

DEPARTMENT OF EDUCATION
GENERAL OPERATIONS & PUBLIC SCHOOL FUND (AGENCY #500)
2011-13 BIENNIUM - EXECUTIVE RECOMMENDATION

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Department of Education administers the programs and financial assistance to the State's public elementary and secondary schools. The Arkansas Constitution requires the state to maintain a general, suitable and efficient system of free public schools and to adopt all suitable means to secure to the people the advantages and opportunities of education.

TOTAL BIENNIAL BUDGET

Department: The total recommended appropriation is \$1,072,691,596 each year which is an increase of \$315.1 million each year.

Public School Fund: The total recommended appropriation is \$2,671,784,575 for FY2012 and \$2,730,988,417 for FY2013 which is an increase of \$95.5 million and \$154.7 million, respectively.

FUNDING SOURCE

Department: The appropriations for ADE are funded by federal revenue (93%), general revenue/Educational Excellence Trust Fund/Educational Adequacy Fund (2%), cash funds (2%), and trust funds and fund balances (3%). Total recommended general revenue funding is \$15,471,687 each year.

Public School Fund: The ADE - Public School Fund Account appropriations are funded by general revenue through the Revenue Stabilization Act allocations, the Educational Adequacy Fund, Educational Excellence Trust Fund, fund balances, "Off-the-Top" state funding, a Temporary Assistance to Needy Families (TANF) program fund transfer from the Dept of Workforce Services, and Transit Tax funding. Total recommended general revenue FY2012 - \$1.9 billion (increase of \$55.5 million) and FY2013 - 1.96 billion (increase of 112.2 million).

II) SIGNIFICANT CHANGES

DEPARTMENT:

STATE OPERATIONS (APPROPRIATION 620)

This appropriation provides state funded resources for the operations of the Department and for the provision of assistance to Arkansas's public schools, and is funded by general revenue, state Educational Excellence Trust Fund, and Educational Adequacy fund. A total of \$23,004,954 in appropriation is recommended each year, which is an increase of \$263,557 each year and provides for the following increases:

Regular Salaries and Matching - Provides an increase of \$163,557 each year for the restoration of 3 authorized but unbudgeted positions as contingency positions, and restoration of one pool position responsible for financial and budget activities of the Professional Licensure Standards Board, Teacher Quality and Licensure Units.

Capital Outlay - Provides an increase of \$100,000 each year to address any unforeseen needs that may arise in the 2011-13 biennium.

CHILD NUTRITION (APPROPRIATION 637)

This appropriation provides administrative services and reimbursement to local school districts that participate in the school lunch, breakfast or special milk programs. The total appropriation recommended is \$167,538,999 each year which includes an increase of \$50,000 each year for Capital Outlay for unforeseen needs that may occur during the 2011-13 biennium.

FEDERAL ELEMENTARY AND SECONDARY EDUCATION (APPROPRIATION 650)

This appropriation provides authority to spend most of the federal entitlement programs for elementary and secondary education, and includes Title I Compensatory Education, Title 2 Block Grant, Special Education, and the Early Childhood, AIDs, Drug and Migrant Education Programs. The total recommended appropriation is \$838,522,469 each year which includes the following increases:

Capital Outlay - Provides \$200,000 each year for unforeseen needs that may arise during the biennium.

ARRA of 2009 - Provides for continuation of the appropriation for the 2009 ARRA funding

in the amount of \$314,600,000 each year. Under current law, the ARRA program will end on December 31, 2011. The FY2013 appropriation for this program is recommended as contingency in the event federal extensions of the program are enacted.

PUBLIC SCHOOL FUND (PSF):

The PSF provides the primary state financial assistance to Arkansas' public elementary and secondary schools. The total recommended appropriation is \$2,671,784,575 for FY2012 and \$2,730,988,417 for FY2013 which is an increase of \$95.5 million in FY2012 and \$154.7 million in FY2013. The increases are described below:

ARK. PUBLIC SCHOOL COMPUTER NETWORK (APSCN) (APPROPRIATION 688)

The APSCN provides a statewide data communication network that connects all Arkansas public school systems and the Educational Service Cooperatives with the Department. Schools, district offices and Cooperatives use APSCN to process financial and student data. The recommended appropriation is \$23,466,260 each year which is an increase of \$696,657 for the following line items:

Regular Salaries & Matching: Provides an increase of \$496,657 each year to restore 4 authorized but unbudgeted positions.

Capital Outlay - Provides \$200,000 each year for unforeseen needs that may occur in the 2011-13 biennium.

SERIOUS OFFENDER PROGRAM (APPROPRIATION 566)

This appropriation provides for educational costs of those students located in Serious Offender Units for juveniles, now referred to as Juvenile Treatment Centers (JTCs), located in Colt, Harrisburg, Lewisville, Mansfield, and Dermott. The total recommended appropriation is \$1,683,067 for FY2012 and \$1,716,859 for FY2013 which is an increase of \$632,121 and \$665,913, respectively, to provide for 100 additional beds at the Juvenile Assessment Treatment Center in Alexander, and to provide for the 2% increase in the State Foundation Funding per ADM rate, which is the rate the Department pays the Department of Human Services - Division of Youth Services for the JTCs.

NATIONAL BOARD OF PROFESSIONAL TEACHING STANDARDS (APPROPRIATION 438)

This appropriation provides bonuses to National Board Certified Teachers (NBCT), participation fees and substitute pay required for candidacy, and a support system for candidacy. The recommended appropriation is \$10,516,160 for FY2012 and \$12,016,160 for FY2013 which is an increase of \$1,410,000 and \$2,910,000, respectively, to provide for an increase of participating teachers, 282 and 300, respectively.

NATIONAL SCHOOL LUNCH STUDENT FUNDING (APPROPRIATION 2HR)

This appropriation provides additional funding to districts based on the number of students from low socio-economic backgrounds who are eligible for free or reduced-price meals. The recommended appropriation is \$178,897,567 for FY2012 and \$187,235,597 for FY2013, which is an increase of \$8,118,821 and \$16,456,851, respectively, due to a 2.7% projected growth in the number of students and due to a 2% increase in the per NSLA student funding.

School District Funding Category	Current Rate	Approx. Recommended Rate
Less than 70% NSLA Students	\$ 496	\$ 506
At least 70% but less than 90% NSLA Students	992	1,012
90% or greater NSLA students	1,488	1,518

PROFESSIONAL DEVELOPMENT FUNDING (APPROPRIATION 2HS)

This appropriation currently provides up to \$50 per Average Daily Membership (ADM) to school districts for professional development activities. Recommended Special Language allows the Department to retain up to \$4 million for statewide PD support systems. The recommended appropriation is \$23,709,798 for FY2012 and \$24,244,209 for FY2013 which is an increase of \$538,298 and \$1,072,709, respectively, to provide for the growth in the Average Daily Membership of school districts and charter schools and to provide for a 2% increase in the per ADM rate from \$50 to approximately \$51.

RESIDENTIAL CENTERS/JUVENILE DETENTION (APPROPRIATION 394)

This appropriation provides reimbursement to school districts for the educational costs associated with disabled and non-disabled students placed in approved residential psychiatric and drug and alcohol treatment facilities or juvenile detention centers. The recommended appropriation is \$16,115,234 for FY2012 and \$16,345,087 for FY2013 which is an increase of \$926,980 and \$1,156,833, due to an additional 90 beds for Residential Centers/Juvenile Detention programs in FY2012 and an additional 20 beds in FY2013 and a

2% increase in the State Foundation Funding rate which is the maximum that school districts may pay for Juvenile Detention Center Services.

