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The State of Education in Arkansas 2008: How Much Are Arkansas Schools Spending?

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ARKANSAS EDUCATION REPORT
Volume 5, Issue 1

THE STATE OF EDUCATION IN ARKANSAS 2008:

HOW MUCH ARE ARKANSAS SCHOOLS SPENDING?

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April 15, 2008

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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 rival 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 mis-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. Also, 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.

The State of Education in Arkansas 2008: How Much are Arkansas Schools Spending?

I. INTRODUCTION

Over the last half century, more than forty states across the nation have experienced school finance lawsuits as a consequence of funding gaps between rich and poor districts. Arkansas is one such state, with a long history of school funding battles in the courts. The legal challenges began in 1983, when the Arkansas Supreme Court initially found the state's school funding system unconstitutional under the equal protection clause of the state constitution¹. The court found “no legitimate state purpose” and “no rational relationship to educational needs” in the state's method of financing public schools. This initial finding set the course of education policymaking in Arkansas ever since.

In May 2001, an Arkansas trial court declared the state's education funding system “inequitable and inadequate” under the state constitution and requested an adequacy study be conducted². In November 2002, the state Supreme Court affirmed the lower court's finding and gave the state until January 1, 2004, to improve the system³. In response to the Supreme Court ruling, the Arkansas General Assembly held a special session which yielded an increase in the total state appropriation for elementary and secondary education in 2004-05 by \$400 million to \$1.84 billion – a 24% increase over the previous year. Notwithstanding the state's effort, the legal battle between the state and its school districts continued. In 2005, the Arkansas Supreme Court once again declared that the state had neglected its obligation to adequately fund public education⁴. The Court found that the state did not meet its commitment to make education the state's top priority, and that the state had “grossly underfunded” education. The state then had until December 1, 2006, to rectify the constitutional deficiencies or face another ruling from the Court. The legislature made further targeted increases to teacher salaries and school facilities. The legislature also requested another statewide adequacy report, which was conducted by Lawrence O. Picus and Associates. After making further funding changes to the foundation formula, teacher retirement accounts, and school facility funding, the Legislature received news that the court battle is over for now.

On May 31, 2007, the Arkansas Supreme Court approved the state's school funding formula, bringing years of litigation to a close. In a unanimous opinion written by Justice Robert L. Brown, the court concluded that “our system of public school financing is now in constitutional compliance.” The opinion also cited the work of the General Assembly and Governor Beebe in meeting the mandates set forth, and praised lawmakers “for their commitment to education.” Although the Supreme Court holds open the option to revisit school funding, David Matthews, the Rogers Public Schools attorney who brought the 2005 suit before the court, offered praise for the decision, calling it “the Supreme Court’s finest hour in our state.”

¹ *Dupree v. Alma School District No. 30*, 651 S.W.2d 90.

² *Lake View School District No. 25 v. Huckabee*, No. 1992-5318

³ *Lake View School District, No. 25 of Phillips County, et al. v. Mike Huckabee, Governor of the State of Arkansas, et al.* No 01-836)

⁴ *Lake View Sch. Dist. No. 25 v. Huckabee*, 355 Ark. 617, 142 S.W.3d 643

Accordingly, the school funding court battle in Arkansas seems to be settled. Now that the state has injected these additional resources into the system, it is worth examining the extent to which the equity and adequacy of school funding has changed in Arkansas. This paper presents a thorough examination of school funding in Arkansas, including the most recent 2006-07 funding information and, when possible, historical data, including information from the National Center for Education Statistics from 1960 through 2000. The paper is divided into three primary sections. In Section II, the study design and questions are described. In Section III, results are presented for each question. In Section IV, conclusions are offered regarding the history and future of Arkansas school funding.

II. STUDY DESIGN AND QUESTIONS

The purpose of this report is to examine the level of changes in and uses of funding per pupil for education in the state of Arkansas from the 2003-04 school year, the year before the implementation of Act 59, to the 2006-07 school year, the last year for which audited data are available and the year when the *Lake View* court case concluded. The primary goals of this analysis are:

- To examine the level of various types of revenue and the extent to which those revenues have increased since the implementation of the Act 59 school funding formula.
- To examine the distribution of school resources before and after implementation of Act 59 by analyzing the educational expenditures in school districts throughout the state of Arkansas. Specifically, we assess resource distribution by district size, percentage of low-income students, percentage of minority students, district property wealth, and by student performance.

To address the goals of this analysis, we examine four key areas outlined in the section below:

A. Research Questions

1. *Questions on Adequacy of Education Spending*

- How much is spent on education as a percentage of the state budget, and has this amount changed since 2003-04?
- How much in revenue is collected for education from various sources, including local, state, federal, and other, and has this amount changed since 2003-04?
- What is the composition of expenditures in the Arkansas education system, and has this composition changed since 2003-04?
- How much is spent in Arkansas on education compared to spending in other states?

2. *Questions on Equity of Resource Distribution*

- How has per pupil spending changed based on the following variables?
 - District size
 - Percentage of low-income students
 - Percentage of minority students
 - Local property values
 - Percentage of low-performing students

3. *Questions on Teacher Salaries*

- How have teacher salaries changed across the state and compared to the U.S. average from 2003-04 to 2006-07, and how have salaries changed based on the following variables?
 - District size

- Percentage of low-income students
- Percentage of minority students
- Local property values
- Percentage of low-performing students

4. *Questions on Athletic Expenditures*

- How have athletic expenditures changed across the state from 2005-06 to 2006-07, and how have expenditures changed based on the following variables?
 - District size
 - Percentage of low-income students
 - Percentage of minority students
 - Local property values
 - Percentage of low-performing students

B. Methodology: Data Sources

1. *Indicators of Revenue and Spending*

We focus on the following indicators of school district fiscal resources:

- Local revenue
- State revenue for the foundation program
- State revenue for categorical aid, excluding revenues for facilities and capital
- Federal revenue

We focus on the following indicators of school district expenditures:

- Current operating expenditures (excluding expenditures for debt service and facilities)
- Expenditures by function (instruction, maintenance and operations, transportation, and other)
- Average teacher salaries
- Athletic expenditures

2. *Characteristics of Districts*

This analysis initially focused on statewide average revenues and expenditures. However, an important aspect of the study is the “subgroup” analysis, or the study of the overall revenues/expenditures and change in expenditures by various characteristics of districts, including district size, percentage of low-income students, percentage of minority students, property wealth per pupil, and student performance on the state test.

3. Definitions

Before addressing each of the questions regarding Arkansas school funding, some definitions are needed to clarify the discussion.

Foundation Amount: The foundation amount is the amount of money specified by the General Assembly each school year to be spent by school districts for the provision of an adequate educational foundation for each student. This number is generally communicated in terms of the *foundation amount per pupil*, which is simply the foundation amount multiplied by the average daily membership of the previous school year in each district.

Like many other states, Arkansas uses a foundation formula for education funding. This foundation formula is based on the minimum allowable expenditure per student in the state. For example, in 2004-05 and 2005-06, the state foundation amount per student was set at \$5,400. In a special legislative session in March 2006, the legislature increased 2005-06 school foundation funding from \$5,400 to \$5,486 and scheduled the 2006-07 amount to increase from \$5,497 to \$5,620.

In Arkansas, the foundation amount is comprised of two parts – the minimum local contribution, which is defined as the amount generated by the uniform rate of taxation (25 mills), and the state equalization amount. Citizens pay an amount based on their property assessment each year. This amount is used to create the per pupil local contribution. Then, the state subtracts the per pupil local contribution from the foundation amount and pays the remaining amount to the districts. For example, in 2004-05 the formula was: local revenue + state revenue = \$5,400. Therefore, in 2004-05, residents in Fayetteville for instance raised local revenue per pupil of \$2,660; consequently, the state contributed \$2,740 (\$5,400 less 2,660 = \$2,740) per pupil for Fayetteville students.

Since the *Lake View* decision, the term “\$5,400” was publicly discussed as a measure of how much the state allocates for the education of each Arkansas student. While this accurately reflected the foundation amount, it led to some misconceptions regarding how much money is actually spent on each pupil. Indeed, \$5,400 referred explicitly to the 2004-05 foundation formula expenditure per pupil amount; however, this amount was not the total per pupil dollar amount allocated for education in Arkansas. Rather, \$5,400 was the *minimum* amount of local and state money to be spent on each student; however, students in Arkansas had \$8,902 provided for them in 2004-05.

To clarify this distinction takes some explanation. Recall, the minimum amount of funding for students is generated by the uniform rate of taxation on assessed property at the local level (25 mills) minus the state established foundation amount (\$5,400 in 2004-05). However, nearly all districts charge more than the minimum number of mills. In fact, in 2003-04, 3 of 308 districts charged the minimum 25 mills with an average charge of 34.75 mills. In 2004-05, 1 of 254 districts charged the minimum of 25 mills with an average charge of 34.99 mills. In 2005-06, 1 of 252 districts charged 25 mills with an average charge of 35.11 mills. In 2006-07, 0 of 245 districts charged 25 mills with an average charge of 35.88 mills.

