

AACF GUIDE TO SCHOOL FUNDING

WHERE DOES IT COME FROM? WHERE DOES IT GO?

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IN THIS GUIDE

This guide tells you:

- Why school funding matters
- Where the money comes from
- How school funds can be used to help low-income students
- How parents can get involved

We hope to help citizens gain a better understanding of a complicated system.

3 QUICK THINGS YOU SHOULD KNOW ABOUT EDUCATION FUNDING

1. Public Schools serve the vast majority of Arkansas children. During the 2013-2014 school year, 95.7 percent of all K-12 students attended public schools.
2. Investments in education are constitutionally required. Arkansas's constitution requires the state to "adopt all suitable means to secure to the people the advantages and opportunities of education."
3. It is a significant part of our state's budget. We spend 42 cents of every tax dollar on public education in Arkansas.



INTRODUCTION

Arkansas has believed in the power and importance of education since statehood. The state’s constitution refers to the “intelligence and virtue” gained from education as the “safeguards of liberty and the bulwark of a free and good government.”

We all want to live in a place where children are able to learn, grow, and become productive citizens. We want a state where children leave their schools prepared to take on jobs that sustain and improve our quality of life. But we have to invest the money necessary to have the strong education system described above. So, it is important to understand how we pay for public education using local, state, and federal dollars.

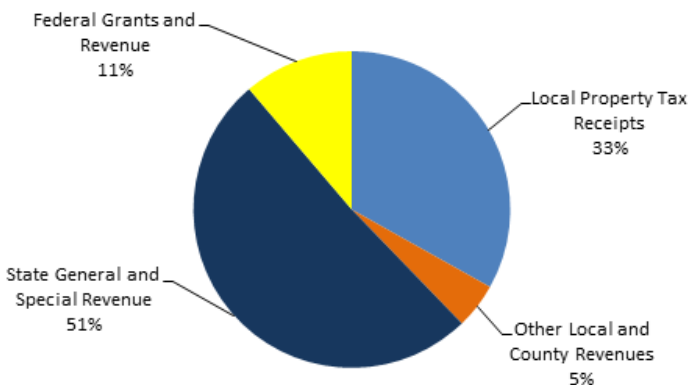
During the 2013-2014 school year, nearly \$5 billion was spent on public education in Arkansas: \$1.8 billion from local dollars, \$2.49 billion from state dollars, and \$549 million from federal dollars.¹

WHERE THE LOCAL DOLLARS COME FROM

One-third of money for schools is collected through property taxes, which are based on the value of things like residential and business buildings, timber/agricultural land, minerals, vehicles, etc. In Arkansas, 20 percent of the market value is considered the “assessment value.” So, only 1/5 of your property’s worth is used to determine your tax. The tax rate (known as a mill) is then applied to the assessed value. So, let’s say that your home is worth \$100,000. To determine the assessment value, you multiply the market value (\$100,000) by 20 percent to get the assessment value (\$20,000). That amount (\$20,000) is then multiplied by a mill (or 0.001) to get the property tax rate.

$$\begin{aligned}
 &\text{MARKET VALUE (\$100,000)} \\
 &\quad \times 20\% \\
 &= \text{ASSESSMENT VALUE (\$20,000)} \\
 \\
 &\text{ASSESSMENT VALUE (\$20,000)} \\
 &\quad \times 1 \text{ MILL (.001)} \\
 &= \text{PROPERTY TAX RATE (\$20)}
 \end{aligned}$$

2014 Education Funding \$4.88 billion in total



The state constitution requires each district to have a minimum property tax rate of 25 mills per school district. This is called the uniform rate of tax (URT). But, school boards can propose millage increases, and citizens within that school district can vote whether to accept the increase in local elections. In 2013, every school district in Arkansas had a millage rate above the required minimum – ranging from Lee County School District’s 26.30 to the Harrisburg School District’s 50.40.² The amount of money that schools generate varies from district to district because property values vary per district.

School districts can use money generated from mills in three ways:

- Maintenance and Operations (M&O) - which pays for general school costs like paying teachers and building upkeep



- Dedicated Maintenance and Operations (DM&O) – which pays for making specific purchases like computers & office machines or repairing facilities
- Debt Service (DS) – which pays for purchases with long term costs like building a new school

AVERAGE MILLS COLLECTED 2014	
M&O:	25.63
DM&O:	0.00
DS:	11.65
TOTAL MILLS:	37.46

School districts also generate a small amount of financial support from local donations, fundraisers, county funding, etc. that is used for various needs. That's where the generated \$226 million (or the orange shaded area of the pie chart) for schools came from.