STATE FOUNDATION FUNDING (SFF) (APPROPRIATION 2HP)

SFF is the amount of state financial aid provided to school districts on a per Average Daily Membership (ADM) basis. The amount of State (funded) Foundation Funding is computed as the difference between the Foundation Funding Amount (\$6,023 for FY2011) times the ADM of the previous school year, less the sum of 98% of the uniform rate of tax (25 mills) times the property assessment of the school district plus 100% of miscellaneous funds (average over a 5 year period). The recommended appropriation is \$1,858,834,526 for FY2012 and \$1,904,969,759 for FY2013 which is an increase of \$45,236,858 and \$91,372,091, respectively, due to increase in ADM of 1,546 and 2,319, respectively, over FY2011 Budgeted level of 456,538, to a total ADM of 458,084 for FY2012 and 458,857 for FY2013. The increase is also due to a 2% increase in the SFF rate per ADM from \$6,023 in FY2011 to \$6,143 in FY2012 and \$6,266 in FY2013.

ALTERNATIVE LEARNING (APPROPRIATION 311)

This appropriation is used to fund the Alternative Learning Environment (ALE) Programs school districts are required to offer which are student intervention programs that seek to eliminate traditional barriers to learning for students. The appropriation recommended is \$21,149,603 for FY2012 and \$21,775,797 for FY2013 which is an increase of \$619,994 and \$1,246,188 respectively, to provide for a 1% increase in ALE FTEs, and to provide for a 2% increase in the per FTE student rate from \$4,063 to approximately \$4,144.

ASSESSMENT/END OF COURSE TESTING (APPROPRIATION 459)

This appropriation provides funding for standards based testing at the primary, intermediate, and middle levels and end of course testing for Algebra, Geometry, and Literacy. The recommended appropriation is \$24,409,349 for FY2012 and 24,375,349 for FY2013 which is an increase of \$2,007,672 and \$1,973,672, respectively, to provide for cost estimates from contractors for the various testing components of the program.

DEPARTMENT OF CORRECTION (APPROPRIATION 380)

This appropriation is to provide the ADE portion of the cost of running the Department of Correction School. The total recommended appropriation is \$5,881,973 for FY2012 and \$6,024,799 for FY2013 which is an increase of \$284,298 and \$427,124, respectively, which provides for a 3% COLA each year and 3 new instructors at a cost of \$50,000 each for new classrooms at the Pine Bluff Unit.

ENGLISH LANGUAGE LEARNERS (ELLs) (APPROPRIATION 082)

This appropriation enables school districts to provide specially trained staff, instructional materials, and training for teachers for ELLs. The recommended appropriation is \$11,115,341 for FY2012 and \$12,162,924 which is an increase of \$970,958 for FY2012 and \$2,018,541 for FY2013 to provide for 8% growth in students each year and a 2% increase in the funding rate for ELLs from \$293 to approximately \$299 per ELL student.

EARLY CHILDHOOD SPECIAL EDUCATION (APPROPRIATION 697)

This appropriation provides special education services through local education agencies for 11,500 3 to 5 year old preschool children with disabilities, funding to Cooperatives for behavioral intervention services to preschool programs, coordination of transition services between 0-2 year-old and 3-5 year-old services, and Medicaid matching funds for preschool physical, occupational, and speech therapy. The recommended appropriation is \$16,248,000 for FY2012 and \$16,897,920 for FY2013 which is an increase of \$624,921 and \$1,274,841, respectively, due to a 4.7% growth in the child count between December 2008 and December 2009.

RECOMMENDED BUDGET/APPROPRIATION RESTORATIONS

Recommends restoring the FY2011 Appropriation Levels for the following appropriations: School Food Services (App. 447), School Funding Contingency (App. 2ZH), Smart Start/Smart Step (App. 057), School Worker Defense (App.458), Special Education Services (App. 668), and Cooperative Education Tech Centers (App. 434).

ELIMINATION OF THE FOLLOWING APPROPRIATIONS THAT ARE UNBUDGETED IN FY2011:

Speech Language Pathology Incentive Bonus	FY2011 Auth. Approp.	- \$2,500,000
Teacher Housing Development	FY2011 Auth. Approp.	- 100,000
Smart Core Incentive	FY2011 Auth. Approp.	- 3,000,000
International Baccalaureate Program	FY2011 Auth. Approp.	- 75,000

Pygmalion Commission	FY2011 Auth. Approp. -	40,000
Traveling Teachers	FY2011 Auth. Approp. -	500,000
Academic Improvement Training	FY2011 Auth. Approp. -	500,000
Intensive School Support	FY2011 Auth. Approp. -	320,000