We learn from this brief millage examination that districts are consistently charging more than the minimum and that all of the revenues generated over the minimum 25 mills are retained by the local district. Further, the state contributes resources for categorical needs above the

foundation amount. Finally, the federal government contributes resources for certain needs for education. Therefore, the actual amount of money spent on education is consistently higher than the required foundation amount, which explains why in 2004-05 the foundation amount was \$5,400 but the actual revenue per pupil was \$8,902.

Current Expenditures: Total current expenditures represent the amount of funds spent for the day-to-day operation of schools and school districts, including instruction costs, district level support, school level support, non-instructional services, payments to other LEAs, and other non-programmed costs. In Arkansas, the majority of current expenditures are allocated for instruction (primarily for teacher salaries). Expenditures for debt service, school facility acquisition and construction, as well as other capital outlays are *not* included in this tally.

Total Expenditures: Total expenditures include all of the same costs included in current expenditures, but also include expenditures for capital and debt service. Researchers generally use current expenditures instead of total expenditures when comparing education spending between states or across time because current expenditures exclude expenditures for capital outlay, which tend to change dramatically each year. Also, the current expenditures commonly reported are for public elementary and secondary education only. Many school districts also support community services, adult education, private education, and other programs, which are included in total expenditures. These programs and the extent to which they are funded by school districts vary greatly both across and within states.

III. RESULTS

A. Adequacy of Education Spending

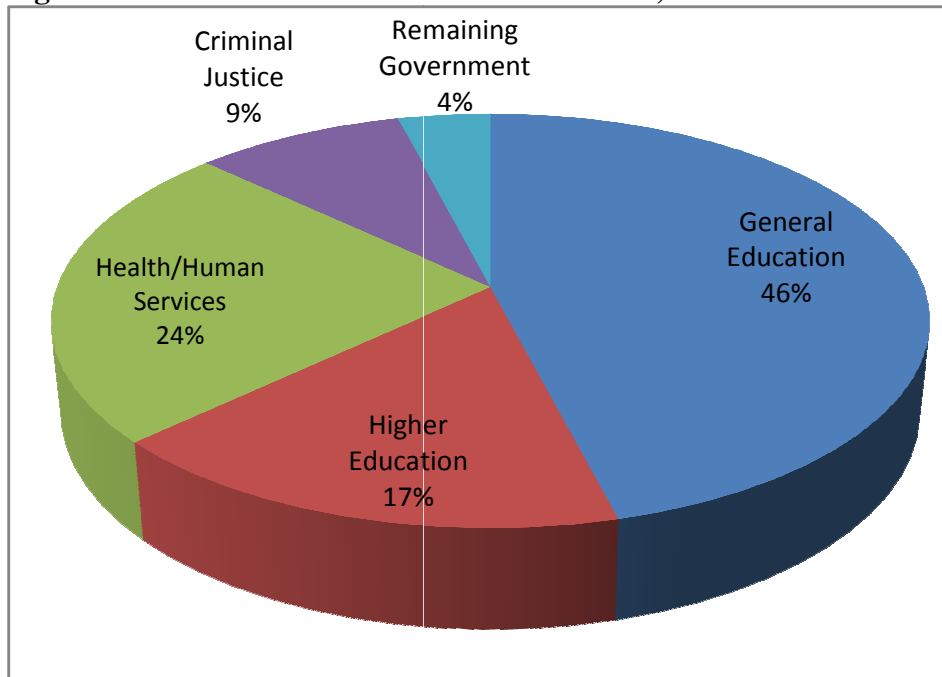
1. How much is spent on education as a percentage of the state budget?

Our first question in examining education spending in Arkansas is to determine how much of the state budget is dedicated towards education. Over the past four years, spending on education has remained relatively constant as a percentage of the state budget (see Table 1). Also important to note is that nearly half of the entire state general funds budget is distributed for general education. Figure 1 represents the portion of resources distributed by category. Furthermore, of every dollar distributed by the state, approximately 50 cents goes for general education.

Table 1: Percent of Entire State Budget by Category of Spending

Fiscal Year	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
General Education	46%	53%	48%	46%	0%
Higher Education	16%	16%	17%	17%	1%
Health/Human Services	21%	20%	22%	24%	3%
Criminal Justice	9%	7%	9%	9%	0%
Remaining Government	8%	4%	4%	4%	-4%

Figure 1: Arkansas General Funds Distribution, Fiscal Year 2006-2007



2. How much in revenue is collected from various sources?

Arkansas' education funding is derived from four major sources of revenue: local, state, federal, and other sources. Since 2003-04, Arkansas has increased the amount of funding on education by 27% (see Table 2). The most notable increase in revenue has occurred in restricted, or categorical, revenue for students in Alternative Learning Environments, students who are English Language Learners, and students who qualify for the federal National School Lunch Act. The large increase in revenue for these students is due to Act 59, §6-17-2401-2405; §6-20-2301-2306 from the 2003 Special Session, which included the guaranteed state funding for districts in the following areas:

- \$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; \$1,440 per student in districts where more than 90% of students qualify for free and reduced school lunches
- \$50 per student for professional development
- Special appropriations to specific districts for general facilities, debt service, student growth, catastrophic occurrences, and for designated isolated districts.

Due to these large increases in restricted funding, the total revenue for education increased from \$3.4 billion in 2003-04 to \$4.0 billion in 2004-05. Since this substantial increase in funding, the state has continued to increase funding for education, up to \$4.3 billion in 2005-06 and \$4.5 billion in 2006-07. Local contributions per pupil to education have also increased, up 34% since 2003-04. Table 3 highlights revenues as a percentage of the total state budget, where the state portion increased from 50% in 2003-04 to 53% in 2006-07. Over this same time period, the percentage of education funding coming from the federal government and other sources has decreased (see Table 3).

Table 2: Per Pupil Revenue by Source from 2003-04 to 2006-07

Finance Category	2003-04	2004-05	2005-06	2006-07	% change 2004 to 2007
Number of Students	447,872	450,910	457,485	459,865	3%
Local Revenue	\$2,245	\$2,436	\$2,942	\$3,006	34%
State Revenue	\$3,809	\$4,734	\$4,941	\$5,156	35%
<i>ALE, ELL, NSLA</i>	\$16	\$375	\$347	\$364	2,175%
Federal Revenue	\$1,000	\$1,049	\$1,009	\$997	0%
Other Revenue	\$642	\$684	\$539	\$577	-10%
Total Revenue	\$7,696	\$8,902	\$9,431	\$9,736	27%

Table 3: Per Pupil Revenues as a % of Total from 2003-04 to 2006-07

Finance Category	2003-04	2004-05	2005-06	2006-07	% change 2004 to 2007
Number of Students	447,872	450,910	457,485	459,865	3%
Local Revenue	29%	27%	31%	31%	6%
State Revenue	50%	53%	52%	53%	7%
<i>ALE, ELL, NSLA</i>	0%	4%	4%	4%	1,698%
Federal Revenue	13%	12%	11%	10%	-21%
Other Revenue	8%	8%	6%	6%	-29%
Total Revenue	100%	100%	100%	100%	0%

3. What is the composition of expenditures?

Following a discussion of the revenue sources, we examine where the money goes. In terms of the actual amount of money spent on students for education, defined as current expenditures, Arkansas districts increased per pupil spending by 26% over this same period, beginning with \$6,578 in 2003-04, and rising substantially to \$8,315 in 2006-07 (see Table 4). Also provided in Table 4 are per pupil expenditures for instruction, which includes teacher salaries (the largest portion of education spending), maintenance and operation, which include expenditures concerned with maintaining order and safety at schools, transportation, and total expenditures. While overall expenditures have increased, we notice that the greatest increase as a percentage was for transportation costs. Given the increases in fuel costs over the previous four years, this increase is not surprising.

Table 4: Per Pupil Expenditures by Function from 2003-04 to 2006-07

Finance Category	2003-04	2004-05	2005-06	2006-07	% change 2004 to 2007
Instruction	\$4,093	\$4,604	\$4,878	\$5,005	22%
Maintenance & Operation	\$619	\$676	\$770	\$828	34%
Transportation	\$242	\$271	\$335	\$365	51%
Other	\$1,624	\$1,844	\$1,996	\$2,117	30%
Total expenditures	\$6,578	\$7,395	\$7,979	\$8,315	26%

Table 5 examines the spending by function as a percentage of the total per pupil expenditures. That is, we look at how much of the total amount spent on education is spent for instruction compared to transportation. What is consistent across the years is that spending for instruction remains by far the largest expense in education; however, we do notice that instructional costs are the only expense presented that decreased since 2003-04. From Table 5, transportation costs are shown to have increased from 3.68% of total per pupil education spending in 2003-04 to 4.39% in 2006-07.

Table 5: Per Pupil Expenditures by Function as a % of Total from 2003-04 to 2006-07

Finance Category	2003-04	2004-05	2005-06	2006-07
Instruction	62%	62%	61%	60%
Maintenance & Operation	9%	9%	10%	10%
Transportation	3.68%	3.66%	4.20%	4.39%
Other	25%	25%	25%	25%
Total expenditures	100%	100%	100%	100%

4. How does Arkansas education spending compare to that of other states?

One way to assess whether Arkansas is allocating adequate resources to K-12 education is to compare the level of spending in Arkansas with that of other states throughout the nation. For comparison purposes, we selected the states that border Arkansas as well as the national average. Notably, from 1960 until 2000, Arkansas ranked in the bottom ten of all states with regard to expenditures per pupil, even after accounting for cost-of-living differences (see Table 6). However, after the dramatic increase in funding of 25% in 2004-05, Arkansas' ranking improved over fifteen other states and is now around the national average.

