418 correlation in predicting college success. Also, a 3-year national study released in February, 2014 by the National Association for College Admission Counseling concluded that high school grades, not ACT/SAT scores, are the best predictor of college success. A recent national report indicated 180+ leading colleges and universities have changed their requirements on submitting ACT/SAT scores for admission. Yet, our state’s policy has not reflected the research.

One problem with the remediation rate is the fact that schools have been directing nearly every student towards enrolling in a college degree program. Students are being required to take certain courses that they may not view as being relevant to their interest or career. All students need quality teachers and rigorous courses; however, it has to be relevant to the student’s interest and goals for their life. Students need rigorous courses to allow them to choose **any** career path, but not force them into a field of study.

The state currently spends millions on remediation. While a portion of these services certainly need to remain, determining the need for remediation on factors other than one test score

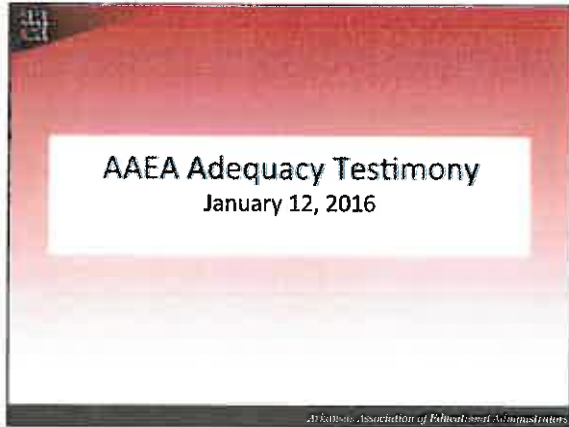
should free up funds to implement other successful programs such as career centers, career coaches and quality pre-K. **AAEA recommends that student GPA be added as a factor determining remediation. Students with a certain GPA or a 19 on the ACT should not require remediation. There has been discussion nationwide recently regarding assessing a student's "grit," the tendency to sustain interest in and effort towards long-term goals. AAEA believe that a student's GPA does exactly that.**

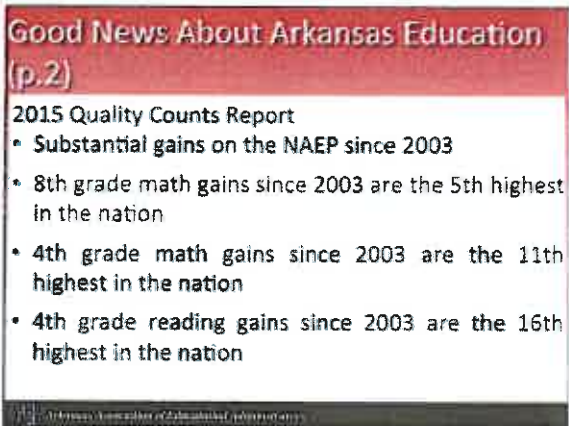
- **Unfunded Mandates** - In December 2005, during Lakeview deliberations, the Arkansas Supreme Court found that school districts were being faced with unfunded mandates. An unfunded mandate is a statute or regulation that requires a school district to perform certain actions without providing additional money to fulfill the requirement(s).

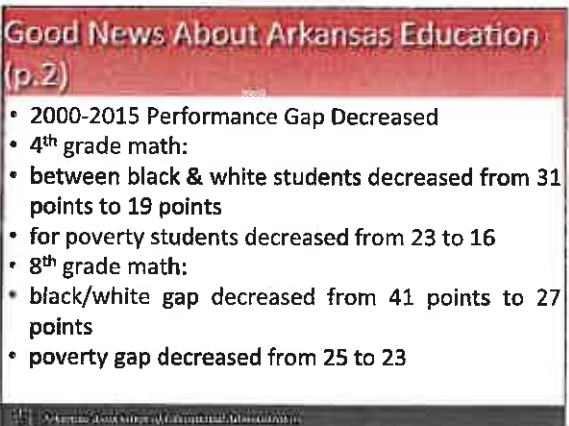
Several prime examples of unfunded mandates for school districts are as follows:

