

**ARKANSAS DEPARTMENT OF EDUCATION
RULES GOVERNING THE DISTRIBUTION OF
CONSOLIDATION/ANNEXATION INCENTIVE FUNDING**
November 2005

1.0 PURPOSE

- 1.01 These rules shall be known as the Arkansas Department of Education Rules Governing the Distribution of Consolidation/Annexation Incentive Funding.
- 1.02 It is the purpose of these rules to provide the method for allocation of funds to provide a monetary incentive for those school districts that are consolidating or annexing.

2.0 AUTHORITY

- 2.01 The State Board of Education's authority for promulgation of these rules is pursuant to Ark. Code Ann. § 6-11-105 and Ark. Code Ann. § 6-13-1401 et seq.

3.0 DEFINITIONS

- 3.01 "Affected District" means a school district that loses territory or students as a result of annexation or consolidation.
- 3.02 "Annexation" means the joining of an affected school district or part thereof with a receiving district.
- 3.03 "Average Daily Membership" (ADM) means the total number of days attended plus the total number of days absent by students in grades kindergarten through twelve (K-12) during the first three (3) quarters of each school year divided by the number of school days actually taught in the district during that period of time rounded up to the nearest hundredth.
- 3.04 "Consolidation" means the joining of two (2) or more school districts or parts thereof to create a new single school district.
- 3.05 "Foundation Funding" means an amount of money specified by the General Assembly for each school year to be expended by school districts for the provision of an adequate education for each student.
- 3.06 "Foundation Funding Amount per Student" means a dollar amount established by the General Assembly to be multiplied by the ADM of the previous school year for the district foundation funding.
- 3.07 "Funding Factor" means a factor established by the Arkansas Department of Education (Department) to ensure that the calculated funding does not exceed the funds available for consolidation/annexation incentive funding.
- 3.08 "Receiving District" means a school district or districts that receive territory, students, or both from an affected district as a result of annexation.
- 3.09 "Resulting District" means the new school district created from an affected district or districts as a result of consolidation.

4.0 DISTRIBUTION GUIDELINES

4.01 Consolidation/annexation incentive funding shall be determined as follows:

- 4.01.1 One hundred percent (100%) of the incentive allowance computed as provided in these rules shall be added to the school district's aid the first year of consolidation/annexation. The second year of consolidation/annexation the district shall receive fifty percent (50%) of the consolidation/annexation incentive funding granted the previous year in addition to other state aid. Beginning in the third year and each year thereafter no consolidation/annexation incentive funding shall be provided. The consolidation/annexation incentive is intended to supplement the customary state aid the districts would have received had the consolidation/annexation not occurred.
- 4.01.2 For those school districts not required to be consolidated/annexed in the current school year, if two (2) districts consolidate or one (1) district is annexed to another school district, multiply the prior year ADM of the smaller district by the foundation funding amount per student by the funding factor, where the minimum ADM applicable is one hundred (100) and the maximum ADM applicable is three hundred (300).
- 4.01.3 For those school districts required to be consolidated/annexed in the current school year, if two (2) districts consolidate or one (1) district is annexed to another school district, multiply the current year ADM of the smaller district by the foundation funding amount per student, by the funding factor, where the minimum ADM applicable is one hundred (100) and the maximum ADM applicable three hundred (300).
- 4.01.4 For those school districts not required to be consolidated/annexed in the current school year, if three (3) districts consolidate or two (2) districts are annexed to a third school district, multiply the total prior year ADM of the two (2) smaller districts by the foundation funding amount per student by the funding factor, where the minimum ADM applicable is one hundred (100) and the maximum ADM applicable is four hundred (400).
- 4.01.5 For those school districts required to be consolidated/annexed in the current school year, if three (3) districts consolidate or two (2) smaller districts are annexed to another school district, multiply the current year ADM of the smaller district by the foundation funding amount per student, by the funding factor, where the minimum ADM applicable is one hundred (100) and the maximum ADM applicable three hundred (300).
- 4.01.6 For those school districts not required to be consolidated/annexed in the current school year, if four (4) or more district consolidate or three (3) districts are annexed to a fourth school district, multiply the total prior year ADM of all except the largest district by the foundation funding amount per student by the funding factor, where the minimum ADM applicable is one hundred (100) and the maximum ADM applicable is five hundred (500).
- 4.01.7 For those school districts required to be consolidated/annexed in the current school year, if four (4) or more districts consolidate or three (3) or more districts are annexed to another school district, multiply the current year ADM of the smaller district by the foundation funding amount per student, by the funding factor, where the minimum ADM applicable is

one hundred (100) and the maximum ADM applicable three hundred (300).

- 4.01.8 If a district is annexed by multiple school districts, the incentive funding shall be computed as in 4.01.1 – 4.01.7 above. The incentive funding shall then be prorated among the receiving districts based upon the percentage of the annexed district's ADM received by each receiving district.

5.0 GENERAL REQUIREMENTS

- 5.01 Consolidation/annexation incentive funding shall be distributed to either the resulting district(s) established after consolidation or the receiving district(s) after annexation.
- 5.02 Any district that has received consolidation/annexation incentive funds and subsequently dissolves shall be liable to the Department for the full or apportioned amount of incentive funding received if any of the following conditions result due to the dissolution:
- 5.02.1 Districts are formed with substantially the same boundaries as the former districts prior to consolidation or annexation;
- 5.02.2 The ability of any district to desegregate or remain desegregated is inhibited;
- 5.02.3 The ability of the State to ensure that students are provided a quality education in an efficient manner is inhibited.
- 5.03 Any repayment due, as required in 5.02 above, shall be paid from the assets of the district prior to dissolution of the district. The Department may withhold, from any state funding due the district, the amount of repayment funds or a portion thereof.
- 5.04 In the event full repayment is not made as required under 5.02 above, the Department shall withhold from those districts that are formed as a result of the dissolution, future state funding in the amount of the repayment owed. The repayment shall be apportioned among the districts on a per ADM basis unless the Department determines that such apportionment would be inequitable. In such case, the State Board of Education shall apportion the repayment among the districts upon an equitable basis.