Table 6⁵: Cost-of-Living Adjusted⁶ Total Expenditures Per Pupil for Arkansas and Neighboring States from 1959-60 to 2004-05

State	1959-60	1969-70	1979-80	1989-90	1999-00	2004-05
Arkansas	\$255	\$642	\$1,781	\$3,942	\$6,366	\$8,664
Louisiana	\$414	\$721	\$1,993	\$4,342	\$6,958	\$8,531
Mississippi	\$235	\$572	\$1,899	\$3,532	\$6,114	\$7,475
Missouri	\$382	\$787	\$2,151	\$5,008	\$7,516	\$8,731
Oklahoma	\$357	\$692	\$2,207	\$4,018	\$6,609	\$7,572
Tennessee	\$267	\$635	\$1,833	\$4,107	\$6,544	\$7,680
Texas	\$374	\$702	\$2,155	\$4,669	\$7,617	\$8,150
US Average	\$375	\$816	\$2,272	\$4,980	\$7,392	\$8,701
% AR Diff. From US Avg.	32%	21%	22%	21%	14%	0%
AR Rank of 51 (high=1)	45	43	45	42	41	27

⁵ Data from the National Council for Education Statistics, Digest of Education Statistics: Table 171 Current expenditure per pupil in average daily attendance in public elementary and secondary schools, by state or jurisdiction: Selected years, 1959–60 through 2003–04; Table 6. Student membership and current expenditures per pupil for public elementary and secondary education, by function, sub-function, and state or jurisdiction: Fiscal year 2005.

⁶ Cost-of-living adjustment taken from the American Federation of Teachers Survey and Analysis of Teacher Salary Trends, 2002, Table I-5.

B. Equity of Resource Distribution

1. Are resources targeted to smaller districts?

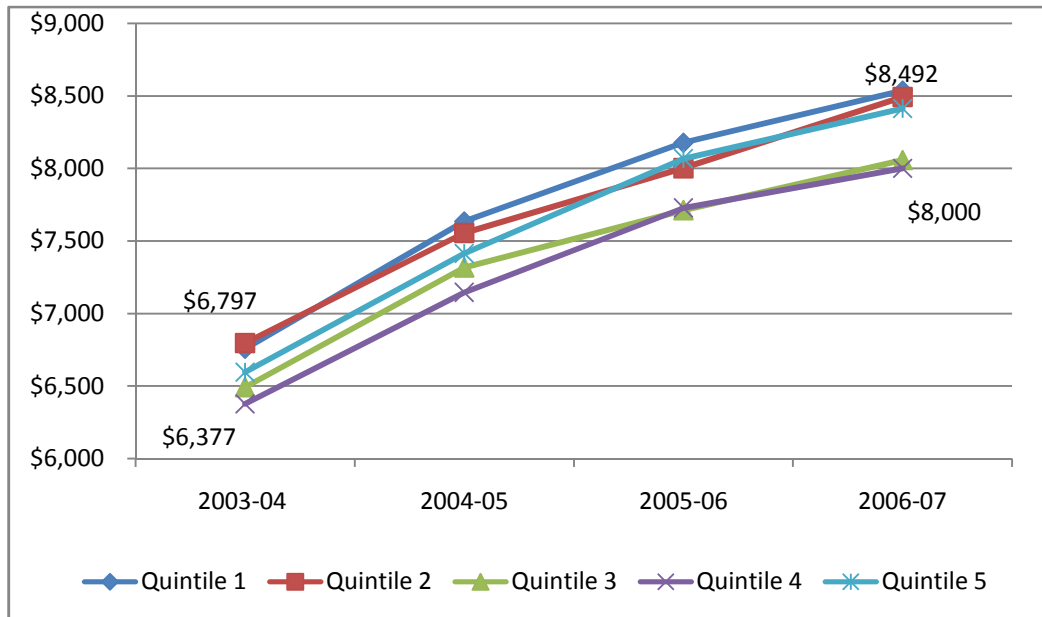
In Arkansas, policymakers are concerned with the level of resources allocated to students in small and rural districts across the state. Therefore, we examined the extent to which school funding varies with regard to district size. As shown in Table 7, districts serving the smallest number of students, as measured by average daily membership, had higher levels of expenditures than did districts with higher enrollments. In 2003-04, the average spending in districts with the lowest memberships (those with fewer than 554 students) was \$6,756, compared to \$6,595 for districts with the highest enrollments. Further, the data below show that districts with memberships below 825 spend the most resources per pupil followed by districts with memberships above 2,440. This finding indicates that districts with medium-sized memberships, from approximately 825 to 2,450, spend the fewest resources per pupil.

In short, the state has produced a situation in which the districts with the smallest average daily memberships are spending at the highest levels in current expenditures per pupil since 2003-04.

Table 7: Current Expenditures by Average Daily Membership from 2003-04 to 2006-07

Category	Category Definitions	N of Districts	N of Students	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	Below - 554	49	23,075	\$6,756	\$7,633	\$8,176	\$8,535	26%
Quintile 2	555 - 825	49	33,375	\$6,797	\$7,555	\$8,002	\$8,492	25%
Quintile 3	826 - 1,233	49	48,483	\$6,492	\$7,317	\$7,712	\$8,057	24%
Quintile 4	1,234 - 2,439	49	81,424	\$6,377	\$7,145	\$7,728	\$8,000	25%
Quintile 5	2,440 - above	49	273,510	\$6,595	\$7,415	\$8,068	\$8,413	28%
Diff Q5-Q1				-\$161	-\$219	-\$108	-\$122	
State Total		245	459,865	\$6,569	\$7,378	\$7,971	\$8,315	27%

Figure 2: Current Expenditures by Average Daily Membership from 2003-04 to 2006-07



2. Are resources targeted to districts serving low-income students?

In Arkansas, policymakers have made decisions to provide more resources to certain students. One group of students identified by the state legislature as worthy of more resources are students identified as disadvantaged or those who qualify for the National School Lunch Act program. Therefore, we examine the extent to which more resources have been provided to these students.

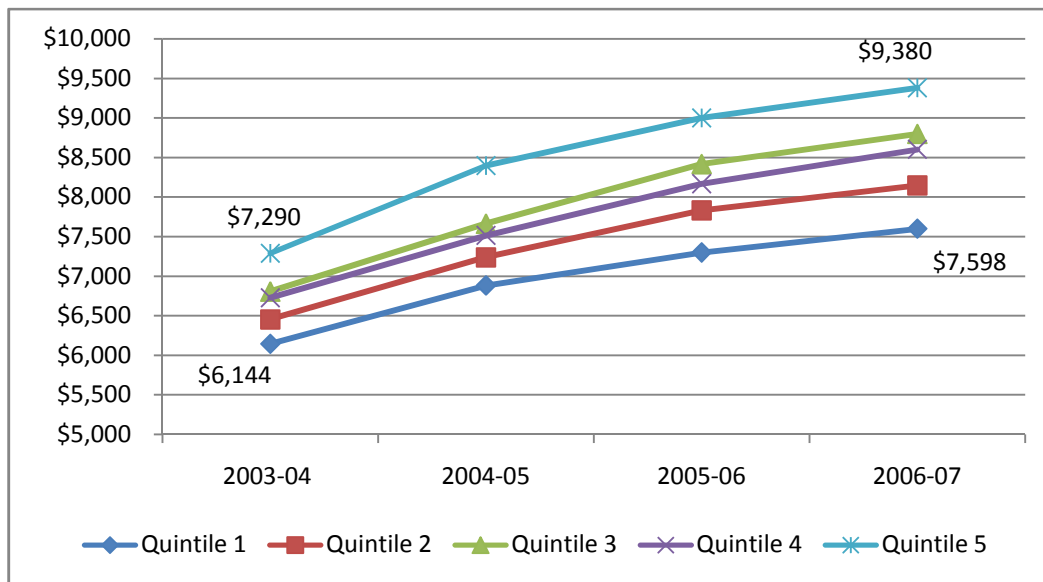
As shown by Table 8, districts serving the highest concentrations of students in poverty, as measured by percentage of students qualifying for the federal National School Lunch Act program, had higher levels of expenditures than did districts serving fewer students in poverty. In 2003-04, the average spending in districts in the highest poverty group (more than 71% of students qualify for NSLA) was \$7,290, compared to \$6,144 for districts in the lowest poverty group. Not only do the districts with more poverty students have higher expenditure levels, but these same districts have also experienced the greatest increases in spending from 2003-04 to 2006-07. For example, districts in Group 5, which serve the highest percentage of poverty students, experienced expenditure increases of more than \$2,000 per pupil compared to spending in districts in Group 1 which increased by less than \$1,500.

In short, the state has produced a situation in which the districts with the highest concentration of poverty students, and thus with the highest level of need, are spending at the highest levels and have experienced the greatest increases in expenditures per pupil since 2003-04.

