

INTRODUCTION

On December 8, 2003 the Arkansas General Assembly convened in a special session called by the Governor for the purpose of developing a plan to address the court mandate in the Lake View case before the mandated January 1, 2004 deadline. Legislators in both chambers debated a number of plans concerning the relationship between a school's size and its quality and cost efficiency (e.g. – consolidation of smaller high schools into larger ones) as well as the best means of monitoring student assessment and school accountability. Finally, they turned their attention to funding formulas and potential sources of new revenue to fund this massive school reform initiative. On February 6, 2004, nine weeks after Governor Huckabee had convened a historic special session of the Arkansas General Assembly to address education reform, the legislative session recessed. This policy brief reviews the key issues debated in the Special Session, including consolidation, student assessment and accountability, teacher salaries, the revised school funding formula, and plans for revenue generation to pay for the education reforms adopted.

SCHOOL DISTRICT REORGANIZATION AND CONSOLIDATION OF SCHOOLS

THE ISSUE:

Consolidation, the most hotly debated issue of the special session, involves closing small high schools and combining resources to serve students in larger, regional high schools. Governor Huckabee argued that the consolidation of high schools in low-enrollment school districts is required for fiscal efficiency, but lawmakers from areas with small, rural districts were resistant to closing hometown

high schools. Ultimately, the debate centered on the question of how large a district needed to be in order to maintain a baseline of educational adequacy and fiscal efficiency.

THE OUTCOME:

The primary measure concerning school district reorganization and consolidation was Act 60, codified in § 6-13-1601-1603. This act requires the following: "By February 1, 2004, and each February 1 thereafter, the Department of Education shall publish a consolidation list that includes all school districts with fewer than 350 students according to the district's average daily membership in each of the two (2) school years immediately preceding the current school year," (§6-13-1601).

Administrative consolidation involves the combining the school boards and superintendent functions of a small district with another. Each small district is to submit a petition to the State Board of Education requesting approval for voluntary consolidation; those which did not submit such a petition face compulsory administrative consolidation by the state board.

Additionally, the measure provides an overview of the guidelines concerning consolidation or annexation. While requiring administrative consolidation of smaller districts, the text specifies that it does not "require the closing of any school or school facility." Rather, potential involuntary school closures are to be postponed until the assessment of school facilities by the Joint Committee on Education Facilities becomes available. (Note: This report was released on November 30, 2004 and is available as follows: <http://www.arkansasfacilities.com/statereport.asp>.)

The legislature passed several other bills related to district reorganization including one-time financial assistance for consolidation (Act 80, §6-13-1604), expectations concerning formation of an interim school board in reorganized districts until elections

are held (Act 25, §6-13-1406), expenditure of existing funds in the case of consolidation (Act 71, §6-13-1411), flexibility with student coursework and extracurricular activities during reorganization (Act 91, §6-18-228) and circumstances governing the specific districts that receive funding as isolated school areas (Act 65, §6-20,603).

STUDENT ASSESSMENT AND EDUCATIONAL ACCOUNTABILITY

THE ISSUE:

In addition to fiscal efficiency, Arkansas school districts are expected to demonstrate accountability for teacher effectiveness at facilitating student achievement. Supporters of increased accountability argued that if a tax increase were necessary to fund schools, it was appropriate to hold schools to higher accountability standards.

Opponents contended that the proposed standards were too high and placed too much emphasis on standardized test scores, which, they argued, may not be the best means of measuring of student ability.

In the previous Regular Session, the Quality Education Act of 2003, sometimes called “the Omnibus Act” had established standards for educational accountability. Some lawmakers argued that the measure proposed during the Special Session amounted to a repetition of the standards mandated in the Omnibus Act; others disagreed. Nevertheless, the measure that passed, the Arkansas Student Assessment and Educational Accountability Act *was* distinctive from the Omnibus Act in several ways. The Omnibus Act had identified the conditions under which a school could be labeled as fiscally or academically distressed and a school in either category had two years to change its status or be forced to consolidate. The Arkansas Student Assessment and Educational Accountability Act set guidelines for identifying and intervening with low performing schools, but it did *not* require consolidation of schools in small, low-performing districts. Additionally, this latter measure placed greater responsibility for student proficiency at the *individual school and classroom levels*, while the earlier Omnibus Act had focused more on accountability at the *district level*.