- Minimum Teacher Salary Increase - Act 1087 of the 2015 Regular Session required an increase in minimum starting teacher salary by 3% beginning with the 2015-2016 fiscal year (from \$29,244 to \$30,122) and an additional 3% increase for 2016-2017 fiscal year (\$30,122 to \$31,000); however, the annual Funding Matrix COLA for each fiscal year is increasing by less than 1%.
- Health Insurance Premium Assistance/FICA Savings Transfer to EBD - Act 3 of the Second Extraordinary Session of 2014 requires school districts to send funds that are not required to be paid for federal taxes under the Federal Insurance Contributions Act (FICA) to EBD to use for premium assistance. The funds are generated from health insurance pre-taxed premiums. Districts had been utilizing those funds prior to Act 3 for operating needs within their budgets.
- Additional Staff Due to New Requirements - Examples include TESS, LEADS, Arkansas Curriculum Standards, Dyslexia, etc.

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







Breaking the Curve Report 2015 (p.2)

- The Urban Institute takes into account a state's student demographics and ranks performance accordingly. In this 2015 report, Arkansas's ranking on the 2013 NAEP, demographically adjusted, is 20th among the states.
- Also, Arkansas's ranking on the 2013 NAEP scores increased between 2003-2013, relative to what might have been expected on changes in student demographics, is 8th among the states!!

Arkansas Association of Educational Administrators

Graduation Rates – National Center for Ed Statistics

State	Total	Hispanic	Black	White	NSL	SpEd
Arkansas	86.9	84.5	81.0	89.3	82.7	83.1
Florida	76.1	75.0	64.7	81.7	67.8	55.1
Louisiana	74.6	73.0	67.9	80.3	68.8	42.8
Miss.	77.6	79.7	71.5	84.0	70.9	28.1
Missouri	87.3	79.9	74.8	90.4	80.4	75.3
Oklahoma	82.7	77.6	75.7	84.8	78.2	77.2
Tenn	87.2	81.4	78.6	90.9	82.2	69.0
Texas	88.3	85.5	84.2	93.0	85.2	77.5

Arkansas Association of Educational Administrators

Matrix Item – COLA (p.3)

- A COLA should be applied to foundation and categorical funds in order to just maintain current standards and requirements. The COLA does not cover any additional requirements placed upon schools.

Arkansas Association of Educational Administrators

Matrix Item – COLA (p.3)

- A.C.A. 6-17-2203 requires the minimum hourly rate of school classified employees to increase each year based on CPI. Currently - \$8.32. Several Matrix items potentially affected by this law received NO increase for the biennium - School Secretary, Supervisory Aides, Operation/Maintenance, & Transportation.

Arkansas Department of Education

Matrix Item – COLA (p.3)

- Act 1087 of 2015 increased the minimum teacher salary schedule by 3% this year and it will increase another 3% next year.

Arkansas Department of Education

Transportation (p.3)

- Carry out the directions of several previous Legislative Adequacy Committees by developing a categorical high cost transportation funding. The legislature has not approved the previous recommendations.
- We continue to recommend freezing the current transportation funding in the matrix and apply future COLA transportation dollars to the high cost transportation categorical fund. Over time this will be very helpful to districts with high cost needs.

Arkansas Department of Education

Teacher Salaries (p.3)

- In 2010 state universities had 8,255 enrolled in educator preparation programs. That number has dropped to 5,258 in 2015.
- The average teacher salary in 2005-2006 ranked 8th among the SREB states. As updated by SREB in May 2015, Arkansas ranked 13th out of 16 SREB states.

Arkansas Association of Educational Administrators

Teacher Salaries (p.3)

- In the future, we recommend the minimum state salary schedule should be increased by the same percentage as the foundation funds are increased.
- We also recommend the state increase all teacher salaries and decrease the disparity among salaries across the state.

Arkansas Association of Educational Administrators

Health Insurance (p.4)

- We appreciate the legislators efforts on improving the health insurance program. We also ask the policy makers to continue monitoring this program as it is ever evolving.
- We continue to recommend equal representation on the State and Public School Health Insurance Board. Of the 14 board members, only 3 are public school employees, which represents approximately 21% of the board. However, school employees represent 60% of the member of the system. Fair representation is a must.