Table 8: Current Spending by % of Low-income Students from 2003-04 to 2006-07

Category	Category Definitions	N of Districts	N of Students	2003-04	2004-05	2005-06	2006-07	% change 2004 to 2007
Quintile 1	0% - 45.58%	55	131,188	\$6,144	\$6,881	\$7,298	\$7,598	24%
Quintile 2	45.58% - 53.10%	59	122,371	\$6,455	\$7,237	\$7,831	\$8,145	26%
Quintile 3	53.11% - 60.85%	49	109,174	\$6,807	\$7,663	\$8,416	\$8,797	29%
Quintile 4	60.86% - 71.39%	44	51,226	\$6,728	\$7,515	\$8,167	\$8,601	28%
Quintile 5	71.40% - above	37	44,810	\$7,290	\$8,398	\$9,000	\$9,380	29%
Diff Q5-Q1				\$1,146	\$1,516	\$1,702	\$1,782	
State Total		244	458,769	\$6,578	\$7,395	\$7,979	\$8,315	26%

Figure 3: Current Expenditures by % of Low-income Students from 2003-04 to 2006-07



3. Are resources targeted to districts serving minority students?

Throughout the years, analyzed districts serving the highest concentrations of minority students had higher levels of expenditures than did districts serving lower concentrations of minority students.

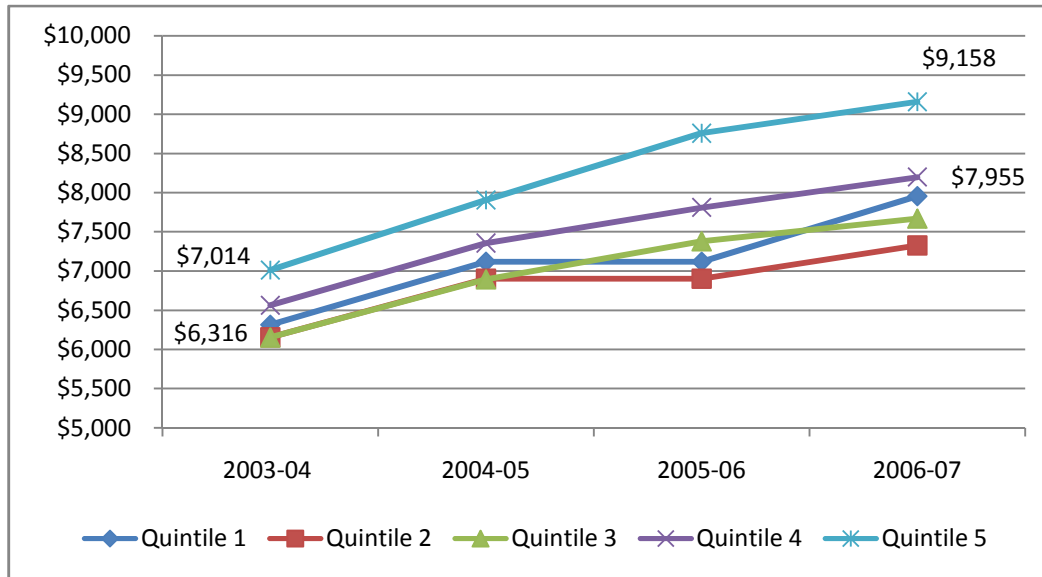
In 2003-04, the average spending in districts with the highest concentration of minority students (more than 43% of students) was \$7,014, compared to \$6,316 for districts with the lowest concentration of minority students. Not only do the districts with more minority students have higher expenditure levels, but these same districts have also experienced the greatest increases in spending from 2003-04 to 2006-07. For example, districts with more than 43% minority students experienced expenditure increases of more than \$2,000 per pupil compared to spending in districts with less than 7% minority students, which increased by less than \$1,500.

In short, the state has produced a situation in which the districts with the highest concentration of minority students are spending at the highest levels and have experienced the greatest increases in expenditures per pupil since 2003-04.

Table 9: Current Expenditures by % of Minority Students from 2003-04 to 2006-07

Category	Category Definitions	N of Districts	N of Students	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 3.17%	50	47,967	\$6,316	\$7,119	\$7,587	\$7,955	26%
Quintile 2	3.18% - 6.86%	51	70,567	\$6,158	\$6,905	\$7,327	\$7,548	23%
Quintile 3	6.87% - 20.50%	49	78,932	\$6,154	\$6,894	\$7,379	\$7,668	25%
Quintile 4	20.51% - 43.39%	49	102,987	\$6,565	\$7,357	\$7,810	\$8,197	25%
Quintile 5	43.39% - above	46	159,412	\$7,014	\$7,906	\$8,757	\$9,158	31%
Diff Q5-Q1				\$698	\$787	\$1,170	\$1,203	
State Total		245	459,865	\$6,569	\$7,378	\$7,971	\$8,315	27%

Figure 4: Current Expenditures by % of Minority Students from 2003-04 to 2006-07



4. Are resources targeted to districts with low property values?

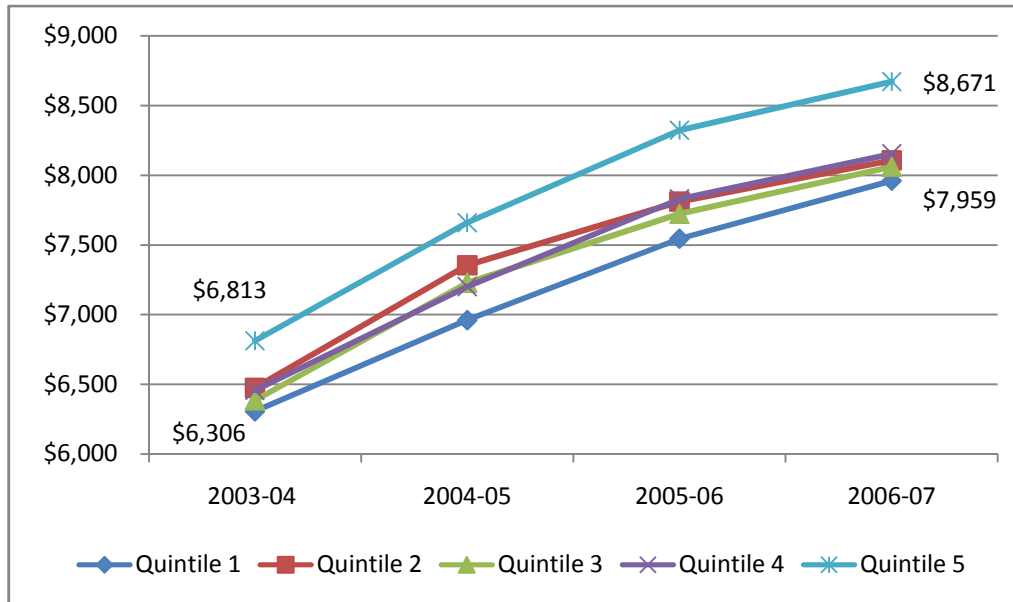
Because local wealth influences the ability of districts to raise local revenue, we find that districts with the highest local wealth, as measured by the per pupil assessed property valuation of the district, spend the most on education. In 2003-04, the average spending in districts with the highest local wealth (more than \$77,000 per student) was \$6,813, compared to \$6,306 for districts with the lowest local wealth. The gap in spending for the districts with the highest and lowest local wealth also increased from over \$500 in 2003-04 to about \$700 in 2006-07.

In short, the state has produced a situation in which the districts with the highest local wealth are spending at the highest levels and have experienced the greatest increases in expenditures per pupil since 2003-04. This is one indicator which suggests inequity in the system.

Table 10: Current Expenditures by Assessed Property Valuation from 2003-04 to 2006-07

Category	Category Definitions	N of Students	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0 - \$41,717	57,876	\$6,306	\$6,960	\$7,544	\$7,959	26%
Quintile 2	\$41,718 - \$50,234	70,971	\$6,474	\$7,354	\$7,811	\$8,107	25%
Quintile 3	\$50,235 - \$62,223	66,408	\$6,386	\$7,228	\$7,723	\$8,060	26%
Quintile 4	\$62,224 - \$77,029	81,285	\$6,457	\$7,200	\$7,829	\$8,153	26%
Quintile 5	\$77,030 - above	183,324	\$6,813	\$7,660	\$8,323	\$8,671	27%
Diff Q5-Q1			\$507	\$700	\$779	\$712	
State Total		459,865	\$6,569	\$7,378	\$7,971	\$8,315	27%

Figure 5: Current Expenditures by Assessed Property Valuation from 2003-04 to 2006-07



5. Are resources targeted to districts serving low-performing students?

Another concern of policymakers is directing resources to students who need academic help. Therefore, we examined the extent to which school funding varies with regard to student performance on the Arkansas Benchmark exam.