THE OUTCOME:

After much debate, the Arkansas General Assembly passed Act 35, the Arkansas Student Assessment and Educational Accountability Act, which became effective on July 1, 2004. This measure requires that:

- Developmentally appropriate testing be utilized in grades K-2, along with utilizing norm-referenced tests in grades 3-9, criterion referenced tests in grades 3-8, and end-of-course tests in literacy, Algebra I, Geometry, and any other content area defined by the State Board of Education;
- Specific criterion-referenced testing (linked to national norms) in reading, math, science, and social studies be utilized in grades 3-8 so that scores on these exams may be used to determine school and district performance and sanctions;
- Student test scores be recorded and analyzed in a longitudinal tracking system that compares them with other Arkansas students and with a national cohort of students at the same grade level and in the same subject;
- A five-level school rating system be established based on these criterion-referenced test scores, and that ratings be published in local newspapers by October 15 of each year (to be in place by 2007-08) with a system of rewards and sanctions based on a school’s rating (to be in place by 2009-10);
- Any *school* failing to achieve acceptable levels of student performance must participate in a school improvement plan; and
- Any *student* failing to achieve acceptable levels of individual performance must participate in an academic improvement plan, developed by the child’s teachers and parents, including intense remediation; any identified student in grades 1-6 who does not participate in such a plan may be retained, regardless of age.

In addition to Act 35, the legislature passed accountability bills related to facilitating distance learning (Act 34, §6-47-501-504; Act 53, §6-16-136), offering Advanced Placement courses (Act 102, §6-16-1201-1206), establishing the Better Chance for School Success early childhood program in low-performing schools (Act 49, §6-45-104, 106,

108, 110), establishing a Closing the Achievement Gap in Arkansas Commission (Act 33, §6-15-1601), and permitting the University of Arkansas at Pine Bluff to establish a Delta Student Academic Success Plan, a standards-based curriculum in math, reading, and English in five specific counties in Southeastern Arkansas (Act 31, §6-15-1901).

The Arkansas Educational Financial Accounting and Reporting Act of 2004 (Act 61, §6-20-2201-2208) requires districts to maintain certain financial records and file budgets with the Department of Education by September 1 of each year.

Lawmakers passed a number of other measures designed to require schools and districts to become more accountable for the expenditure of tax dollars for public education. Among them were bills concerning criminal background checks for fiscal officers (Act 82, §6-17-421), financial audits (Act 63 & Act 40, §6-20-1801-1805), energy conservation (Act 58, §6-20-402,405), vehicle insurance (Act 78, §6-20-1501-1509, 1512-1515; §6-21-701-708), athletic expenditures (Act 52, §20-2001-2004, §6-21-2101-2104), school bonds and loans (Act 43, §6-20-1201), and maintenance of school facilities (Act 87, §6-11-130).

SCHOOL FINANCE AND DETERMINING AN EQUITABLE FUNDING FORMULA

THE ISSUE:

The central issue in the *Lake View* ruling was that of equitable and adequate funding. All school districts, regardless of their size, demographic composition, or geographic region, must be able to provide equivalent and adequate educational opportunities, teacher salaries, and school facilities. Clearly, development of a more equitable funding formula was required to comply with this mandate.