WHERE THE STATE DOLLARS COME FROM

In 2014, the state of Arkansas spent \$2.49 billion dollars on public schools. Each year, local school districts must have a minimal level of funding per student to meet the Arkansas Constitution's adequacy requirements. For the 2014-2015 school year, that amount was \$6,521 per pupil. During the legislative session, the General Assembly voted to increase that amount by 1 percent. For 2015-2016, the state will give each district enough funding above their local taxes to reach \$6,584 per student. To reach the total funding (known as foundation funding), districts raise what they can and the state fills in the gap to reach the \$6,584 per pupil minimum. This is part of educational adequacy. School districts use this money toward teacher salaries, school buildings, technology, and other needs. The state also provides support by giving districts restricted dollars called categorical funding. This funding helps with specified needs in school districts.

There are four types of categorical funds: Alternative Learning Environment (ALE), English Language Learners (ELL), National School Lunch Act (NSLA),

and Professional Development. The first three categorical funds are designed to meet the special needs of some students. The last funding category was set aside so that the funding could be restricted for professional development. But it is still given to districts based on the total number of students.

1. The Alternative Learning Environment is an intervention program for students who face challenges in and out of school. The school district's Alternative Education Placement team refers students facing hardships to the program. About two percent of students spend their time in ALE programs. Districts that have ALE services were given \$4,305 per every full time ALE student during the 2013-2014 school year.
2. English Language Learners funding helps students who have limited English speaking or writing skills. This funding helps districts put English language services or programs in place. In 2013-2014, school districts were given \$311 per ELL student.
3. The largest categorical fund is the National School Lunch Act (or NSLA). It is a funding source for districts with high levels of poverty. Despite its name, the funding isn't for a lunch program. Rather, the amount schools get is based on the percentage of students eligible for free and reduced lunch programs. Funding per poor student ranges from \$517 to \$1,576. The money is intended for programs that give more resources and support to poorer children.
4. Districts get Professional Development funding to give teachers and other personnel opportunities to learn new advances in the teaching profession. It also provides resources for effective leadership and teaching strategies. However, the state lowered the amount from \$53 per teacher to \$32.40 starting in the 2014-2015 school year.

Because the state gives categorical money for specific purposes, school districts use it for students in need of services. Schools cannot use the money for general purposes, but they can transfer money among the first three categorical funds.



The following chart breaks down the amount that the state will provide per pupil for schools between 2013 and 2017:

State Aid Spending Per-Pupil:	2013-14	2014-15	2015-16	2016-17
Foundation Funding	\$6,393	\$6,521	\$6,584	\$6,646

State Aid Spending Per Qualifying Pupil:	2013-14	2014-15	2015-16	2016-17
Alternative Learning Environment	\$4,305	\$4,383	\$4,471	\$4,560
English Language Learners	\$311	\$317	\$324	\$331
NLSA (schools with):				
90% or more	\$1,549	\$1,549	\$1,562	\$1,576
70 to 89%	\$1,033	\$1,033	\$1,042	\$1,051
Less than 70%	\$517	\$517	\$522	\$526
Professional Development	\$53	\$32.40	\$32.40	\$32.40

Source: Arkansas Bureau of Legislative Research 2014 Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy

The state provides additional funding for districts that have:

- Growing and/or declining student enrollment
- Consolidated
- Isolated school districts
- Gifted and talented students
- Special education
- Career education
- Adult education
- Facility repairs and construction
- Magnet schools

WHERE DOES PRE-K EDUCATION COME INTO PLAY?

Early childhood education is important to Arkansas. It ensures that children enter kindergarten with the skills needed for academic success. Our state and federally funded pre-K programs serve over 24,000 3- and 4-year-olds. But, this is only 56 percent of eligible children. In Arkansas, pre-K is funded by state, federal, and private dollars. But Arkansas funds it in a different way than traditional K-12 education. Arkansas does not cover the cost for all 3- and 4-year-olds to go to pre-K. It uses state and federal funds to pay for children with the greatest financial need. Not every low-income child attends pre-K. Slots are limited and fill up quickly.