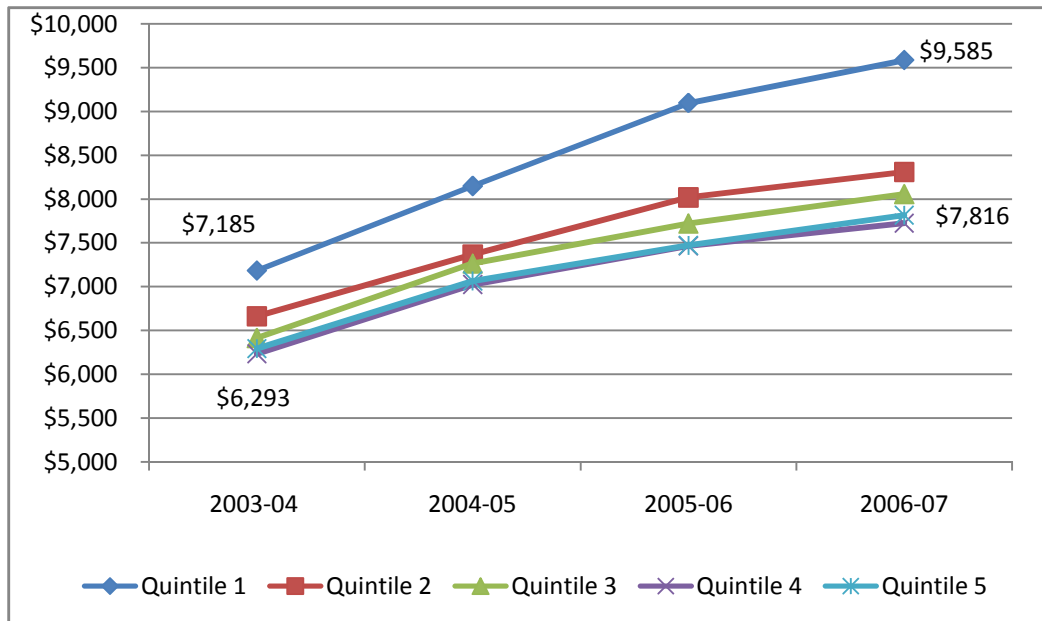
As shown in Table 11, districts with low-performing students, as measured by lower percentage of students scoring proficient on the Arkansas Benchmark exam, had higher levels of expenditures than did districts with higher performing students. In 2003-04, the average spending in districts with the lowest performing students (fewer than 40% of students scoring proficient) was \$7,185, compared to \$6,293 for districts with the highest performing students. Not only do the districts with low-performing students have higher expenditure levels (as evidenced by the graph in Figure 6), but these same districts have also experienced the greatest increases in spending from 2003-04 to 2006-07. The gap in funding in favor of the districts with the lowest performing students increased by nearly 100% from 2003-04 to 2006-07, where low-performing districts now spend approximately \$1,750 more per pupil.

In short, the state has produced a situation in which the districts with the lowest performing students are spending at the highest levels, and have experienced the greatest increases in expenditures per pupil since 2003-04.

Table 11: Current Expenditures by % of Students Scoring Proficient or Better on Arkansas Benchmark Exam from 2003-04 to 2006-07

Category	Category Definitions	N of Districts	N of Students	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 40.17%	46	103,946	\$7,185	\$8,148	\$9,096	\$9,585	33%
Quintile 2	40.17% - 47.42%	50	77,433	\$6,662	\$7,365	\$8,018	\$8,307	25%
Quintile 3	47.43% - 52.00%	48	67,490	\$6,415	\$7,264	\$7,721	\$8,056	26%
Quintile 4	52.01% - 57.42%	51	98,925	\$6,234	\$7,024	\$7,465	\$7,724	24%
Quintile 5	57.43% - above	49	110,975	\$6,293	\$7,065	\$7,471	\$7,816	24%
Diff Q5-Q1				-\$892	-\$1,083	-\$1,625	-\$1,769	
State Total		244	458,769	\$6,578	\$7,395	\$7,979	\$8,315	26%

Figure 6: Current Expenditures by % of Students Scoring Proficient or Better on Arkansas Benchmark Exam from 2003-04 to 2006-07



C. Teacher Salaries

1. Have teacher salaries increased statewide?

We begin this section by examining how much teachers are being paid in Arkansas compared to teachers in other states. Historically, Arkansas has resided among the lowest spenders in the nation with respect to average teacher salaries. Table 12 compares the average teacher salaries (adjusted for cost of living differences between states) in Arkansas to neighboring states and the national average over the previous four decades. In fact, in 1969-70, 1979-80, and 1989-90, the average Arkansas teacher salaries ranked in the bottom two of all states. However, after the 2004-05 increase in funding, Arkansas teacher pay ranked 25th of 50. We further observe that teacher salaries increased relative to teacher salaries in other states in 1999-00, when Arkansas improved to 37th of 50 states and drew closer to the national average. This finding indicates that, during the previous five years, the increase in teacher salaries in Arkansas surpassed the increase in teacher salaries in at least seven other states.

Table 12⁷: Cost-of-Living Adjusted Average Teacher Salary Comparison, 1970-2005

State	Average Salary 1969-70	Average Salary 1979-80	Average Salary 1989-90	Average Salary 1999-00	Average Salary 2004-05
Arkansas	\$7,135	\$13,913	\$ 25,285	\$ 37,767	\$ 45,809
Louisiana	\$7,818	\$15,306	\$ 27,030	\$ 36,829	\$ 43,248
Mississippi	\$6,619	\$13,527	\$ 27,731	\$ 36,366	\$ 41,769
Missouri	\$8,666	\$15,202	\$ 30,104	\$ 39,618	\$ 43,301
Oklahoma	\$7,883	\$15,014	\$ 26,426	\$ 35,851	\$ 42,544
Tennessee	\$7,904	\$15,664	\$ 30,327	\$ 40,726	\$ 46,555
Texas	\$8,161	\$15,897	\$ 30,929	\$ 42,258	\$ 46,129
US Average	\$8,626	\$15,970	\$31,367	\$41,807	\$47,750
% AR Diff. From US Avg.	17%	13%	19%	10%	4%
AR Rank of 51 (high=1)	49	47	47	37	25

2. Do smaller districts pay lower teacher salaries?

Arkansas policymakers are very interested in teacher quality in rural areas. Therefore, we examined the extent to which average teacher salary varies by district size. As shown in Table 13, districts serving the smallest number of students had lower average teacher salaries than did larger districts. In 2003-04, the average teacher salary in districts with the lowest memberships (those with fewer than 554 students) was \$32,682, compared to \$42,830 for districts with the highest memberships. The gap in teacher salaries for the districts with the highest and lowest

⁷ Data from the National Council for Education Statistics, Digest of Education Statistics: Table 76 Estimated average annual salary of teachers in public elementary and secondary schools, by state or jurisdiction: Selected years, 1969-70 through 2004-05

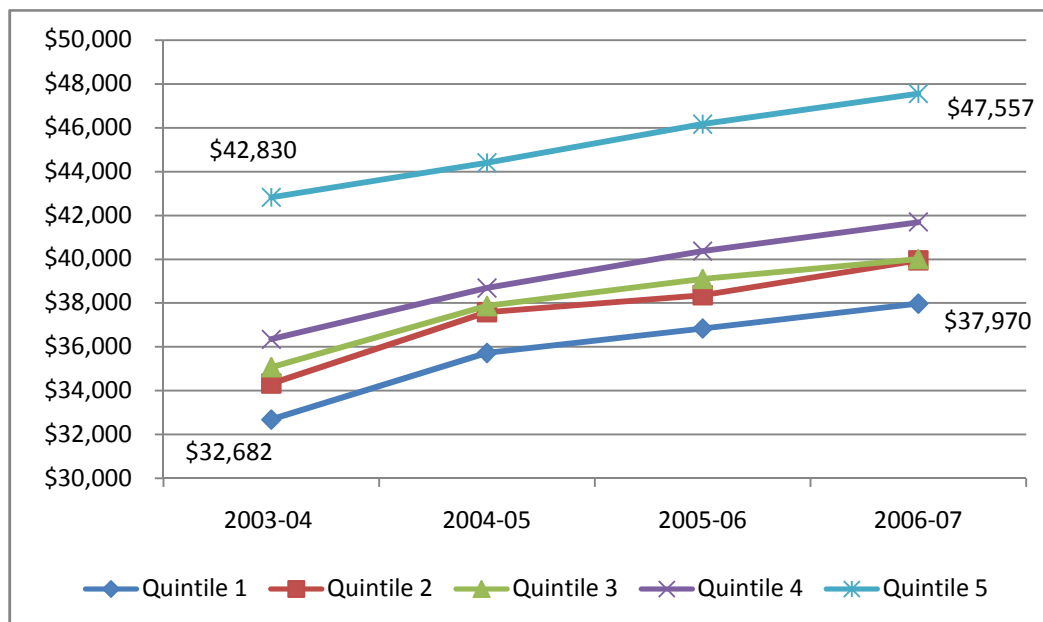
memberships did, however, decrease by six percent from 2003-04 to 2006-07, indicating that smaller sized districts have gained in average teacher salary compared to larger districts. Table 13 also indicates that the average teacher salary in Arkansas has increased by nearly 15% in four years.

In short, teachers in smaller districts are gaining, but still earn salaries that trail those of teachers in larger districts.