III) ADDITIONAL POSITIONS

DEPARTMENT:

Total Positions for 2011-13 Biennium: 366
 Total Base Level Positions: 362
 Increase / (Decrease): 4
 Restore 3 unbudgeted positions and 1 pool position
 (30 Pool Positions authorized - 25 Classified and 5 non-classified)

PUBLIC SCHOOL FUND:

Total Positions for 2011-13 Biennium: 54
 Total Base Level Positions: 47
 Increase/(Decrease): 7
 Restore 4 unbudgeted positions and 3 pool positions

IV) SPECIAL LANGUAGE

DEPARTMENT:

EQUALIZATION OF PERSONAL PROPERTY MILLAGE: Authorizes the Department and Assessment Coordination Department to identify schools affected by the Amendment 79 provision to equalize millage and calculate lost revenue. These districts are to receive funding equal to the loss in revenues. This funding is to be considered unrestricted revenue.

TURNBACK FUNDS: Provides Federal turn-back funds in the State Treasury are to be transferred to the Department of Education Public School Fund Account when the eligible county and/or school district cannot be identified and used for any lawful school purpose.

CARRY FORWARD (YEAR-END FUND BALANCE): Authorizes the Department of Education to carry forward its General Revenue Fund Balances in the Department of Education Fund Account at the end of a fiscal year. Requires prior statement of need, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally include all of the above information in the biennial budget manuals or a statement of non-compliance.

SALARY OF THE COMMISSIONER OF THE DEPARTMENT OF EDUCATION: Provides that the Commissioner is not to receive outside salary or payments for personal services for any reason and requires the Commissioner to devote all of his/her working time to the performance of the duties of the Commissioner of ADE. This language does not prohibit the Commissioner from accepting or receiving expense reimbursements and employee benefits as provided in State Law.

ESTABLISHMENT OF A "POSITION POOL": Establishes a pool of 5 non-classified positions not to exceed \$125,000 and a pool of 25 classified positions at up to a grade C130. Requires the Department to compare any proposed additions or adjustments to similar employees in school districts or other state education agencies. Authorizes the positions to be used upon determination of the Commissioner of ADE, and requires quarterly reports justifying and accounting for the use of the positions. Any pool positions the Department would like to continue in the next biennium must be requested as new positions in the biennial budget request. Classifies the legislative review language as non-severable and makes the entire section void if the legislative review provision is found to be unconstitutional.

ARKANSAS LEADERSHIP ACADEMY - REDUCTION OF FUNDS RESTRICTION: Limits the funding reductions to the Arkansas Leadership Academy appropriation to the average percentage reduction in the other appropriations made to the Department of Education Fund Account.

LEADERSHIP ACADEMY: Requires the appropriation for the Leadership Academy will be used for the School Support Program which provides support to schools or school districts designated by the Department of Education as being in school improvement status and to provide for general operations of the Leadership Academy.

FUND TRANSFER - PULASKI COUNTY DESEGREGATION CASE COSTS: Section 34 of Act 1420 of 2007 provided a \$750,000 fund transfer from the Public School Fund to the Department of Education Fund Account for Pulaski County Desegregation Case Costs on July 1, 2007. Section 34 of Act 1420 provided \$210,000 in fund transfers and Section 91 of Act 1290 of 2007 also provided \$20,000 for Desegregation Case Costs. This section provides that any unexpended balances of funds transferred to the Department of Education Fund Account during the 2007-09 biennium for desegregation case costs shall be used exclusively to provide funds for case costs incurred by the Department of Education and the three Pulaski County School Districts under Arkansas Code §6-20-415 - §6-20-416. The funds may be expended upon certification by the Commissioner of the Department of Education and prior approval by the Chief Fiscal Officer of the State.

STATE FUND RESTRICTIONS: Reiterates that no state funds shall be used for abortion referral or services, and further states that the funds shall be expended in accordance with ACA §6-18-703 regarding school-based health clinics.

