

NSLA Education Funding in the 89th General Assembly

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Background

State poverty funding (more commonly known as “NSLA funding”) is the part of the state-funded adequacy package for schools that is targeted to low-income students. It is named NSLA after the National School Lunch Act program, the eligibility for which determines each school district’s student count for state NSLA funding. NSLA funding provides programs and services to benefit low-income students. It is also a potential source of funding for programs that have been shown to improve educational outcomes and close the achievement gap for low-income students. For example, it can be used to support research-based strategies (such as pre-k, after-school, and summer programs) that have been shown to improve educational outcomes for at-risk students. However, it is seldom used for those purposes.

Research conducted prior to 2013 helped drive much of the NSLA-related legislation proposed during the 2013 legislative session. In 2010, Arkansas Advocates for Children and Families (AACF) released a report questioning the effectiveness of the use of NSLA funds. The report called for a reduction in the large NSLA fund balances maintained by many districts which was addressed by Act 1220 of 2011. The AACF report also called for reducing the wide range of uses for NSLA funds, noting that “just 12 percent of the \$157.8 million sent to Arkansas schools in the 2008/2009 school year to help poor students was spent on proven programs.” In particular, AACF identified lack of NSLA spending on three research-proven programs: high-quality before- and after-school and summer programs, high-quality early childhood education, and school initiatives that promote student health.

In December of 2012, the Bureau of Legislative Research (BLR) released an analysis of the relationship between the poverty status of school districts, student academic achievement, and the impact of NSLA funding on achievement. Poverty status was measured by districts’ percentage of students who qualify for free and reduced lunch, while achievement was measured by the percentage of students scoring proficient or advanced on state benchmark exams and End-of-Course testing. The BLR found a general increase in student achievement over the five year span from 2006 to 2011. However, as expected, the research showed a negative relationship between student achievement and percentage of low-income students. In both years, as each district’s percentage of free and reduced-price lunch students increases, the percentage of students scoring proficient or above decreases. Additionally, there was little change in the relationship between 2006 and 2011. This lack of change indicates that NSLA funding levels are not associated with achievement gains. The BLR also noted that NSLA funding represents only three percent of all K-12 funds in FY2011. BLR reported the large and expanding number of uses for which districts are allowed to spend NSLA funding. There are 19 allowable uses in statute and another 12 added through rules adopted by the State Board of Education. The BLR report noted that spreading NSLA funding so broadly may dilute the impact of the funding.

In March 2013, after the legislative session was underway, the House and Senate education committees met jointly so new members could hear a review of the BLR research on NSLA funding and to hear similar research by the University of Arkansas’s Office of Education Policy (OEP). OEP’s research focused on a funding model that provides funding on a sliding scale rather than doubling or tripling

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when a certain percentage of NSLA students is reached. Two funding models were presented. Both models provide more money to districts for students who qualify for free lunches than for students qualifying for reduced price lunches. Students with household incomes under 130 percent of the federal poverty level (roughly \$30,000 per year for a family of four) are eligible for free lunches, while those with incomes between 130 percent and 185 percent are eligible for reduced price lunches. The first model would apply a 100 percent weight for free-lunch students and a 75 percent weight for reduced price lunch students. The second model would apply the same weights, but would eliminate NSLA funding for districts with NSLA concentrations of less than 40 percent. OEP also addressed the need for a menu of promising programs on which to focus NSLA expenditures.

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NSLA Legislation in 2013

During the legislative session, two bills were initially introduced to better focus or target NSLA funding. SB 811 was presented and discussed in the Senate Education Committee. The bill would have implemented a new funding distribution strategy as called for in research presented as part of the adequacy study in March 2013. Previously, the funding doubled when the percentage of NSLA students reached 70 percent and tripled at 90 percent. Under SB 811, the formula for distributing NSLA funds would have targeted more funding to districts with higher concentrations of free lunch students. SB 811 would have cut NSLA funding overall, and the funding saved through the cuts proposed in SB 811 was slated for use primarily as rewards for the new letter grade program (SB 752-Act 696), with other potential uses for the funds including STEM, Pre-K, and School Safety Training through the University of Arkansas’s Criminal Justice Institute. The bill did not pass, however, because the new formula wasn’t presented until March and would have resulted in immediate cuts to a large majority of school districts.