Table 13: Average Teacher Salary by Average Daily Membership from 2003-04 to 2006-07

Category	Category Definitions	N of Teachers	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	Below - 554	1,936	\$32,682	\$35,722	\$36,833	\$37,970	16%
Quintile 2	555 - 825	2,641	\$34,327	\$37,584	\$38,358	\$39,946	16%
Quintile 3	826 - 1,233	3,730	\$35,074	\$37,867	\$39,093	\$39,998	14%
Quintile 4	1,234 - 2,439	5,891	\$36,347	\$38,684	\$40,366	\$41,690	15%
Quintile 5	2,440 - above	18,913	\$42,830	\$44,401	\$46,167	\$47,557	11%
Diff Q5-Q1			\$10,148	\$8,678	\$9,333	\$9,587	
State Total		33,112	\$39,466	\$41,541	\$43,141	\$44,494	13%

Figure 7: Average Teacher Salary by Average Daily Membership from 2003-04 to 2006-07



3. Do districts serving low-income students pay lower teacher salaries?

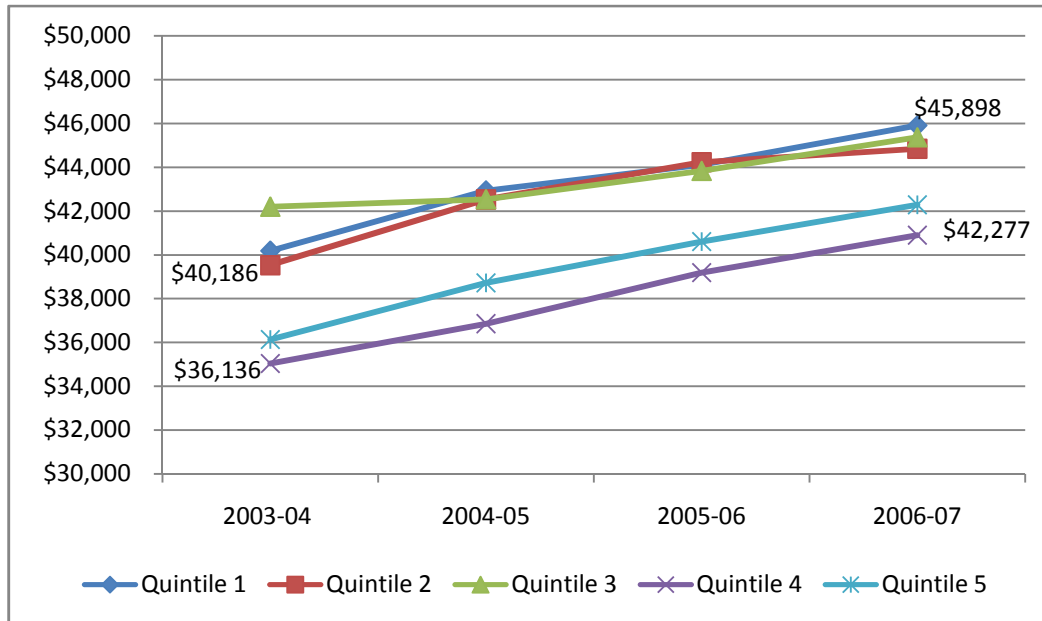
In Arkansas, policymakers are concerned with ensuring high quality teachers are placed in front of the highest need students. One way to examine the equity of teacher quality is to examine the salary of teachers as related to the need of the students. Therefore, we examined the extent to which average teacher salary varies by district percentage of low-income students. As shown by Table 14, districts serving the highest concentrations of students in poverty, as measured by percentage of students qualifying for the federal National School Lunch Act program, paid lower teacher salaries than did districts serving fewer students in poverty. In 2003-04, the average teacher salary in districts in the highest poverty group (more than 71% of students qualify for NSLA) was \$36,136, compared to \$40,186 for districts in the lowest poverty group. The gap in average teacher salaries, however, has decreased by 11% from 2003-04 to 2006-07.

In short, the state has produced a situation in which the districts with the highest concentration of low-income students, and thus with the highest level of need, are providing lower average teacher salaries, but have experienced the greatest increases in average salary since 2003-04.

Table 14: Average Teacher Salary by % of Low-income Students from 2003-04 to 2006-07

Category	Category Definitions	N of Teachers	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 45.58%	8,867	\$40,186	\$42,932	\$44,104	\$45,898	14%
Quintile 2	45.58% - 53.10%	8,782	\$39,531	\$42,529	\$44,234	\$44,841	13%
Quintile 3	53.11% - 60.85%	7,981	\$42,193	\$42,531	\$43,825	\$45,362	8%
Quintile 4	60.86% - 71.39%	3,929	\$35,036	\$36,855	\$39,189	\$40,896	17%
Quintile 5	71.40% - above	3,462	\$36,136	\$38,721	\$40,596	\$42,277	17%
Diff Q5-Q1			-\$4,050	-\$4,212	-\$3,508	-\$3,621	
State Total		33,020	\$39,404	\$41,489	\$43,088	\$44,513	13%

Figure 8: Average Teacher Salary by % of Low-income Students from 2003-04 to 2006-07



4. Do districts serving minority students pay lower teacher salaries?

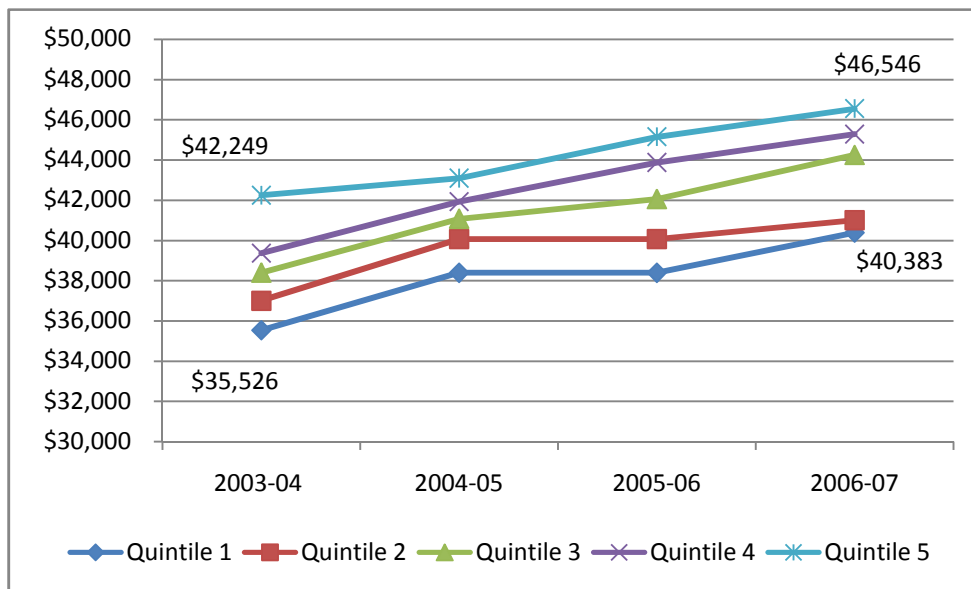
We also examined the extent to which average teacher salary varies by district percentage of minority students. As shown by Table 15, districts serving the highest concentrations of minority students had higher average teacher salaries than did districts serving lower concentrations of minority students. In 2003-04, the average teacher salary in districts with the highest concentration of minority students (more than 43% of students) was \$42,249, compared to \$35,526 for districts with the lowest concentration of minority students. Interestingly, the average salary by minority concentration narrowed in 2004-05 and has expanded since. Currently, teachers serving the highest concentration of minority students are paid \$6,163 more than teachers in schools with the fewest minority students.

In short, the state has produced a situation in which the districts with the highest concentration of minority students pay the highest average teacher salaries, but these districts have experienced the lowest growth since 2003-04.

Table 15: Average Teacher Salary by % of Minority Students from 2003-04 to 2006-07

Category	Category Definitions	N of Teachers	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 3.17%	3,656	\$35,526	\$38,387	\$39,851	\$40,383	14%
Quintile 2	3.18% - 6.86%	5,022	\$37,003	\$40,065	\$41,002	\$41,894	13%
Quintile 3	6.87% - 20.50%	5,549	\$38,401	\$41,076	\$42,058	\$44,245	15%
Quintile 4	20.51% - 43.39%	7,317	\$39,365	\$41,924	\$43,870	\$45,277	15%
Quintile 5	43.39% - above	11,568	\$42,249	\$43,093	\$45,148	\$46,546	10%
Diff Q5-Q1			\$6,722	\$4,707	\$5,298	\$6,163	
State Total		33,112	\$39,466	\$41,541	\$43,141	\$44,494	13%

Figure 9: Average Teacher Salary by % of Minority Students from 2003-04 to 2006-07