Arkansas Association of Educational Administrators

Technology (Bandwidth (p.4)

- We would like to thank the legislative body for working on the bandwidth issue and applaud Speaker Jeremy Gillam on the proposed high speed bandwidth for the entire state.
- We agree with Mr. Speaker's comment of making Arkansas the "Tech Capitol of the South."
- Caution - Arkansas has led the nation in the past on broadband; however, we failed to continue planned growth and fell behind the nation.

Arkansas Association of Professional Educators

Categorical NSL Funds (p.4)

- As reported by BLR in September 2015, the Arkansas achievement gap is narrower than the U.S. gap in all four assessments reported by NAEP.
- According to the 2015 Nation's Report Card, the gap has closed in both reading and math, for both the black/white gap and the poverty/non-poverty populations.

Arkansas Association of Professional Educators

Categorical NSL Funds (p.4)

- The most significant progress in closing the achievement gap has been in the 4th grade math where performance gap scores between poverty and non-poverty students narrowed from 23 points to 16 points (NAEP scale scores, 2000-2015).

Arkansas Association of Professional Educators

Categorical NSL Funds (p.4)

- AAEA continues to recommend a review of allowable expenditures and the smoothing of the funding cliffs to determine any future policy decisions. The ForwARd Arkansas report also makes this "smoothing" recommendation.

Arkansas Association of Educational Administrators

Categorical ELL Funding (p.5)

- ELL Categorical funds do not provide enough funding for that population of students as evident in BLR's October report. In 2014/15 districts spent \$15.9 million or \$425 per student to fund the ELL programs. Districts spent \$4 million more than what state provides for this program.
- AAEA recommends additional funding to serve this population of students. This was also a recommendation in the ForwARd Arkansas report.

Arkansas Association of Educational Administrators

Categorical – PD Funds (p.5)

- Quality professional development for educators is essential to continue moving student achievement forward. The Desk Audit by Picus Odden & Associates recommended to increase the PD funding to \$100 per student based on their latest research. The current level is \$32.40.
- AAEA recommends legislators study the research on professional development for policy implications.

Arkansas Association of Educational Administrators

Matrix – As An Expenditure Model (p.6)

- This is the number one funding concern of school administrators due to the disconnect between running a school district and developing policy.
- Legislators and Picus & Odden made assumptions concerning necessary staffing levels and other expenses in comparison to a hypothetical model of the 500-student school.

Matrix – As An Expenditure Model (p.6)

- The real life funding model, when considered as an expenditure model, fails to conform to the actual needs found in real schools of all sizes throughout Arkansas.
- "One Size Does Not Fit All"

Matrix – As An Expenditure Model (p.6)

- Policy makers need data to make quality decisions. However, practitioners need to be listened to in order to see how policy is being implemented.
- BLR runs the data for the reports policy makers receive. The data is as accurate as they can make it; however, it does not tell the full story. In fact, the "Resource Allocation of Foundation Funding Report" indicates that district expenditures are only an estimate and policymakers need to keep that in mind.

Matrix – As An Expenditure Model (p.6)

- Data you receive for foundation fund expenditures are capped. Schools actually spend many additional dollars in the identified categories. Again, you need to see the entire picture before making decisions.

Arkansas Association of Educational Administrators

Matrix – As An Expenditure Model (p.6)

- Actual AR School District: School with 367 students and 29 kindergarten students.
- Matrix provides funding for: .73 principal, 1.45 kindergarten teachers, and .62 media specialist
- The Standards for Accreditation requires: 1 principal, 2 kindergarten teachers, and 1 media specialist.
- "One Size Does Not Fit All"

Arkansas Association of Educational Administrators

Matrix – Staffing (p.7)

- Since the initial matrix was established, districts have added additional staff to keep up with the new requirements. Examples: TESS, LEADS, Dyslexia, digital learning, facility planning/maintenance/preventive maintenance reporting, etc.
- Desk Audit from Picus Odden & Assoc indicates a substantial shift in current staffing recommendations based on the latest research.