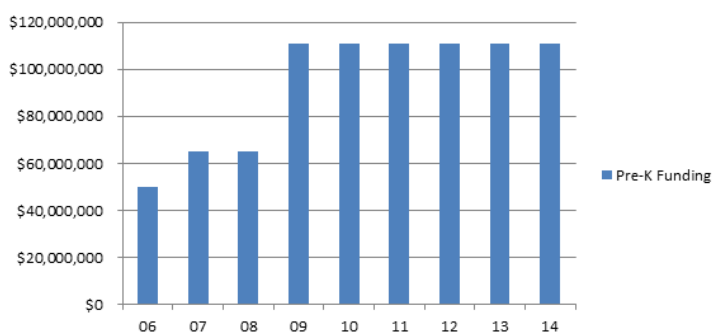


STATE FUNDING AND THE ARKANSAS BETTER CHANCE PROGRAM

The Arkansas Better Chance Program (ABC) gives funding to high-quality private and public pre-K providers. This ensures that families with financial need still have the chance to send their children to a high-quality program. Because pre-K education is in high demand, most ABC-funded slots are full across the state. So, there is a waiting list for children who qualify for ABC-funded slots. As the cost of things like crayons, snacks, and other supplies goes up, so does the cost it takes to run a quality program. During the 2015 legislative session, Governor Asa Hutchinson included a \$3 million increase for the state's ABC programs using money from the General Improvement Fund. This is the first increase to the program since 2008. That amount is just one-time funding and won't carry on from year to year.

The amount providers receive isn't enough to pay for every child to go pre-K or raise the quality of programs. Failing to increase funding for pre-K programs over time jeopardizes the quality of programs. It also prevents providers from accepting more children into pre-K programs.

Pre-K Funding Since 2006



Some states offer universal pre-K. This means that children aren't required to be in pre-K, but pre-K is open to any families who want their children in pre-K regardless of income. Arkansas does not have a universal system. In Arkansas, some pre-K programs are in public elementary schools while others are run by private providers. In addition to state dollars, some school districts also use their National School Lunch Act (NSLA) funds toward pre-K

education in their schools. A 2014 legislative interim study showed that only 59 out of 239 school districts use their NSLA funds in this way – and it's a small portion of those funds used.

FEDERAL FUNDING: HEAD START AND RACE TO THE TOP

The federal government covers the cost of pre-K education for our poorest children through the Head Start program. The federal government also provides grant funding to help states increase enrollment in pre-K programs.

In 2014, the Obama administration awarded Arkansas with the Race to the Top Grant. Through this grant, the state will receive \$15 million per year over four years. This funding will give 2,241 more children the chance to go to pre-K through the ABC program. But, it won't increase funding for most of the kids in pre-K. The amount helps, but it doesn't meet the needs of children who are already enrolled in pre-K.

WHERE FEDERAL DOLLARS COME FROM

When it comes to federal contributions to Arkansas's education system, 11 percent of the education budget comes from the nation's capital. The federal government gives Arkansas education grants that are dedicated for specific needs in school districts. In 2014, Arkansas received a total of \$549 million dollars targeted for specific programs, activities, and goals.³ Title I funds (which give money to schools with high concentrations of poverty) and Improving Teacher Quality grants (to give educators professional development and specialized training opportunities) are examples of grants given to districts. However, federal budget changes pose risks for cuts in the money states receive for education and other purposes.

