Arkansas’ school current school funding formula was created as a result of the Arkansas Supreme Court *Lake View School District No. 25 v. Huckabee* compliance order in 2002. The funding formula established a foundation funding amount, which is adjusted each year with a 3% increase based on adequacy recommendations ($6,267 per pupil in 2012-13). The formula allocates additional funding based on categorical status; therefore, in 2012-13, per pupil revenue amounted to $10,668. The state budget allocates 63% of its general revenue funds to education, which totaled just over $3 billion of the $5 billion budget for the fiscal year 2013.

- **Categorical Funding:** The 2013 General Assembly passed an expected 3% increase to categorical funding allocations for two categorical fund allocations: alternative learning environment (ALE) students and English Language Learner (ELL) students. The Assembly did not increase the categorical funding amount for students in poverty (known as the National School Lunch Act, NSLA). The current system allocates funding per free-and-reduced lunch pupil through a tiered system: districts with 0%-69% FRL students receive $517 per FRL pupil, districts with 70%-89% FRL students receive $1,033, and districts with 90%+ FRL students receive $1,549 per pupil. During the 2013 session, a proposal sought to reform the allocation structure of NSLA funding, by creating a sliding-scale structure that accounts for concentration of poverty. The proposed system failed to pass through committees, primarily due to pressure legislatures received from districts that would lose funding under the proposed system.

- **Public School Employee Health Insurance Plan:** In October, Arkansas General Assembly convened in the 1st Extraordinary Session of 2013 to address increases in insurance premiums for Arkansas’ public school employees. In August, the State and Public School Life and Health Insurance Board faced a funding gap of almost $50 million and an empty catastrophic claims reserve fund, which had been drained by a larger than expected number of catastrophic claims in 2012. In response, the Board approved premium increases of nearly 50% for most plans and instituted additional fees to help fund the catastrophic claims reserve. To combat the existing and future funding gaps, the Special Session passed a number of measures. The Session allocated a one-time subsidy of $43 million from state surplus funds (currently, the state’s surplus holds approximately $164.8 million, as by state law, Arkansas is required to have a balanced budget). Additionally, the Special Session shifted future funding from general facilities and supplemental millage funding (which have been phased out) to the insurance plan. The Session created a task force to study long-term fixes for teacher insurance and to present recommended changes by June 2014.

- **Arkansas Supreme Court Overturned Returning of Excess Foundation Funds:** In November 2012, the Arkansas Supreme Court overturned the state’s practice of collecting excess foundation funding with the *Kimbrell v. McCleskey* decision. The case was brought to the court by two districts (Fountain Lake School District and Eureka Springs School District) that were generating more local revenue per pupil from the
Uniform Rate of Tax (25 mills) than needed to fund the foundation formula per pupil amount. Previously, the state collected this excess funding; however, the Supreme Court overturned that practice by ordering that the funding belongs to the district where the taxes were generated and collected. As a result, in the 2013-14 school year, eight school districts are able to retain the excess funding, which amounts to $8 million (0.16% of total education revenue in the state).

- **Pulaski County Desegregation Lawsuit**: In January 2014, the three districts in Arkansas’ largest county (Pulaski County) reached a settlement agreement with the state over a longstanding desegregation lawsuit. The settlement will phase out the yearly payments made to the districts and end payments after the 2017-18 school year. Since the original lawsuit in 1989, more than one billion dollars has been paid to the three districts by the state.

**Other Arkansas policies of note:**

- **Inter-district School Choice**: The Public School Choice Act of 2013 restructured the inter-district school choice system in the state. Previously, the Public School Choice Act of 1989 established race-based restrictions, which permitted transfers only in cases where a transferring student is a member of a minority population in the new district. The new Act removes the race restrictions, but it limits transfers by setting a 3% cap on transfers in every district. The new Act also allows districts under desegregation orders to apply to be exempt from incoming and outgoing transfers.

- **Charter Authorizer**: The 2013 General Assembly changed Arkansas’ sole charter authorizer from the State Board of Education to a board within the Department of Education that is appointed by the Commissioner of Education.

- **Arkansas School Recognition and Reward Program**: In the 2013 General Assembly, Act 1429 created the Arkansas School Recognition and Reward Program to reward the top 20% of schools based on student achievement (academic performance and growth, and graduation rates when applicable). Based on 2012-13 performance, 206 schools (out of nearly 1,075 in the state) are set to receive almost $7 million in reward funds.

- **Schools of Innovation**: The 2013 General Assembly passed an act to establish Schools of Innovation that will create and implement innovative plans to increase academic performance by “transforming and improving teaching and learning.” Beginning in the 2014-15 school year, interested schools will submit innovative plans to the Arkansas Department of Education, and if approved (by the Commissioner), schools will receive necessary waivers to operate the plans. Schools of Innovation will receive no additional funding from the state.

- **Digital Learning Act**: The 2013 General Assembly passed the Digital Learning Act of 2013, which requires all public school districts to provide at least one digital learning course as a primary or supplementary method of instruction. Subsequently, beginning with students in the graduating class of 2017-18, every student will be required to take at least one digital learning course to graduate.