THE OUTCOME:

A new school funding formula for Arkansas schools came out of the 2003 Special Session (Act 59, §6-17-2401-2405; §6-20-2301-2306). This new funding formula provides base funding for essential needs and supplemental funding for specialized needs, with calculations based on a school's average daily attendance during the previous school year. For the 2004-2005 fiscal year, the funding formula

would include the following guaranteed state funding for districts:

- \$5,400 per student in base funding;
- Supplementary funding for specialized needs that include the following:
 - \$3,250 per student for alternative learning programs and secondary vocational area centers;
 - \$195 per student for each identified English Language Learner;
 - \$480 per student in districts where less than 70% of students qualify for free and reduced school lunches;
 - \$960 per student in districts where 70% to 90% of students qualify for free and reduced school lunches;
 - \$1440 per student in districts where more than 90% of students qualify for free and reduced school lunches;
 - \$50 per student for professional development; and
 - special appropriations to specific districts for general facilities, debt service, student growth, catastrophic occurrences, and for designated isolated districts.

Additionally, lawmakers passed three other measures concerning school funding and they included the following:

- The Supplemental School District Funding Act (Act 69, §6-20-2403-2407) which established procedures for general facilities funding, debt service funding, and incentive funding;
- The Education Adequacy Fund Act (Act 108) which established an account for collection of all net revenues required by measures enacted during the Special Session;
- The Continuing Education Adequacy Evaluation Act (Act 57) which sets up a system of evaluation and monitoring of "the entire spectrum of public education" to assure maintenance of an adequate and equitable system of public education on an ongoing basis, particularly during the interim between legislative sessions.

RECRUITMENT AND RETENTION OF HIGHLY QUALIFIED TEACHERS

THE ISSUE:

Arkansas teachers have been among the lowest paid in the region and nation, though the lower cost of living in Arkansas offsets its lower pay rates to some extent. Nevertheless, there are significant disparities *within* the state between teacher salaries in low-income, high need districts and those in upper-income, suburban districts. The legislature's new school funding package included increases in teacher salaries for the dual purposes of increasing equity across the state and attracting and retaining good teachers in all of Arkansas' public school systems.

THE OUTCOME

The bill increasing teacher salaries (Act 74) would require districts to use the following criteria for minimum base salaries for teachers:

- \$27,500 - bachelor's degree, no experience;
- \$31, 625 - master's degree, no experience;
- Annual incremental pay increases for teaching experience, offered for at least 15 years:
\$450 annually for bachelor's level teachers,
\$500 annually for master's level teachers.

Further, teachers employed in special settings or working with high-need students receive an annual bonus (Act 77, Act 85, Act 101) forgivable loans are available to college students who pursue a degree in teaching and choose to teach high need students or in a critical subject area, forgiving a portion of the debt for each year of teaching completed (Act 48). Another measure offers incentive bonuses to principals who have completed the Master Principal Program at the Arkansas Leadership Academy, plus five years of service as a master principal (Act 44). Also, the legislature enacted bills concerning enhancing professional development (Act 83), defining the non-instructional duties of teachers (Act 37), and establishing the Arkansas Teacher Housing Development Foundation which would offer housing incentives to high-performing teachers who choose to teach in high-priority school districts (Act 39).

PAYING FOR EDUCATION REFORM: INCREASING AVAILABLE REVENUE

THE ISSUE:

Ultimately, lawmakers had to address the issue of raising taxes in order to generate enough to pay for the education reforms enacted. The implementation of Act 59 was projected to require \$438 million over existing expenditures on school funding. Though there was considerable resistance to raising taxes, committee compromises resulted in a proposed tax package which would raise at least \$417 million of the monies needed to meet the funding formula adopted in Act 59. .

THE OUTCOME

In the end, the tax package enacted to pay for educational reform included the following tax increases:

- A general sales tax increase of 0.875% beginning March 1, 2004 (Act 107);
- An increase in the corporate franchise tax (Act 94); and

An increase in local millage rates (property taxes) in some areas (Act 105), and an increase in the Uniform Property Tax from 25 to 28 mills if approved by voters in the November 2004 elections (Act 89);

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