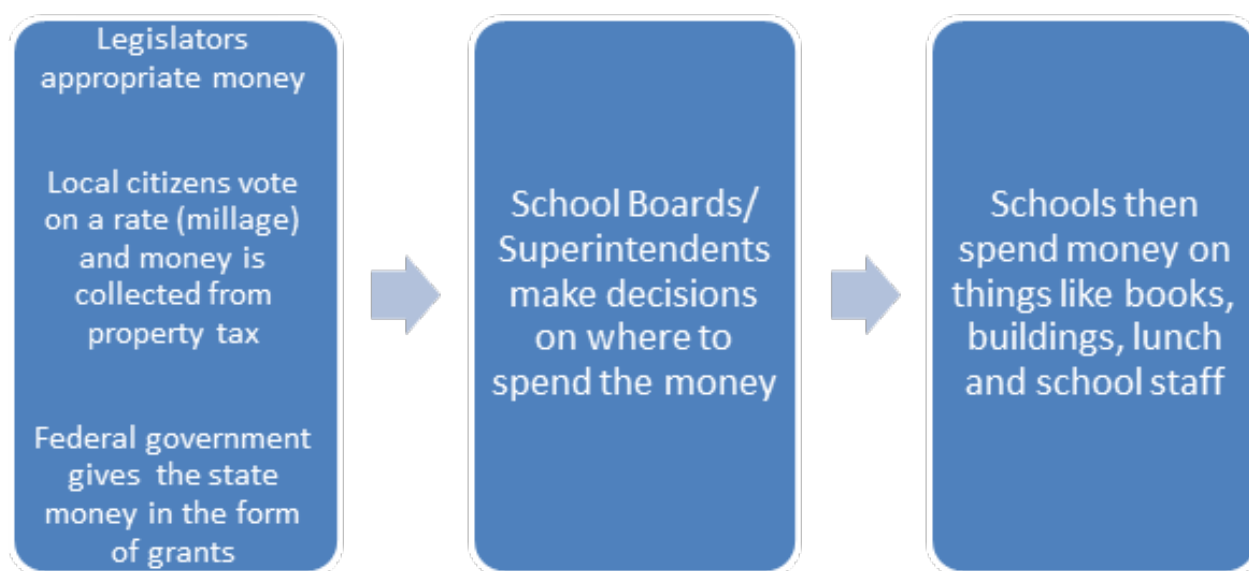


Below, you will find how much we received from the federal government for various educational programs and activities:

2013-2014 Federal Education Grants:	Amount Received:
Charter Schools	\$2,742,626
Child Nutrition Discretionary	\$138,870
Education for Homeless Children and Youth	\$985,962
English Language Acquisition	\$3,288,047
Fresh Fruit and Vegetable Program	\$2,145,203
Health Problems Prevention Program	\$2,250
Improving Teacher Quality	\$21,918,023
Mathematics and Science Partnership	\$1,721,924
Migrant Education – Coordination Program	\$66,666
Migrant Education	\$5,122,593
National School Breakfast and Lunch Programs	\$162,883,577
PROMISE	\$209,251
Rural Education	\$3,262,029
School Improvement	\$5,305,513
ARRA – School Improvement	\$6,208,048
Special Education	\$106,355,044
Special Education preschool	\$4,740,144
Special Education – State personnel development	\$908,940
Title I Grants to Local Educational Agencies	\$164,114,268
Title I Neglected and Delinquent Children and Youth	\$525,156
Twenty-First Century Learning Centers	\$10,706,742

Source: Division of Legislative Audit, Arkansas Department of Education Grants Summary for the Year ended June 30, 2014.

The state is then responsible for issuing out those dollars to local school districts for the specified use.



HOW THE FUNDS ARE USED

School boards and superintendents decide how money will be spent in school districts. By attending school board meetings, researching teacher contracts, and looking at budget information on the school website, you can learn more about how your school district uses its funds. You can even compare your district's information to other districts on their website to make sure that your school district's dollars are used in the best way.

One important state agency that keeps track of what schools are doing is the Arkansas Department of Education (ADE). They are the state agency that gives leadership, resources, and support to school districts, schools, and educators. They are also in charge of making sure that schools meet state and federal laws. The website has tons of information about every public school in the state. We want to point out three specific links that have information important to citizens.

- ADE has a special section on their website for parents: <http://www.arkansased.gov/im-looking-for/parents>. Here, citizens can find information about things like school health services, special education services, and the A-F grading system.

- Every year, school districts break down how much they spent and which areas they spent their funds. The ADE puts that information into a document called the Annual Statistical Report. You can find how each district spends their funds here: http://www.arkansased.gov/divisions/fiscal-and-administrative-services/publication-and-reports/report_categories/annual-statistical-reports
- The ADE website also keeps the contact information of each school district. It also lists the websites of each individual district and school. They even have a staff directory that lists who does what within each district. You can find that information here: <https://adedata.arkansas.gov/cpab/DirectoryDistrict.aspx>

FUNDING AND THE ACHIEVEMENT GAP

Two funding sources are worth highlighting: NSLA and Title I. Arkansas receives over \$165 million dollars from the federal government in Title I money. The state devotes millions of NSLA dollars for school districts across the state. Both of these are intended to give poor students the resources they need to do well in school. This is connected to an effort known as “closing the achievement gap” – making up the difference between poor and affluent students. But, the only way that this can be possible is if they are spent on things proven to close the gap. Things like after-school



and summer programs or pre-K are proven strategies. Many school districts in Arkansas are stretching the money thin and using it on things like teacher salaries instead of resources to help poor kids thrive. So, it is important for citizens to find out how their districts choose to use its Title I and NSLA dollars.