5. Do districts with low property values pay lower teacher salaries?

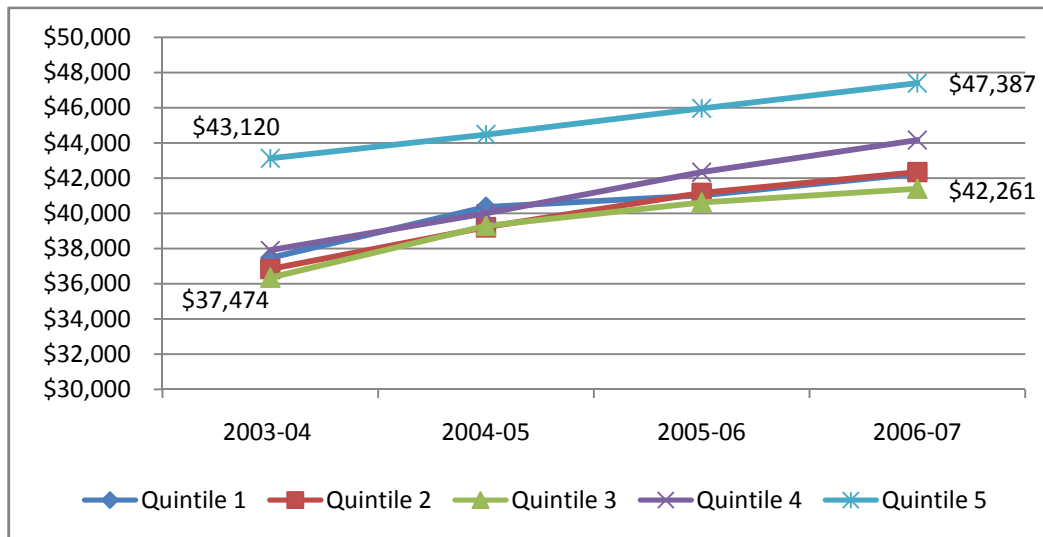
Districts with the highest local wealth, as measured by the per pupil assessed property valuation of the district, pay teachers the most. In 2003-04, the average teacher salary in districts with the highest local wealth (more than \$77,000 per student) was \$43,120, compared to \$37,474 for districts with the lowest local wealth. The gap in spending for the districts with the highest and lowest local wealth did decrease from 2003-04 to 2006-07.

In short, the state has produced a situation in which the districts with the highest local wealth pay teachers at the highest levels, but these high wealth districts have experienced the lowest increases since 2003-04.

Table 16: Average Teacher Salary by Assessed Property Valuation from 2003-04 to 2006-07

Category	Category Definitions	N of Teachers	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0 - \$41,717	4,138	\$37,474	\$40,376	\$41,018	\$42,261	13%
Quintile 2	\$41,718 - \$50,234	5,109	\$36,845	\$39,213	\$41,161	\$42,339	15%
Quintile 3	\$50,235 - \$62,223	4,917	\$36,342	\$39,295	\$40,612	\$41,401	14%
Quintile 4	\$62,224 - \$77,029	5,984	\$37,902	\$39,987	\$42,334	\$44,153	16%
Quintile 5	\$77,030 - above	12,963	\$43,120	\$44,473	\$45,953	\$47,387	10%
Diff Q5-Q1			\$5,646	\$4,097	\$4,935	\$5,127	
State Total		33,112	\$39,466	\$41,541	\$43,141	\$44,494	13%

Figure 10: Average Teacher Salary by Assessed Property Valuation from 2003-04 to 2006-07



6. *Do districts serving low-performing students pay lower teacher salaries?*

In Arkansas, policymakers are concerned with ensuring high quality teachers are placed in front of the students most in need. One way to examine the equity of teacher quality is to examine the salary of teachers as related to the needs of the students. Therefore, we examined the extent to

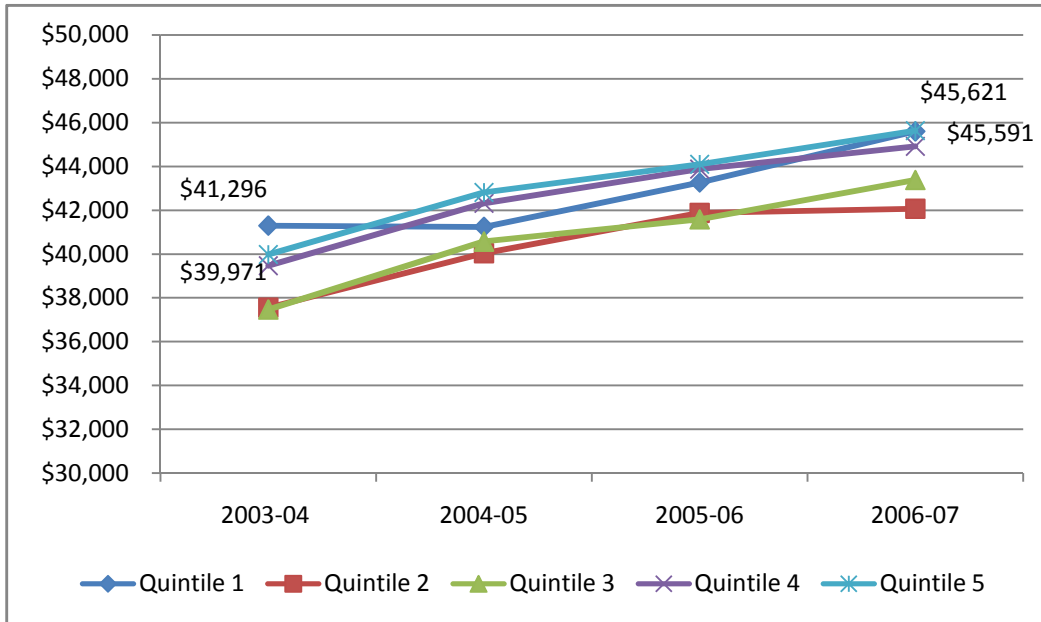
which average teacher salaries vary by district performance on the Arkansas Benchmark exam. As shown in Table 17, districts with the highest levels of student proficiency on the state Benchmark exam spend the most on teacher salaries. In 2003-04, the average salaries in districts with the highest student proficiency stood at just under \$40,000 per year, while average salaries for districts with the lowest student proficiency were at \$41,296.

In short, the state has produced a situation in which the districts with the lowest performing students pay the highest salaries, but these districts have experienced smaller salary growth since 2003-04.

Table 17: Average Teacher Salary by % of Students Scoring Proficient or Better on Arkansas Benchmark Exam from 2003-04 to 2006-07

Category	Category Definitions	N of Teachers	2003-04	2004-05	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 40.17%	7,803	\$41,296	\$41,238	\$43,260	\$45,591	10%
Quintile 2	40.17% - 47.42%	5,831	\$37,555	\$40,040	\$41,874	\$42,064	12%
Quintile 3	47.43% - 52.00%	4,769	\$37,463	\$40,565	\$41,575	\$43,372	16%
Quintile 4	52.01% - 57.42%	6,894	\$39,463	\$42,312	\$43,874	\$44,910	14%
Quintile 5	57.43% - above	7,723	\$39,971	\$42,803	\$44,094	\$45,621	14%
Diff Q5-Q1			-\$1,324	\$ 1,566	\$834	\$30	
State Total		33,020	\$39,404	\$41,489	\$43,088	\$44,513	13%

Figure 11: Average Teacher Salary % of Students Scoring Proficient or Better on Arkansas Benchmark Exam from 2003-04 to 2006-07



D. Athletic Expenditures

Athletic expenditures have garnered much discussion, yet the data before 2005-06 are very unreliable. Therefore, we only include 2005-06 and 2006-07 in our analyses below. Indeed, we caution that these numbers should be viewed skeptically given the findings from the legislative audit for athletic expenditures, which found that the average district mis-reported expenditures by approximately 20%. We anticipate future evaluations providing more reliable data for athletics; however, we include the following comparisons to provide a glimpse into the level and equity of spending for athletics.

1. How much is spent on athletics?

First of all, to assess the concern voiced by many that too much of our school budgets are being allocated to athletic expenditures, we provide data from 2005-06 on statewide athletic expenditures. We can make no claims regarding whether districts are spending too much or too little as we have no way to guess how much *should* be spent in this area; however, we can describe how much is categorized as athletic spending.

We find that, on average, districts in Arkansas spent \$227 per pupil in athletic expenditures in 2005-06 and \$270 per pupil in 2006-07. In each year, this accounted for roughly 3% of the current expenditures per pupil.

2. Do smaller districts spend more on athletics?

As shown in Table 18, the largest and smallest districts spent at nearly the same levels for athletics and had lower athletic expenditures per pupil than did districts with medium enrollments. For instance, in 2005-06, the athletic expenditures per pupil in the smallest districts was \$224, compared to \$282 for districts with memberships between approximately 1,250 and 2,500.

Table 18: Athletic Spending Per Pupil by Average Daily Membership from 2005-06 to 2006-07

Category	Category Definitions	Avg. ADM (06-07)	N of Districts	N of Students	2005-06	2006-07	% change 2003 to 2007
Quintile 1	Below - 554	471	49	23,075	\$224	\$257	15%
Quintile 2	555 - 825	681	49	33,375	\$246	\$244	-1%
Quintile 3	826 - 1,233	989	49	48,483	\$257	\$275	7%
Quintile 4	1,234 - 2,439	1,662	49	81,424	\$282	\$342	21%
Quintile 5	2,440 - above	5,582	49	273,510	\$203	\$253	24%
Diff Q5-Q1					-\$21	-\$4	
State Total		1,877	245	459,865	\$227	\$270	19%

3. Do districts serving low-income students spend more on athletics?

We ask whether high-poverty districts are spending more on athletics. Here, we do not find any clear pattern. The districts serving the fewest low-income students are the highest spenders (at \$310 per pupil in 2006-07), but the districts serving the greatest concentration of low-income students spend nearly as much at \$294 per pupil.

