

Introduction

Background

In 2003, Lawrence O. Picus and Associates (Picus) completed the first Arkansas K-12 adequacy study. That study included funding and staffing recommendations based on a school size of 500 students. Senator Dave Bisbee is widely credited with converting that school-based funding formula to a matrix that could be used to determine the per-pupil level of foundation funding. The matrix was not intended to reimburse schools for actual expenditures but rather to establish an adequate level of funding to allow schools to meet minimum accreditation standards and adequately educate Arkansas students. It was also designed to provide for equity and to provide additional funding for students considered difficult to educate.

The legislature adopted the Bisbee matrix during the Second Extraordinary Session of 2003. The General Assembly also passed Act 57 of the Second Extraordinary Session of 2003, amended by Act 1204 of 2007, which requires the legislature to conduct an adequacy study each biennium to assess needs related to providing an adequate education for all Arkansas K-12 students. Picus was selected to perform the first follow-up study with help from the Bureau of Legislative Research (BLR) staff. The resulting 2006 report used the Bisbee matrix to make recommendations on funding levels and called for some minimal restructuring (recalibration) of the matrix itself. In its final ruling associated with "Lake View" in May 2007, the Arkansas Supreme Court held that the state's system of funding public schools met the constitutional requirements of providing an adequate education and substantially equal educational opportunity for all of the state's public school children (Lake View, 2007).

Committee Process

Following the 2007 session, the House and Senate Interim Committees on Education (Education Committees) made the Joint Adequacy Evaluation Oversight Subcommittee (Adequacy Subcommittee) responsible for conducting the Act 57 study and making recommendations to the Education Committees in 2008. Instead of hiring contractors, the Adequacy Subcommittee determined that BLR staff would conduct the 2007-08 resource utilization study. As part of the Act 57 process, the Adequacy Subcommittee will receive input from many sources in addition to the BLR study, including the Arkansas Department of Education (ADE), school districts, teacher organizations, administrative organizations and various outside experts. Following the receipt of the recommendations, the Education Committees will prepare the final Act 57 report and submit it to the President Pro Tempore of the Senate and the Speaker of the House of Representatives by September 1, 2008.

Previous Study

In its 2006 study, Picus reviewed all the components of the Bisbee matrix. The goal was to recommend any adjustments in resources or costs required to more accurately reflect the needs of schools after one biennium of operation under the new funding structure. Some minor adjustments were made to the original Bisbee matrix, including the addition of a clerical position at the school level, and the carry-forward line item was broken into three distinct line items — central office, operation and maintenance, and transportation.

Purpose

The purpose of this 2007-08 resource utilization study is to determine how districts and schools are using resources to provide a substantially equal opportunity for an adequate education to public school students. The Arkansas Supreme Court, in *Lake View Sch. Dist. No. 25 of Phillips County v. Huckabee*, 370 Ark. 139, __ S.W.3d __ (2007), emphasized the importance of this review when it adopted the following language of the Special Masters' report:

We have no doubt that a successful future for Arkansas's public schools will depend, in large measure, upon the continuous financial and standards review that the General Assembly has undertaken at this point. Meeting the challenge of using the support which is in place, and that which will ensue, to give adequate education to Arkansas's children now passes to the local school districts.

The Court also concluded in that opinion, "A critical component of [the General Assembly's] undertaking has been the comprehensive system for accounting and accountability, which has been put in place to provide state oversight of school-district expenditures."

Act 57 of the Second Extraordinary Session of 2003, A.C.A. § 10-3-2101 et seq., requires the House and Senate Education Committees to use the *Lake View* opinion as their "guidepost." Therefore, this report compares the results of the utilization study conducted by the BLR with the current funding matrix (the matrix) to determine whether schools use the funding the way the legislature intended. It addresses the extent to which schools are successful in providing staffing and student programs that legislators envisioned. This report provides limited cost information reported by schools for some of the matrix items, but it does not attempt to assess whether funding levels are sufficient for these resources. The need for cost-of-living or other funding level adjustments, if any, will be reviewed separately by the Adequacy Subcommittee.

Methodology

This study replicates the methodology of the 2006 Picus study. BLR staff surveyed all 245 districts through a web survey and conducted on-site interviews with staff at 74 schools. The 74 schools were randomly selected after eliminating the schools included in the 2006 Picus study. A statistical analysis indicated that 67 schools would provide a representative sample. Seven additional schools were selected to ensure the proper sample size. The sample is representative of the state population.

Format Explanation

Volume 1 of the study provides state-level data related to school size and to each line item of the current matrix for the 2007-09 biennium. Additionally, the study provides state-level data for each of the categorical funding programs, which include:

- 1) National Student Lunch Act (NSLA) (This category of state funding is based on the poverty data used for the federal National Student Lunch Act. However, the state program should not be confused with the federal school lunch program. The state NSLA program provides extra funding to schools for the education of students in poverty.)
- 2) English Language Learners (ELL)
- 3) Alternative Learning Environments (ALE)
- 4) Professional Development (PD)

Volume 2 provides a comparative analysis of the matrix and sample schools for various groupings of schools and districts. These groupings include grade level, school size, poverty, minority population, and student achievement. Volume 2 also includes other supplemental data related to teacher and staff experience as well as expenditure data for some of the matrix components and categorical programs.