PUBLIC SCHOOL FUND:

DISBURSEMENT PROCEDURES: Requires the State Board of Education to develop rules and regulations for disbursement of funds to meet the statutory nurse to student ratio of one nurse to 750 students found in Arkansas Code §6-18-706.

FUND ALLOCATION: Requires that any appropriation and funding not needed for the Isolated Funding appropriation be transferred to the Special Needs Isolated Funding appropriation and the funding is to be used to fund Arkansas Code 6-20-604 subsections (c) - (f) on a pro-rata basis until funds are exhausted or subsections are fully funded. Also provides that if any funding and appropriation remain after funding ACA §6-20-604 (c)-(f) the remaining balance shall be used to fund the provisions of ACA §6-20-604 (h) on an equal basis until all funds are exhausted.

GRANTS TO SCHOOL DISTRICTS: Defines school districts eligible to receive these grants as districts that contract with a district in an adjoining state for the education of pupils within Arkansas due to separation of where the students live and where the remainder of the district is located. The grants are to reimburse these districts for the expense of educating students in the separated portion of the district, and payments are limited to the available appropriation.

SPECIAL EDUCATION SERVICES: Requires Special Education Services funds to be used for extended year summer programs for handicapped students, special education services for foster children, and payment of salaries of special education supervisors.

DESEGREGATION EXPENSES: Requires the Department to certify the amounts needed for desegregation expenses under any "Desegregation Settlement Agreement" to the Treasurer of State and the Chief Fiscal Officer, and requires the State Treasurer to deduct these certified amounts from net general revenue and make them available to the Department for the purpose of paying for desegregation expenses.

CONSOLIDATION INCENTIVE: Requires appropriation allocations for Consolidation Incentive to adhere to rules and regulations established by the Board of Education.

RESIDENTIAL CENTERS/JUVENILE DETENTION: Requires appropriation allocations for Residential Centers/Juvenile Detention to adhere to rules and regulations established by the Board of Education.

TRANSFER AUTHORITY: Authorizes a maximum of two appropriation transfers and other related budget adjustments per fiscal year as necessary with Chief Fiscal Officer approval and prior Arkansas Legislative Council or Joint Budget Committee approval. Classifies the legislative approval language as non-severable and makes the entire section void if the legislative approval provision is found to be unconstitutional.

AETN DOCUMENTED QUIZ BOWL COSTS: Allows AETN to receive up to \$40,000 of the total appropriation and funds for Quiz Bowl to recover AETN costs.

INTERVENTION BLOCK GRANTS RESTRICTION: States amounts to be distributed for the Quiz Bowl (\$100,000), Odyssey of the Mind (\$13,500), Destination Imagination (\$13,500) and History Day (\$100,000) from the Intervention Block Grants line item, and requires the Department to fund these allocations with general revenue.

EAST FUNDING PROVISION: Requires 18% or \$1,000,000, whichever is greater, of the Technology Grants appropriation to be awarded through a grant or a professional services contract for Environmental and Spatial Technologies (EAST) infrastructure, personnel, and operating expenses.

CENTER FOR QUALITY TEACHING AND LEARNING (FORMERLY KNOWN AS EXPLOR-NET) FUNDING PROVISION: Requires \$187,575 in General Revenue be allocated through the Technology Grants appropriation to the Center for Quality Teaching And Learning Program to teach students computer repair in a hands-on environment.

DISTRESSED SCHOOL DISTRICT SUPPORT: The Department may expend some of the funds appropriated for Distressed School District Support for technical assistance or programs to districts in academic distress, and provides that the money may be used for teacher specialists, principal specialists, other personnel assigned by the Department, and research-based technical assistance programs. Alternate staffing and compensation programs must be approved by at least a majority of the teachers in the school, schools, or district participating.

PROFESSIONAL DEVELOPMENT: Allows the Dept. of Education to use up to \$4M each year of the appropriation authorized for professional development to develop statewide professional development support systems for teachers.

RETIREMENT MATCHING: Requires districts to pay teacher retirement employer contribution rates for eligible employees in accordance with rules of the Teacher Retirement Board and requires the Department to provide the employer matching for employees of the Education Cooperatives, Vocational Centers, Arkansas Easter Seals and the Department of Correction School.

