Committee Members – Present
Jim Alessi, Chairman
Charles Stein, Vice Chairman
Brad Montgomery, Secretary
Brent Massey
Cody Beene
Jeff Steiling
Jim Tucker
John Hoy
Jon Collins
LaKenya Riley
Nathan Smith
Rusty Mullen
Craig Boone, Ex Officio
Doug Harris, Ex Officio
Scott Copas, Ex Officio

Committee Members – Absent
Jim Yeager
Malinda Martin-Johnson
Scott Archer

Division Staff – Present
Brad Montgomery, Director
Carol Bowman, Administrative Analyst

Approval of Meeting Minutes from February 27, 2018

Processes, State Needs Lists, Wealth Index

Discussion on Wealth Index included:
- Property Wealth versus Family Incomes (Free and Reduced Lunch)
- Mill Value
- Declining Enrollment and High Growth

Dr. Stein reviewed proposed Adjusted Wealth Index plan:
- Enrollment – Yearly computed wealth index or lesser of 2005 wealth index or 10-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 school districts)
- Poverty
  - Reduce wealth index by -0.10 for districts in first quartile (59 school districts)
  - Reduce wealth index by -0.05 for districts in second quartile (59 school districts)

Dr. Stein reviewed Wealth Index Adjustments from Senator Blake Johnson and Representative Charlotte Douglas February 27, 2018, presentation to Advisory Committee:
- One mill per ADM (Average Daily Membership)
- Divided by median income for district
- Computed Adjusted Wealth Index using comparisons to 95% district
- Appears to be good process but did not account for significant enrollment change

Dr. Stein indicated he modified proposed plan to facilitate Sen. Johnson and Rep. Douglas:
- One mill per maximum ADM over 10 years
- Divided by median income for District
- Computed Adjusted Wealth Index using comparisons to 95% district
- Revised process accounts for significant enrollment decreases
- Mill value check for hypothetical project and at least 12 debt mills (average) indicated all districts okay
- Reduced 2017-2019 Year-One funding by $10 million

Dr. Stein presented data results marked “very preliminary” Adjusted Wealth Index Values and impact on 2015-2017 and 2017-2019 Project Funding cycles.
Dr. Greg Holland, Director of Arkansas Research Center University of Central Arkansas, made Data Quality summary presentation, which included:

- What comes to mind when think of data – facts and figures, statistics, information, names and addresses, ones and zeros, spreadsheets, and records.
- What comes to mind when think of data quality – accuracy, completeness, current, no errors, reliability, verifiable.
- If compare data to water, is the data good enough to “drink”
- Is data someone’s opinion or accurate and believable
- Dr. Richard Wang, a data expert, temporarily in Arkansas and was great source. Helped MIT in 1990s identify 179 different ways people think of “data quality”

Categorized and Summarized Data Quality
- Intrinsic
- Contextual
- Representational
- Accessibility

Data quality process follows simple plan
- Define
- Measure
- Analyze
- Improve
- Control

Point of high quality data, i.e., solving problems, accurate records, planning. Is it “fit for use”?

Alternative Wealth Index Solution
Nathan Smith stated he was new to Arkansas when began with Advisory Committee so did research to become more informed since he could not find data.

Discussion included:
- If Division requires higher quality materials used in construction, would it make school facility last 70 years or still remain at 20-year life expectancy, which would not justify additional expenses.
- Districts self-report systems data, which if not checked, school districts could “monkey” with numbers to their benefit.
- M&O staff completed inspection reports in Microsoft Excel, without a data “system”, which made inspection reports unusable.
- Might be a recommendation the Advisory Committee could add to the report, and may require more funding.
- Need more asset management. Brad Montgomery added Division needs to shift our paradigm more from asset management standpoint than mere compliance inspection site visits to approach this process.
- Scott Copas asked what authority Division had to manage school buildings. Response included State Mandated Inspections included in statute, but Division did not have clear enough enforcement authority for use of SchoolDude.
- Question asked what Division could do if buildings not maintained, and response was Academic Facilities Distress and/or Early Intervention, and did not penalize funding.
- If Division were provided only one data set to help Division, what would be preference. Response was searchable inspection data, updating ten-year-old Webtool, and better Room Data Export system.
- Question asked if SchoolDude system allowed uploaded inspection reports. Response was Division was unsure but would ask SchoolDude. Suggested it would be helpful for superintendents if M&O inspections included in SchoolDude so had one source for facility details, reports, and updates.
- Jimmy Alessi asked if M&O inspection forms were updated and uploaded into SchoolDude, could funding decisions be based on school districts not maintaining their buildings. Response was Division presently had no authority to penalize school districts for not using SchoolDude as designed.
- Mr. Montgomery stated Division staff had “view only” to school district SchoolDude accounts and do not update the school districts’ SchoolDude accounts in any way. He would request SchoolDude staff make presentation to Advisory Committee on additional services.
- Jon Collins stated Advisory Committee should come up with better way for Division to be more productive and provide Division better resources.