As you can see, our funding system is very intricate, yet important to Arkansas's budget and to the nearly 500,000 children and youth it serves. To secure Arkansas's future, we must continue our investment in public schools. If we want a skilled workforce, reductions in crime, and better health of our children, we must ensure that our children have the tools they need to learn, grow, and thrive through public education.

QUESTIONS FOR PARENTS AND CITIZENS TO ASK

We developed a list of questions that may be useful when navigating schools in your district and finding important information to know:

- Where is the money going in my district?
- Where on the school district's website can I find the district's budget?
- Who do I contact if I have questions about my school's budget?
- When is the school board meeting, where and what time?
- What are the teacher salaries in my school district?
- Is there a parent resource center in my district? If so, where is it located and what are the hours?
- How does my school spend its poverty (NSLA and Title I) dollars? How much does my district spend on after school and summer programs, pre-K, and other strategies proven to lower the achievement gap?
- What services does my district provide that help students succeed?

NOTES

¹ Source: Annual Statistical Report 2012-2013, Arkansas Department of Education

² Arkansas Department of Education 2013 Millage Report

³ Source: Arkansas Department of Education Division of Legislative Audit, Department of Education Grants Summary for the Year ended June 30 2013.

GLOSSARY

List of Terms (in alphabetical order):

Alternative Learning Environment (p. 3) An intervention program intended to improve learning by reducing barriers that students encounter in and out of school. Students who experience various types of hardships are referred to the program by the school district's Alternative Education Placement team.

Arkansas Better Chance Program (p. 5) A state-funded program that gives money to high quality private and public pre-K providers so that children who do not qualify for Head Start but still have financial needs still have the chance to attend a high quality program. For more information, visit: humanservices.arkansas.gov/dccece/

Assessment Value (p. 2) A value determined by how much your property is worth. So, in Arkansas, only 20% of your property's worth is used to determine your tax.

Budget (p. 5) The total amount of money collected from property taxes, locally raised dollars, state funding, and federal grants that Arkansas has to spend on public schools.

Categorical Funding (p. 3) Special, targeted state funding for local school districts in four categories: Alternative Learning Environment, English Language Learners, NSLA, and Professional Development. The first three categorical funds are to meet the special needs of some students. The last categorical funding category was set aside so that the funding could be restricted for professional development. But it is still given to districts based on the total number of students.

Debt Service (p. 3) Mills collected that are dedicated to paying for purchases with long-term costs like building a new school.

Dedicated Maintenance and Operations Mill (p. 3)
Money collected that is dedicated to paying for specific purchases like computers and office machines or repairing facilities.

English Language Learners (p. 3) A type of categorical funding given to school districts so they can provide resources and support for students who have limited proficiency of speaking and writing in English.

Foundation Funding (p. 3) State funding given to school districts to help them reach a specified level of adequacy in per pupil spending.

Head Start (p. 5) A federal program providing early childhood education to children 100% or below the poverty line. In 2014, this means a family of four making less than \$23,850 qualifies to place their child(ren) in a Head Start program. For more information, visit: arheadstart.org

Maintenance and Operations Mill (p. 2) Money collected that pays for general school costs like paying teachers and building upkeep.

Market Value (p. 2) The amount of money that a piece of property is worth and can be sold for.

Mill/Millage (p. 2) The rate for collecting property taxes; one mill is equal to \$0.001 of every assessed dollar.

National School Lunch Act (NSLA) (p. 3) Also known as school poverty funding, this is a type of categorical funding that aids schools with high levels of poverty. School districts receive money based upon the percentage of students eligible for free and reduced lunch programs. The funding was intended for programs that provide additional resources and improve opportunities for poorer children.

Professional Development (p. 3) A type of categorical funding given to districts for providing teachers and other personnel opportunities to learn new advances in the teaching profession as well as giving resources for effective leadership and teaching strategies.