

State of Arkansas
91st General Assembly
Regular Session, 2017

A Bill

SENATE BILL 298

By: Senator J. English
By: Representative Cozart

For An Act To Be Entitled

AN ACT TO DISCONTINUE THE PROVISION OF DECLINING
ENROLLMENT FUNDING FOR PUBLIC SCHOOL DISTRICTS; TO
DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO DISCONTINUE THE PROVISION OF DECLINING
ENROLLMENT FUNDING FOR PUBLIC SCHOOL
DISTRICTS; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. DO NOT CODIFY. Findings.

The General Assembly finds that:

(1) Declining enrollment funding was created to support public school districts with a decrease in student population by offsetting the decrease in foundation funding due to the loss of students;

(2) In "A Report on Legislative Hearings for the 2006 Interim Study on Educational Adequacy", the issue of declining enrollment funding was extensively discussed, and the Adequacy Study Oversight Subcommittee recommended that declining enrollment funding be continued for the 2007-2008 and 2008-2009 school years to allow the General Assembly to assess the effectiveness of declining enrollment funding;

(3) In "A Report on Legislative Hearings for the 2008 Interim Study on Educational Adequacy", "A Report on Legislative Hearings for the 2010 Interim Study on Educational Adequacy", and "A Report on Legislative Hearings for the 2012 Interim Study on Educational Adequacy", rather than



conducting a complete evaluation of the effectiveness of declining enrollment funding, the House Committee on Education and the Senate Committee on Education reviewed the number of public school districts receiving declining enrollment funding and the aggregate funding amount;

(4) In "A Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy", "Final Report on the Legislative Hearings for the 2016 Educational Adequacy Study" of the Senate Committee on Education, and "Final Report on the Legislative Hearings for the 2016 Educational Adequacy Study" of the House Committee on Education, a more thorough analysis of declining enrollment funding and expenditures was performed by the Bureau of Legislative Research;

(5) "A Report on Legislative Hearings for the 2014 Interim Study on Educational Adequacy", "Final Report on the Legislative Hearings for the 2016 Educational Adequacy Study" of the Senate Committee on Education, and "Final Report on the Legislative Hearings for the 2016 Educational Adequacy Study" of the House Committee on Education demonstrated, as evidenced by full-time employee calculations and the declining enrollment fund balances, that declining enrollment funding was not being used for its intended purpose as a cushion to allow the public school district to adjust staffing and operations to the decline in average daily membership; and

(6) The policy decision to discontinue declining enrollment funding is justified for the following reasons:

(A) Public school districts receive foundation funding based on the prior year's average daily membership of the first three (3) quarters of the school year, which provides a built-in cushion in a current school year should there be a decline in student enrollment;

(B) The multi-year spending patterns of public school districts receiving declining enrollment funding do not demonstrate the need for declining enrollment funding as a supplement to the foundation funding; and

(C) The fact that declining enrollment fund balances have grown to more than eighteen million dollars (\$18,000,000) as of 2015-2016 does not demonstrate the need for declining enrollment funding as a supplement to the foundation funding.

SECTION 2. Arkansas Code § 6-20-1204(e)(1)(B), concerning the

definition of "state funding" in the context of school bonds, is repealed.

~~(B) Declining enrollment funding;~~

SECTION 3. Arkansas Code § 6-20-2203(c)(4)(A)(ii), concerning categories and descriptions of public school and public school district expenditures, is repealed.

~~(ii) Declining enrollment;~~

SECTION 4. Arkansas Code § 6-20-2303(5), concerning the definition of "declining enrollment funding" in the Public School Funding Act of 2003, is repealed.

~~(5) "Declining enrollment funding" means the amount of state financial aid provided to an eligible school district from funds made available for the decline in the average daily membership of the school district in the preceding school year compared to the school year before the preceding school year;~~

SECTION 5. Arkansas Code § 6-20-2305(a)(3), concerning declining enrollment and special needs isolated funding, is repealed.

~~(3)(A) A school district that has experienced a decline in average daily membership over the two (2) immediately preceding school years shall receive:~~

~~(i) Declining enrollment funding equal to the difference between the average of the two (2) immediately preceding years' average daily memberships and the average daily membership for the previous school year multiplied by the amount of foundation funding set forth in subdivision (a)(2) of this section; or~~

~~(ii) Special needs isolated funding under § 6-20-604.~~

~~(B) Any funding appropriated and available for declining enrollment funding under subdivision (a)(3)(A)(i) of this section or special needs isolated funding under § 6-20-604 that is not distributed under subdivision (a)(3)(A) of this section shall be prorated and distributed equally per average lost student to school districts that meet the qualifications for both declining enrollment funding under subsection (a)(3)(A)(i) of this section and special needs isolated funding under § 6-20-~~

604.

~~(C) No school district shall receive both declining enrollment funding under subdivision (a)(3)(A)(i) of this section and student growth funding under subsection (c) of this section.~~

SECTION 6. Arkansas Code § 10-3-2102(h)(1)(C), concerning the review of certain expenditures as part of the biennial adequacy study, is repealed.

~~(C) Declining enrollment funding;~~

SECTION 7. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that evidence shows that public school districts receiving declining enrollment funding do not expend the funding for its intended purpose; that discontinuing the provision of declining enrollment funding is justified based on declining enrollment funding and expenditure reports of the 2014 and 2016 adequacy studies; and that this act is immediately necessary to allow public school districts to properly budget based on the discontinuance of declining enrollment funding in the 2017-2018 school year. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto.