



ARKANSAS DEPARTMENT OF EDUCATION

Tier 1 School Finance

2025-2026 Resource Guide

Last Revised May 2025

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Tier 1 Training

At a minimum, two (2) persons per educational entity are required to attend an initial and annual Tier I training, which include:

- The school district superintendent or the education service cooperative director or the open-enrollment public charter school director; and
- A person whose job responsibilities include preparing the budget or overall accounting responsibility.

The two (2) persons per LEA required to attend shall each obtain twelve (12) hours of initial training and instruction necessary to demonstrate basic proficiency as determined by the Department, including but not limited to:

- School laws of Arkansas,
- Laws and rules governing expenditures, fiscal accountability, and school finance,
- Ethics; and
- Financial accounting and reporting of LEAs.

After obtaining the initial training, the two (2) persons required to attend shall obtain a minimum of two (2) hours of Tier I annual training and instruction to maintain basic proficiency in the topics described. Additional annual training may be required by the department based on repetitive or flagrant audit findings or identification of multiple indicators of fiscal distress.

References: A.C.A. § 6-20-2204, [Rules Governing Data Reporting, the Arkansas Public School Computer Network, and Information Systems Section 11.0](#)

Tier II Training

At a minimum, two hours of annual training for employees who are involved in the process of recording and/or reporting of financial transactions but:

- Do not make decisions about selecting codes, or
- Have a limited number of codes they can use.

School district trainers are required to attend Tier I.

Training materials should be based on Tier I material and focused on the specific needs of school district employees.

References: A.C.A. § 6-20-2204, [Rules Governing Data Reporting, the Arkansas Public School Computer Network, and Information Systems Section 11.0](#)

LEARNS Teacher Minimum Salary and Raise Fund

Each school district in the state shall pay classroom teachers upon a minimum base salary of fifty thousand dollars (\$50,000).

To be eligible for all of the funds, a public school district shall:

- Require that each teacher in the public school district is employed at least one hundred ninety (190) school days each year,
- Not adopt a personnel policy or incorporate terms into a personnel contract that provide more rights to personnel than those provided under state law in effect during the term of the personnel contract,
- Not have a waiver of teacher salary requirements,
- Adopt an employee salary schedule,
- Shall be open for on-site, in-person instruction for at least:
 - One hundred seventy-eight (178) days; or
 - One thousand sixty-eight (1,068) hours, and
- Utilize an amount of state funds equal to eighty percent (80%) or more of the amount allocated for school-level personnel salaries, according to the adequacy funding matrix recommended by the Senate Committee on Education and the House Committee on Education for the previous school year, for teacher salaries and teacher raises.

If meeting the requirement of this section would impact student safety or potentially cause a school district to go into fiscal distress under the Arkansas Fiscal Assessment and Accountability Program, § 6-20-1901 et seq., the public school district may apply to the State Board of Education for a waiver from this requirement.

Districts can monitor their progress towards the 80% requirements by going to the APSCN District Informational Reports page.

References: A.C.A § 6-17-2403, [APSCN District Informational Reports](#)

General Business Manager Qualifications

Must complete at least 5 CASBO courses per year and must complete the 15 courses required within 3 years.

Must renew certificate by completing at least 2 upper level CASBO courses per year after the date of certification.

GBM failing to complete certification cannot function in that role until certification requirements are met. District/Charter/co-op must appoint another person to the position and that person must meet qualifications.

Must meet qualifications of a Certified Arkansas School Business Official (CASBO) based on the requirements established by the Arkansas Association of School Business Officials (AASBO) or be enrolled in the CASBO required courses of study.

Failure to comply with rules concerning general business manager qualifications can be an indicator for fiscal distress.

Applies to all school districts, open-enrollment public charter schools, and education service cooperatives.

A Chief Financial Officer or Business Manager or however titled:

- Operates under the direction of the superintendent,
- Meets minimum qualifications in ADE rule,
- Responsible for fiscal operations of entire entity, and
- Person other than superintendent or charter/co-op director.

General Business Managers are required to attend the annual Tier I training.

The Job Codes for a General Business Manager are:

- 612 for Business Manager
- 614 for Chief Financial Officer/CFO
- 7010 for a licensed Business/Finance Manager

Minimum Wage/Teacher Salary Insurance & Retirement Matching

July 1, 2025:

- Minimum teacher salary: \$50,000
- Teacher retirement school district match: 15%
- Teacher retirement employee match: 7%
- Outsourcing contribution to ATRS: 4%

Classified minimum wage remains at \$11 per hour.

Health insurance match for calendar years 2025 and 2026 is \$234.50 per month.

- There is a possibility this amount will change either for July 1, 2025 or January 1, 2026

Teacher Salary Equalization Fund

Funding is \$185 multiplied by the prior year ADM for qualifying districts.