Table 19: Athletic Spending Per Pupil by % of Low-Income Students from 2005-06 to 2006-07

Category	Category Definitions	Avg. ADM (06-07)	N of Districts	N of Students	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 45.58%	2,385	55	131,188	\$263	\$310	18%
Quintile 2	45.58% - 53.10%	2,074	59	122,371	\$194	\$288	48%
Quintile 3	53.11% - 60.85%	2,228	49	109,174	\$203	\$202	-1%
Quintile 4	60.86% - 71.39%	1,164	44	51,226	\$270	\$253	-6%
Quintile 5	71.40% - above	1,211	37	44,810	\$221	\$294	33%
Diff Q5-Q1					-\$42	-\$16	
State Total		1,880	244	458,769	\$227	\$270	19%

4. Do districts serving minority students spend more on athletics?

We examine the extent to which athletic expenditures vary by the percentage of minority students within a district. As shown in Table 20, districts serving the highest concentration of minority students were the lowest spending of the groups on athletics, spending at levels well below the state average. For example, in 2006-07, students in the highest-minority districts benefited from \$206 per pupil in athletic spending as compared to the state average level of \$270 per pupil.

Table 20: Athletic Expenditures Per Pupil by % of Minority Students from 2005-06 to 2006-07

Category	Category Definitions	Avg. District (06-07)	N of Districts	N of Students	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 3.17%	959	50	47,967	\$242	\$262	8%
Quintile 2	3.18% - 6.86%	1,384	51	70,567	\$244	\$284	16%
Quintile 3	6.87% - 20.50%	1,611	49	78,932	\$273	\$299	9%
Quintile 4	20.51% - 43.39%	2,102	49	102,987	\$237	\$343	45%
Quintile 5	43.39% - above	3,465	46	159,412	\$186	\$206	11%
Diff Q5-Q1					-\$56	-\$56	
State Total		1,877	245	459,865	\$227	\$270	19%

5. Do districts with low property values spend more on athletics?

We also asked whether districts with higher local property values spend more on athletics. Here, we find that the districts in the two highest wealth groups spend below the state average on athletics, while the districts in the three lowest wealth groups spend above the state average of \$270 per pupil.

Table 21: Athletic Expenditures Per Pupil by Assessed Property Value from 2005-06 to 2006-07

Category	Category Definitions	Avg. District (06-07)	N of Districts	N of Students	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0 - \$41,717	1,181	49	57,876	\$245	\$305	25%
Quintile 2	\$41,718 - \$50,234	1,448	49	70,971	\$272	\$275	1%
Quintile 3	\$50,235 - \$62,223	1,355	49	66,408	\$247	\$287	16%
Quintile 4	\$62,224 - \$77,029	1,659	49	81,285	\$213	\$252	18%
Quintile 5	\$77,030 - above	3,741	49	183,324	\$202	\$260	28%
Diff Q5-Q1					-\$42	-\$45	
State Total		1,877	245	459,865	\$227	\$270	19%

6. Do districts serving low-performing students spend more on athletics?

Finally, we examine whether districts that perform better academically spend more or less on athletics. As shown in Table 22, districts that perform better spend more on athletics. In 2005-06, the average spending in districts with the highest percentage of students scoring proficient (more

than 57%) was \$260, compared to \$199 for the lowest performing districts. This gap in spending for the districts with the highest and lowest performance remained stable in 2006-07.

Table 22: Total Athletic Expenditures Per Pupil by % Proficiency from 2005-06 to 2006-07

Category	Category Definitions	Avg. District (06-07)	N of Districts	N of Students	2005-06	2006-07	% change 2003 to 2007
Quintile 1	0% - 40.17%	2,260	46	103,946	\$199	\$223	12%
Quintile 2	40.17% - 47.42%	1,549	50	77,433	\$196	\$234	20%
Quintile 3	47.43% - 52.00%	1,406	48	67,490	\$255	\$252	-1%
Quintile 4	52.01% - 57.42%	1,940	51	98,925	\$225	\$344	53%
Quintile 5	57.43% - above	2,265	49	110,975	\$260	\$285	10%
Diff Q5-Q1					\$61	\$62	
State Total		1,880	244	458,769	\$227	\$270	19%

IV. CONCLUSIONS

Since the *Lake View* court case reached the Arkansas Supreme Court, the Arkansas Legislature has made dramatic changes to the level and distribution of resources to Arkansas schools. Past challenges leveled against the state dealt with issues of adequacy of funding and the equity of the distribution of funding. Changes enacted during and since the 2003-04 special legislative session were intended to both improve the adequacy of resources and increase the equity by channeling more resources to disadvantaged students. The goal of this report, simply put, has been to assess the extent to which the state of Arkansas has met the court mandate of improving the adequacy and equity of the state's system of school funding. In short, state policymakers have made great strides in both of these areas since the Supreme Court mandated change in its 2002 ruling.

A. Resource Levels have Increased

- Per pupil revenue has increased by 27% from \$7,696 to \$9,736, including a 17% increase in the foundation amount from \$4,805 to \$5,620 per pupil.
- Indeed, per pupil spending in Arkansas is now second only to that in Missouri of the neighboring states and is equal to the national average.
- The state share of education funding has increased from 49% to 53%.
- Total revenue allocated to K-12 education has increased from \$3.45 billion to \$4.48 billion.
- Today in Arkansas, nearly 50 cents of every dollar raised by the state government is spent on K-12 education.

B. Resource Equity for Disadvantaged Students has Improved

- Districts with higher percentages of low-income students spend more per pupil than do districts with lower percentages, and this difference has increased. In 2006-07, districts serving the greatest numbers of poor students had current expenditures per pupil of more than \$9,300; this is \$1,000 more than the state average.
- Districts serving large numbers of minority students spend more per pupil than do districts serving mostly white students, and this difference has increased. In 2006-07, districts serving the greatest numbers of minority students had current expenditures per pupil of nearly \$9,200 as compared to the state average level of approximately \$8,300.
- Districts serving academically-struggling students spend more per pupil than do districts serving higher performing students, and this difference has increased. In 2006-07, districts in which more than 60% of students did not pass benchmark exams had current expenditures per pupil of nearly \$9,600 as compared to the state average level of approximately \$8,300.
- Smaller school districts have higher than average levels of per pupil spending. In 2006-07, the state's smallest districts, most serving fewer than 500 students, had current expenditures per pupil of more than \$8,500 as compared to the state average level of approximately \$8,300.

C. Teacher Salaries have Increased

Teacher salaries are often at the center of discussions of funding adequacy and equity. Policymakers frequently deal with the question: Are teacher salaries high enough? While there is no evidence that across-the-board increases in teacher salaries lead to improved teacher quality or student achievement, policymakers often use new educational resources to improve teacher salaries in the hopes of recruiting and retaining talented teachers. In Arkansas, the story is no different, and we find that the increased resources allocated to schools have been accompanied by increases in teacher salaries.

- Unadjusted teacher salaries have improved 13% since 2003-04, from \$39,466 to \$44,494.
- Compared to neighboring states and the national average, Arkansas teacher salaries have improved dramatically over the previous ten years. Indeed, adjusting for cost of living differences between states, Arkansas teacher salaries in 2004-05 were just below the national average and placed the state 25th among the 50 states and above most bordering states.
- Districts serving large numbers of minority students pay higher salaries than do districts serving mostly white students. In 2006-07, districts serving the greatest numbers of minority students had average teacher salaries in excess of \$46,500 as compared to the state average of approximately \$44,500.
- Districts serving academically-struggling students pay higher salaries than do most other districts in the state. In 2006-07, districts in which more than 60% of students did not pass benchmark exams had average teacher salaries in excess of \$45,500 as compared to the state average of approximately \$44,500.
- Larger districts continue to pay higher salaries than do smaller districts, but this difference has decreased since 2003-04.
- Districts serving high numbers of low-income students continue to pay lower salaries than do those serving fewer low-income students, but this difference has decreased since 2003-04.

D. Athletic Spending is an Area of Concern

Beyond the discussion of adequacy and equity, yet perhaps even more important to the taxpayer, is a discussion of athletic expenditures. While many people across the state discuss the construction of a new sports complex or the salary of a new coach, until recently, it was almost impossible to determine how much Arkansas schools spent on sports, because districts were not required to report their athletic budgets. For years though, state education leaders, such as Sen. Jim Argue and State Board of Education member Ben Mays, have raised concerns about the money spent on athletics.

In line with the persistent request for greater accountability in all aspects of education, the legislature passed Act 255 of 2007, requiring districts to report athletic expenditures publicly. 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 mis-reported spending by nearly 20%.

E. Summary and Implications

Throughout this report, we examined the adequacy and equity of school funding in Arkansas. Historically, we find that Arkansas has been relatively equitable in funding in comparison to the nation and neighboring states and remains so today. However, allegations have been leveled in the past that Arkansas was not providing enough resources to provide an adequate education prior to the 2002 court ruling and the subsequent legislative responses. The data presented here indicate that the changes to the funding system which resulted in significant funding increases in 2004-05, 2005-06, and continued increases in 2006-07 have gone a long way toward improving the resource adequacy of our system.

Moreover, policymakers have enacted policies to enhance the equity of our system through dramatic funding increases to small school districts, districts serving our most disadvantaged students, districts serving high percentages of minority students, and districts whose students are struggling academically.

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. Also, 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.