OPEN ENROLLMENT VIRTUAL CHARTER SCHOOL FUNDING RESTRICTIONS: Limits the number of Open-Enrollment Long-Distance or Virtual Technology Charter School students to no more than 500 students, and prohibits a school district from receiving state funding for students who are in their ADM count for 2008-09 but are participating in an Open-Enrollment Long-Distance or Virtual Technology Charter School in 2009-10.

BETTER CHANCE PROGRAM ADMINISTRATIVE FEES: Authorizes the Department of Education to expend a maximum of 2% of the Better Chance Funding to administer the program and monitor grantees, and to contract with DHHS-Division of Child Care and Early Childhood Education to administer the program. With the further requirement that DHHS - Division of Child Care and Early Childhood Education must receive prior review and approval by ALC/JBC before spending the final .2% of the maximum 2% of the Arkansas Better Chance

Program funds that are allowed to be spent on administration of the program.

AVERAGE TEACHER SALARY: Requests the Department to calculate an average teacher salary without extra duty funds and in accordance with the National Education Association (NEA) definitions, and requires the Department to submit this teacher salary data annually to the NEA for the NEA "Rankings and Estimates" Report.

CARRY FORWARD - ARKANSAS BETTER CHANCE: Language authorizes the Department to carry forward unexpended funding allocated for the Better Chance Program at the end of each fiscal year.

PUBLIC SCHOOL RETIREE HEALTH INSURANCE: Allows the Employee Benefits Division of the Dept of Finance and Administration to use \$11.20 from each contribution of \$131 made under Arkansas Code §6-17-1117 (a) to offset the cost of health insurance premiums for members of the Arkansas Teacher Retirement System electing to participate in the public school employees' health insurance program.

ARKANSAS/STRIVE PROGRAM TRANSFER LANGUAGE: Requires a \$200,000 transfer each year from the Department's Public School Fund Account to UALR for the Arkansas/STRIVE Program, and further requires that these funds shall not be subject to any indirect cost charges by UALR.

HEALTH INSURANCE: Requires the Department to use the Public School Employee Insurance appropriation to provide the state contribution for insurance premiums for employees of Cooperatives, Vocational Centers, and the Department of Correction school, and deletes other health insurance provisions that are already codified.

ALTERNATIVE LEARNING ENVIRONMENT: Provides that the Department may provide funding for Alternative Learning Environment Programs in excess of the 6 hour regulatory limitation if a program operates more than 12 hours per day, in a proportionate manner and upon special request.

STATE FUND RESTRICTIONS: reiterates that no state funds shall be used for abortion referral or services, and further states that the funds shall be expended in accordance with ACA §6-18-703 regarding school-based health clinics.

ADDITIONAL PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE FUNDING PROVISION: Adds Funding Provision special language that requires the Department to pay up to \$15 million in quarterly installments to the DFA Employee Benefits Division (EBD) for PSE health insurance contributions. The actual amount to be paid shall be the amount the Uniform Rate of Tax (URT) funding used in the State Foundation Funding Formula, exceeds \$920,731,819, up to \$15 million, and adds that the funds provided to EBD shall be administered by the State And Public School Life And Health Insurance Board.

MANDATORY FUNDING PROVISION - INTERNATIONAL BACCALAUREATE PROGRAM: Requires the Department to allocate, budget and commit for expenditure \$75,000 to provide funding for grants and aid to local school districts for the International Baccalaureate Program.

SPECIAL NEEDS ISOLATED SCHOOL FUNDING: Adds language that allows payment of Isolated Special Needs Funding in the amount of ten percent (10%) of State Foundation Funding (SFF) per Average Daily Membership (ADM) in an isolated school area to school districts that qualify for Isolated Special Needs Funding and that serve any grade kindergarten through twelfth grade, and that has closed an isolated school facility during the period, January 1, 2008 and July 1, 2008. Emergency clause in Act 293 of 2010 allows this provision to become effective upon passage and approval and therefore be effective and applicable to the distributions of Isolated Special Needs Funding during FY2009-10. November 2010