Districts with a 2023-24 average teacher salary less than \$51,822 will qualify for 2025-26 funding.

Districts that received equalization funding in 2024-25 are guaranteed to receive at least the same amount in 2025-26.

Teacher salary equalization funding shall be expended only for teacher salaries and benefits.

Code for Teacher Salary Equalization:

- 69314 Transfer to 1000 for Teacher Salary Equalization Program From 2001 to 1000 ONLY - must equal rev 52204.
- 32204 Teacher Salary Equalization Program (receipt to fund 2001 only for Teacher Salary Equalization Program FIN-23-015).
- 52204 Rev Transfer into fund 1000 from fund 2001 for Teacher Salary Equalization Program. (Transfer out 2001520000000000 69314 must equal transfer into fund 1000 52204).

Purpose of Funds

- Dedicated to improving teacher salaries,
- Target average is a statewide goal, not an expectation for a district average, and
- Funding is ongoing – at least the amount received in base year and adjusted upward if ADM increases.

State Goals

- Regular increases in state average salary/Improved state ranking of average salaries among SREB states,
- Noticeable decrease in gap between highest and lowest average salary and starting salaries,
- Lower rates of teacher attrition, and
- Increase in number of districts with a starting salary above the minimum requirement.

District Requirements

- At a minimum, districts should use funds to meet or exceed the state minimum salary requirements.

- Annually, districts must use all equalization funding into the teacher salary fund before year end.
- While one-time salary increases are allowable, they are not the preferred method to meet the intent of the funding. One-time increases should be coupled with other strategies or a plan for long-term improvements to teacher compensation.
- Districts should seek input from staff regarding the plans for the equalization funding (more than just PPC).
- See DESE guidelines published in Commissioner's Memo FIN-21-048.

Things to Consider Regarding Increases to Certified Salary Schedule

- Enrollment/ADM trend of your district
- If declining – Reduction of FTEs through attrition and reorganization
- If growing – Be strategic about adding FTEs to meet minimum standards
- Rules Governing Class Size and Teaching Load
- Sustainability of increased salaries
- Effect on classified staff

References: A.C.A. § 6-20-2305(b)(6)(A), [Memo FIN-23-015](#), [Memo FIN-21-048](#), [Rules Governing Class Size and Teaching Load](#)

Educational Excellence Trust Fund

In determining whether a district has had an increase in EETF funds, any annual increase in the EETF funds must exceed the level of the prior fiscal year to be classified as an increase.

EETF allocation is based on each district's foundation funding (previously it was state foundation funding aid).

The EETF amount on the State Aid Notice is not additional funding. EETF allocations are included within the district's state foundation funding aid.

The EETF amount on the final State Aid Notice for the current school year must be expended in the form of salaries, social security, and retirement matching for current non-federal licensed personnel.

If adjustments are needed after June 30, district must do an underpayment for all employees in the teacher salary fund. Contact Nona Comer for more information.

EETF does not apply to open-enrollment charters or co-ops.

References: A.C.A. § 6-5-307, [Rules Governing the School District Educational Excellence Trust Fund](#), [Educational Excellence Trust Fund Calculation Worksheet](#)

Health Insurance

As of May 28, 2025, the General Assembly has set the monthly health insurance contribution rate at \$234.50 per month.

Beginning January 1, 2023, a school district shall pay the health insurance contribution rate established by the House Committee on Education and the Senate Committee on Education through the biennial adequacy review process required by § 10-3-2102 each month for each eligible employee electing to participate in the public school employees' health insurance program.

Insurance contributions per participating employee are NO LONGER tied to increases in base salaries or per-student foundation funding amounts.

References: A.C.A. § 6-17-1117(a), A.C.A. § 10-3-2102, [Public School Employee Insurance Program](#)

ATRS – Employer Contribution

If an employer fails to remit moneys that are required by law or rule to the Arkansas Teacher Retirement System by the date and at the frequency established by the Board of Trustees of the Arkansas Teacher Retirement System, the system shall impose an interest penalty equal to the actuarially assumed rate of return on investments of the Arkansas Teacher Retirement System Fund in the form of interest applied on an annual basis to the moneys due.

Beginning on July 1, 2022, the member and employer contributions made by an employer as provided in § 24-7-401 and § 24-7-406 shall be:

- Reported electronically by the employer through the Arkansas Teacher Retirement System portal; and
- Paid by the employer through electronic transfer.

An employer contribution shall be:

- Paid to the Arkansas Teacher Retirement System at the time and at the frequency established by the board; and
- Paid concurrently with contributions made by the employees of the employer to the Arkansas Teacher Retirement System.