Arkansas Association of Educational Administrators

Matrix – Staffing (p.7)

- ForwARd Arkansas report recommended the creation of a school administration manager role to support school operations.
- AAEA continues to recommend the staffing component of the matrix be reviewed.

Career & Technical Education (p.8)

- We applaud the direction and efforts of policymakers in the area of career and technical and workforce development.
- Historically, the obstacles for districts to meet the changing demands of business and industry are funding and barriers that prohibit needed change.

Career & Technical Education (p.8)

- Career centers have not received additional funding in several years. This needs to change if we want to develop a progressive CTE program.
- AAEA recommends additional funding for career centers and a Legislative Task Force to review barriers.

Outside the Matrix – Academic Facilities (p.8)

- The partnership program is an outstanding program approved by legislators and has certainly improved school facilities across the state.
- We would recommend that another statewide assessment of facility needs be conducted as the original study was conducted 10 years ago. This does not have to be as comprehensive a study as the original one since the Division has up-to-date records of all facilities built/remodeled with Partnership funding.

Arkansas Association of Educational Administrators

Outside the Matrix – Academic Facilities (p.8)

- Poor districts may need additional help due to lack of ability in raising local millage high enough to support local building. BLR report indicated that the value of a mill varies across the state from a low of \$12,212 to a high of \$3,349,065. So, the tax burden from individual taxpayers will vary significantly across the state.

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Outside the Matrix – Academic Facilities (p.8)

- Poor districts with a low assessment and losing enrollment may never have an opportunity to participate in the partnership program due to “warm, safe, dry” being eliminated from future funding participation.
- Legislators may need to consider “power funding” mills after the local effort has met a certain threshold.

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Outside the Matrix – Academic Facilities (p.8)

- In 2014, AAEA recommended that Open Enrollment Charter Schools should be allowed to participate in the Partnership program.
- We continue to make this recommendation and think it is much more viable and accountable than the current open enrollment charter program of providing money with no prioritized assessment of need or state approved facility plan.

Fund Balances (p.10)

- From 2008-2014 the average fund balances have ranged from 16.4% to 18.4% of expenditures. However, this continues to be a point of conversation because of outliers.
- There are no guidelines on what is an acceptable fund balance and there are certainly no legal guidelines.

Fund Balances (p.10)

- Notes: Government Finance Officers Assn. "Best Practice" recommendation - no less than 2 months of unrestricted fund balance.
- AAEA recommends establishing a cap of 20% on the unrestricted funds of the legal balance unless otherwise approved by ADE.

Pre-K Education (p.11)

- Research continues to confirm the importance of high-quality early childhood education as a strategy for improving the social, emotional, and intellectual development of children as well as increasing the likelihood of their future academic and economic success.

Pre-K Education (p.11)

- However, since 2008, the % of Arkansas 3 and 4-year old children in pre-school has actually decreased and the "poverty-gap" of enrolled children has increased.
- AAEA recommends the expansion of quality Pre-K programs to serve the students around the state. The ForwARd Arkansas report also recommends greater funding for pre-K programs.

Remediation (p.11)

- The fall of 2013 remediation rates fell to an all time low according to ADHE.
- We continue to use the ACT as the single source to determine remediation needs even as the research shows the ACT isn't the best predictor. The report by Dr. Neal Gibson and a 2014 study by the National Association of College Admission Counseling concluded that high school grades, not ACT/SAT scores, are the best predictor for college success.

Remediation (p.11)

- AAEA continues to recommend that student GPA be added as a factor for determining remediation.

Arkansas Association of Educational Administrators

Unfunded Mandates (p.12)

- The Arkansas Supreme Court recognized the impact of unfunded mandates on schools. We have a few recent unfunded mandates as examples as future policy decisions are being considered.
- Minimum Teacher Salary Increase
- Health Insurance Premium Assistance/FICA Savings Transfer to EBD
- Additional Staff Needed Due to New Requirements

Arkansas Association of Educational Administrators

Questions

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