



Advisory Committee on Public School Academic Facilities

**Rules and Wealth Index Sub-Committee
February 27, 2018**



Processes Wealth Index Funding

Processes

- Master Plan
- Partnership Program
- Timelines
- Project Categories and Definitions
- Project Prioritization

Wealth Index

- Percentage of State share
- District's ability to pay
 - Poverty
 - Mill Value

Funding

- Wealth Index
- Millage Rates
- Mill Value
- Fund Balances
- Sources of Funds
- Excess Debt Service
- Funding vs. Approved Projects

Proposed Timeline – 2018

Advisory Committee on Public School Academic Facilities

January	Roll out – Processes
February	Approve – Processes Roll out – Wealth Index and Funding
March	Discuss – Wealth Index and Funding
April	Approve – Wealth Index and Funding
May	Approve – First Draft Report
June	Approve – Final Report
July	Brief – Commission

Summary

- Revised process and timeline
 - Places emphasis on District Master Plan and Division review
 - Districts have more time to prepare Master Plan and project applications and Division has more time to review
 - All applications receive “early” review
- Division state-wide needs priority lists
 - Helps to direct funding to priority needs
 - In combination with wealth index, can forecast and level funding requirements
 - Develops state plan/goals
- Two categories
 - Prioritize warm, safe, and dry and growth/space with funds for both categories
 - Focus Program to reduce Partnership Program funding requirements

Recommendations

- 1. Project Categories
 - Change from 3 to 2 – Space/Growth and W/S/D – Partnership Program Rules (Rules)
 - Split Partnership Program funds into two “pots”
- 2. Project Definitions (Rules)
- 3. Approved Project Prioritization (Rules)
- 4. Timelines and Process
 - All statutes in place
 - Repeal Act 864 of 2017 – Early Application
 - Remove March 1 final application date (Rules)



Wealth Index

Partnership Program – State Financial Participation Determination

- Qualified project scope in square feet (e.g. 10,000 SF)
 - Academic Space
 - Program of Requirements (POR)
- Project cost factor (e.g. \$130/SF)
 - Currently limited to \$175/SF
- Qualifying Project Cost (QPC)
 - Scope x cost factor
 - 10,000 SF x \$130/SF = \$1,300,000
- State Financial Participation = QPC x (1 minus **Wealth Index**)
 - If **Wealth Index** = 0.350
 - State Financial Participation = \$1,300,000 x 0.65 = \$845,000



Academic Facilities Wealth Index



- School district share of project
- Complex computation of value of one mill per student
- **Each district compared to the 95th percentile district**
- Wealth Index goes up (*becomes wealthier*) if you lose students or gain assessment
- Wealth Index goes down (*becomes poorer*) if you gain students or lose assessment



Research Report

Academic Facilities Funding, Expenditures and Distress

November 29, 2017

Prepared for

**THE HOUSE INTERIM COMMITTEE ON EDUCATION
AND THE SENATE INTERIM COMMITTEE ON EDUCATION**



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Bureau of Legislative (BLR) Research Report Discussion on Wealth Index

- Property Wealth versus Family Incomes (p. 19)
 - Free and Reduced Lunch
- Mill Value (p. 20)
- Declining Enrollment and High Growth (p. 20-21)

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Declining Enrollment and High Growth

- BLR report reviewed +/- 20% growth
- Division Data
 - 141 Declining Districts
 - 38 Districts < -20%
 - 95 Growing Districts
 - 29 Districts > +20%

Declining Enrollment and High Growth

- Adjust wealth index for +/- 20% growth districts
- Advisory Committee approved Partnership Program rule change in previous meeting for all districts
- Lesser (most favorable) wealth index of –
 - 2005 wealth index (start of program) – No district wealth index worse than at start of program
 - Ten year average wealth index – Mitigates/smooths yearly wealth index values due to enrollment changes

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Mill Value

- Looked at hypothetical “typical” new school project
 - 500 students (Foundation Funding number)
 - POR about 190 SF/student
 - Assumed \$200/SF
 - Cost of new hypothetical school about \$19,000,000
 - Size and cost reduced for districts < 500 students

Mill Value

- At 3% and 30-year amortization about \$1,000,000 revenue per year for new school
- (Less for districts < 500 students)
- (1-wealth index) [adjusted for +/- 20% enrollment growth] times \$175/SF to compute state share and remainder is local share of yearly revenue
- District mill value times number of mills gives district revenue (**Used 12 mill state average from page 16 BLR report**)

Mill Value

- 26 districts had mill value revenues less than required to fund “hypothetical” project
- Sorted all districts by mill values
- All 26 deficient districts were in top quartile of all mill values for all districts
- **Reduced wealth index of all districts in top quartile by -0.10**
- Performed same analysis for “hypothetical” project
- **All districts had sufficient mill value at 12 mills debt service with adjustment of -0.10**

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Poverty

- Used 2016 U.S. Census Poverty Estimates for School Districts
- Computed percent of children ages 5-17 in poverty in each school district
- Minimum poverty percentage – 5.97%
- Maximum poverty percentage – 53.45%
- Average poverty percentage – 24.15%

Poverty

- Sorted poverty percentage for all school districts
- For first quartile (59 districts) reduce wealth index by -0.10
- For second quartile (next 59 districts) reduce wealth index by -0.05
- No adjustments for districts in third and fourth quartiles

Adjusted Wealth Index

- Enrollment – Yearly computed wealth index or lesser of 2005 wealth index or ten-year average wealth index (for districts with +/- 20% change in enrollment since 2005)
- Mill value – Reduce wealth index by -0.10 for districts in first quartile (59 districts)
- Poverty –
 - Reduce wealth index by -0.10 for districts in first quartile (59 districts)
 - Reduce wealth index by -0.05 for districts in second quartile (59 districts)

Adjusted Wealth Index

- **ALL RESULTS FOR PROCESS ONLY, INDIVIDUAL COMPUTATIONS MAY CONTAIN ERRORS OR OMISSIONS**
- Decrease in Wealth Index
 - 146 districts: -0.85% to -84%
 - Average reduction: -28.8%
- No Change in Wealth Index
 - 71 districts
- Increase in Wealth Index
 - 19 districts: +0.01% to +28.8%
 - Average increase: +8.9%

Adjusted Wealth Index

- **ALL RESULTS FOR PROCESS ONLY, INDIVIDUAL COMPUTATIONS MAY CONTAIN ERRORS OR OMISSIONS**
- Review of Adjusted Wealth Index Values – **Draft – Very Preliminary – Process Only**
- Review of Impact to State Financial Participation
 - 2015-2017 Project Funding Cycle
 - 2017-2019 Project Funding Cycle

Adjusted Wealth Index

- **General Discussion**
- **Legislator Concerns**



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