Dr. Smith provided his “take” on a new Wealth Index:
- Local control is still the prevailing governance, and if a school district can pay for adequate facilities, they should pay.
  - Scott Copas stated that it is State’s responsibility to pay. Dr. Smith replied that he was a number cruncher and that was over his head.
State Financial Participation funds should be reserved for funding facilities where severe hardship caused to local voters.

Dr. Smith reviewed:
- Data sources used for analysis.
- Objections to current Academic Facilities Wealth Index (AFWI)
- Property versus Personal Income Wealth
- Where the kids are
- Should ADM be the denominator of the AFWI?
  - Question asked why ADM should be involved.
- Other factors indicative of “ability to pay”
- Net Legal Balances/ADM
- Model slide (technical slide)
- AFWI Comparisons by:
  - Median Income
  - Assessment/Population
  - ADM/Population
- Economic characteristics of high-aid and low-aid areas under proposed new AFWI
- How the proposed new AFWI curtails State spending while delivering more help to the neediest
- Summary
  - Proposed new AFWI would target more State aid to districts with:
    - Lower median income (which current AFWI fails to do)
    - Lower per capita property wealth
    - More students per taxpayer
  - State education facilities budget would be smaller but more redistributive
    - About ¼ instead of ½ of typical project’s qualifying costs would be borne by State
    - For approved projects for 2017-2019, new AFWI would have reduced State financial participation from $209 million to $122 million which is better step in right direction
    - But 78 school districts, with roughly 100,000 students, would see State financial participation increase with new AFWI

Closing discussion included:
- Dr. Smith stated complicated calculations were better than simplicity.
  - Bailouts needed if declining enrollment because larger buildings already built and funding spent.
  - On flip side, declining enrollment would be incentive for school districts to build
  - Data breakdown requested similar to report provided by Dr. Stein. Dr. Smith would send data for Advisory Committee Members to compare.
  - John Hoy stated Governor had asked Advisory Committee to lower funding, which this plan does.
  - Lakenya Riley requested color legend to explain state maps provided in presentation.

Sub-Committee Updates

Assessment
Mr. Montgomery stated Advisory Committee needs to further flesh out what it will ask the vendor to write for the Committee. Dr. Holland with State agency and could assist. He indicated BLR made two presentations on previous day regarding M&O and Transportation and he would forward reports to Advisory Committee members.

Wealth Index, Rules, Ranking
Dr. Stein discussed the process reviewed two meeting prior regarding splitting funding into two pots which Advisory Committee needed to vote on during next meeting. He stated rules would need changed if process changed to a “needs list”. At next meeting, Advisory Committee needed to vote on “needs list”. Dr. Stein would resend entire plan to Advisory Committee members to review prior to next meeting.

Discussion included:
- Should changes to Wealth Index go in effect in 2019-2021 or 2021-2023 biennium:
  - Majority of members supported 2021-2023 to allow time to finalize discrepancies in current data, more responsible approach, so not to rush and mistakes made in changes.
  - Would require Legislative change to Statute in next session and then in rule, which would require public comment period(s) and rest of rule making process before in effect. After Legislative change in Statute, it would take 7-10 months to change rule, and if many public comments received, could take longer.
  - Suggested that Advisory Committee needed input from Commission for Public School Academic Facilities and Transportation on their preference whether to start in 2019-2021 or 2021-2023.
• Dr. Smith suggested splitting to 20% new and 80% old, which might be a problem for school districts, but would appease the Governor.

• Dr. Stein indicated there were Wealth Index issues in 2006-2007 cycle, that two sets of values published and, in order to resolve the problem, school districts used value most beneficial to district.
  □ Dr. Smith indicated that would increase State funding and go against Governor’s wishes.
  □ Once Wealth Index published, some school districts might pull applications and resubmit at later time when could potentially receive more funding.

Manual
Jeff Steiling stated he had not received any comments from facilities managers but sub-committee was close to presenting changes to Advisory Committee. There were no significant changes, only changes governed by code.

Mr. Montgomery stated he met with Arkansas Career Education (ACE) who indicated most of space needed in classrooms was for equipment not number of children, and ACE willing to meet with sub-committee to discuss. Mr. Montgomery stated State School Safety Commission may have details that would need included and might require additional funding, which might need addressed by Legislature. These changes would not require the huge push for changes to Facilities Manual as with this update for the Governor. Mr. Montgomery suggested Advisory Commission attend Committee’s meetings.

State Plan
Mr. Hoy indicated did not have an update on the State Plan, but thought Cost Factors should be on table at the next meeting because $175 was too low which means local patrons had to pay the balances.

Dr. Smith agreed and thought his proposed Wealth Index plan would help with Cost Factor issue.

Mr. Montgomery asked if Advisory Committee wanted Division to publish the actual Cost Factors vs. “capped” Cost Factors, which some members felt might be helpful and finally agreed Division would publish on Division website.

Mr. Hoy stated it was State’s responsibility to pay not the local taxpayers’ responsibility, and was unsure what raising Cost Factor amount would do to State funding.

Other Business

Next Meeting Date
The Committee selected the next meeting date of April 24, 2018, at 9:30 a.m.

Adjourn