Only 3.7% of FY 2011 NSLA funding was used for before-, after-, and summer-school academic programs [extended school programs] and 4.4% for Pre-K.

Grouped Expenditures by Program Intent Code	Extended School Programs 004,011	Additional Personnel 001, 003, 007, 008, 009	General Programs – Professional Development, Parent Ed, etc. 002, 006, 010, 012, 021	Miscellaneous 013, 014, 016	Pre-K 005	Salaries Above Minimum 015	Special Education Programs and Staff 203, 206, 207, 212-215
Expenditures 2011	3.7%	55.9%	6.3%	26.0%	4.4%	0.7%	1.1%

% NSLA	2013 Per NSLA Student Funding
0-<70%	\$517
70%-<90%	\$1,033
90%+	\$1,549

SB 508, which would have called for restrictions in the use of NSLA funding to focus more spending on strategies that research suggests would have a greater impact on improving outcomes for low-income students, wasn't presented or discussed in committee.

Although neither SB 811 nor SB 508 passed, the intention of both bills to reform the state-funded NSLA program were eventually packaged in the bill that updates school adequacy funding, HB 1774, which is now Act 1467. This bill contains a Cost of Living Adjustment (COLA) for student foundation funding and three of the four additional adequacy programs. NSLA was not given a COLA because of concerns over its lack of targeting to districts/students with the greatest needs and lack of effectiveness in improving educational outcomes for low-income students. This study also signals future legislative intent to reform NSLA funding as was proposed in SB 811 and SB 508: to change the distribution of NSLA funding proposed in SB 811 and restrict the use of NSLA funds as proposed in SB 508 to promote more effective spending and greater impact. Also, as would have been the case with SB 811, the study will likely result in phased-in cuts to NSLA funding, possibly freeing up NSLA funding for use on other strategies that have been shown to improve outcomes for low-income students. In FY 2014, districts will receive the following funding per NSLA student depending on their concentrations of poverty. These amounts are unchanged from FY2013.

Reform of NSLA Funding in 2014 Legislative Fiscal Session

Long before the start of the fiscal session in February 2014 (less than nine months away) the interim Committees of Education will begin to meet on NSLA funding sometime in June. The meetings will review options for changing the funding distribution methodology, phasing in any reduced funding received by districts if needed, and restricting the uses for the NSLA poverty funding.

The following language from Act 1467 sets the tone for the upcoming study. "It is clear that the evidence strongly suggests that an increase of national school lunch state categorical funding for the upcoming school year is unlikely to produce the expected increase in academic achievement for the students for whom the funding is provided." The Act continues to say that a recommendation is required for consideration during the 2014 Fiscal Session. The study is to be a product of the combined efforts of the Committees on Education, the Department of Education, and the Bureau of Legislative Research. The Act requires:

- “(1) A list of evidence-based programs for which national school lunch state categorical funds may be expended by school districts; and
- (2) A new national school lunch state categorical funding formula to replace the current national school lunch state categorical funding mechanism with a model that:
 - (A) Provides funding for economically disadvantaged students on a sliding scale; and
 - (B) Weights the funding to provide more money to school districts for students who, under federal poverty guidelines, qualify for free meals than it provides to students who qualify for reduced-priced meals.”

As the Act 1467 study proceeds in the coming months, one thing is clear. The recommendations should build on findings of prior research. As noted earlier, three different organizations with different research methodologies have reached the same conclusion. The allowable uses for NSLA funds are too broad to result in identifiable reduction of the achievement gap for low-income students.

AACF also proposes that all NSLA funding does not need to be distributed through the school districts. Funding for pre-K, school health, and for after-school and summer school programs could be distributed through grants to organizations that meet these critical needs for low-income students. The grant amounts would be based on the number of low-income students actually served rather than a count of low-income students used for funding school districts. This would target the programs to low-income students more specifically than school districts have been able or willing to do. At the same time the grants for these purposes would maintain the state's level of effort in providing education programs to benefit low-income students for adequacy purposes through the use of alternative education service providers such as private pre-k, and after-school and summer programs. This strategy would also alleviate school districts' concerns that they don't have adequate facilities for pre-K programs or that they can't attract students to participate in after-school programs. Separate organizations will be able to meet these needs for students far better than traditional schools have thus far.



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