

## **EXECUTIVE SUMMARY**

In the wake of the landmark *Lake View* court case, the Arkansas General Assembly has imposed sweeping reforms to the amount and the distribution of resources to Arkansas public schools. Changes enacted during and since the 2003-04 special legislative session were intended to both increase the level of resources and enhance equity by channeling more resources to disadvantaged students. In this report, we assess the extent to which Arkansas has improved the adequacy and equity of the state's school funding system. We find that since the initial 2002 Arkansas Supreme Court ruling, state policymakers have made considerable strides in terms of overall resource levels and equity of resources. Indeed, the data presented in this report indicate that the changes to Arkansas' funding formula, which resulted in significant funding increases from 2004-05 to the present, dramatically enhanced the resource adequacy of the public school system.

Moreover, as this report shows, policymakers have enacted policies to improve equity by means of increasing funding to small school districts, to districts serving our most disadvantaged students, to districts serving high percentages of minority students, and to districts whose students are struggling academically.

Based on our study, we note the following key findings:

- Resource levels have increased since 2003-04, as per pupil revenue has increased by 27% from \$7,696 to \$9,736.
- The state's annual contribution to education funding has increased from \$3.45 billion to \$4.48 billion. Moreover, nearly 50 cents of every dollar raised by the state government is spent on K-12 education.
- Per pupil expenditures have increased since 2003 by 26%, from \$6,578 to \$8,315. Arkansas per pupil spending is equal to the national average, and rivals only that of Missouri relative to neighboring states.
- Funding equity for disadvantaged and academically struggling students has improved since the 2003-04 school year, and currently, districts with higher percentages of low-income students spend more per pupil than do districts with lower percentages.
- Teacher salaries have increased dramatically over the previous ten years. Indeed, adjusting for cost of living differences between states, Arkansas teacher salaries in 2004-05 were above those in most bordering states and just below the national average -- placing the state 25th among the 50 states.

- Recently, critics have voiced the concern that school funding is being diverted from academics to athletics. We find that districts spend an average of \$270 per pupil on athletic expenditures. However, there is reason to believe that this does not capture total spending for sports. Based on a 2008 legislative audit of athletic expenditures for a sample of Arkansas districts, the average district under-reported spending by nearly 20%.

Clearly, Arkansas policymakers have achieved a great deal over the past few years, increasing overall funding substantially statewide, and particularly for disadvantaged students. Moreover, state leaders have also raised teacher salaries to a regionally competitive level. Thus, the goals outlined by the *Lake View* case's Special Masters have largely been met.

At the same time, Arkansas has made considerable strides in improving standards. Over the past few years, for instance, student participation in Advanced Placement courses has steadily risen. Furthermore, the state recently implemented Smart Core, a rigorous secondary level curriculum ensuring that all high school graduates are prepared for higher education. As if to reinforce such improvement, U.S. Secretary of Education Margaret Spellings recently praised Arkansas and Massachusetts as the two states leading the way in setting new standards in their respective educational systems.

Indeed, Arkansas' attainment of educational adequacy should be hailed as a long-overdue achievement but should not be viewed as an ending point. Much work remains. Too many of our high school graduates require remediation when they reach college. Fewer than one in four eighth grade students scored at proficient or above in the most recent administration of the National Assessment of Educational Progress. And, stubborn gaps in achievement persist in most subject areas between advantaged and disadvantaged students across the state.

Arkansas lawmakers have spent the last several years increasing the resources allocated to K-12 education, eliminating gaps in resources between rich and poor students, and ensuring that rigorous standards were in place. Now, our educational leaders must work to find effective ways to use our new resources to help all students -- including disadvantaged students -- to meet the challenging standards.