See A.C.A. § 24-7-411(f) for information on requesting a waiver if unable to report contributions electronically or pay contributions by electronic transfer.

References: A.C.A. §§ 24-7-411(a)(1), 24-7-401, and 24-7-406

School Elections

Per article 14 of the Arkansas Constitution, every school district must submit the tax rate at the annual school election or special election. This applies to all districts, even those under state control.

References: A.C.A. §§ 6-13-616, 6-13-622, 6-13-630, 6-13-631, 6-14-102, 6-14-106, 6-14-109, 6-14-111, 6-14-118, 6-14-121, 7-5-202, 7-5-206, 7-5-304, 7-5-407, 7-5-418, 7-7-203, 26-80-102, and 26-80-110; [Memo FIN-22-018](#), Article 14 of the Arkansas Constitution

Tax Appeals

Property owners appealing real estate tax assessments shall pay the least of:

- Taxes owed not in dispute
- Taxes due by court order
- Taxes due on last year's assessment

After final disposition of an appeal, taxes are due within thirty (30) days.

References: A.C.A. § 26-35-802

County Equalization Boards

School district superintendents of each school district in a county shall select (by majority vote) a member of the county's equalization board (A.C.A. § 26-27-304). Equalization (EQ) boards hear and decide on tax appeals. Contact your county assessor to find out who your district's representative(s) are on the County EQ Board.

References: A.C.A. §§ 26-27-315 and 26-27-304

Homestead Tax Credit and Property Tax Relief

Homestead Property Tax Credit will increase to \$600 for each assessment year.

Provides for transfers to:

- County Voting System Grand Fund (\$8 million)
- Counties and municipalities (\$2 million)
- Remaining funds transferred to the Long-Term Reserve Fund

DESE has been told that districts will receive calendar year disbursement of property tax relief funds by June 30.

References: ACT 330 of 2025

Local Taxes

Districts' foundation funding amount is comprised of both state funding and local revenue.

During economic downturn, state funding is used to ensure districts receive the foundation funding amount per student.

State funding guarantees the first 25 mills only.

Districts must plan for a reduction in debt service revenue during an economic downturn.

Go to the [Local Tax by Mill Type Calculator](#) to break out your tax receipts by mill type category (URT, debt service, etc.).

Districts should verify with county offices (including fringe counties) that they have the correct millage for the district. Not doing so could result in a loss of anticipated revenue for your district.

School Funding Website

[Allocations](#)

- Lists of funding amounts for each funding source.

[Funding Data](#)

- Shows data that is used in calculating the various types of funding.

[Tools & Resources](#)

- Provides tools designed to help the school district and charter staff with funding estimates such as student growth, declining enrollment, ESA, and local taxes by mill type.

Efficiency and Management Tools

Fiscal Efficiency and Management Tools

- Various reports and tools such as enrollment projections, staffing trends, staffing requirement worksheet, meals per labor hour, and custodial staffing guide.
- UBER-Unrestricted, Budget, Expenditures & Revenues. 3-year history of revenue and expenditures of any district/charter schools. Includes current year budget and (YTD) expenditures. Includes current year budget and (YTD) expenditures. Updated nightly.
 - Rolls over September 10.
 - Download in July or August to build your budget.
- Per Pupil Spending (PPS)- The amount of unrestricted funds spent and budgeted, per-pupil, in each category. PPS shows how your district compares to the state average and other districts.

Adequacy

More information on the [Adequacy Reports page](#) of the Arkansas State Legislature website.

FINAL MATRIX RECOMMENDATION OF THE 95TH GENERAL ASSEMBLY - PER ACT 909 OF 2025

	B	E	F	G	H	I	J	K	L	M	N	O	P
1	FOUNDATION MATRIX												
3									Notes				
4													
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29	*Estimated portion is 55%, based on the percentage URT comprised of total Foundation Funding in FY2024.												
30	School-Level Salaries and Benefits												
31	Teacher Base Salary	\$59,519	\$60,995	\$62,508	\$93,989,957	\$52,079,655	\$143,180,609	\$79,336,101			2.48%	2.48%	
32	Teacher Health Insurance	\$2,814	\$3,819	\$0	\$34,851,931	\$19,311,388	(\$89,333,817)	(\$49,499,697)	\$3,819	\$0			
33	Teacher Other Benefits	\$13,689	\$14,029	\$14,377	\$21,617,690	\$11,978,321	\$32,931,540	\$18,247,303			2.48%	2.48%	
34	Total Teacher Salary & Benefits	\$76,022	\$78,843	\$76,885	\$150,459,578	\$83,369,364	\$86,778,333	\$48,083,708					
35	Per Student Total Teacher S&B	\$5,122	\$5,442	\$5,307	\$150,459,578	\$83,369,364	\$86,778,333	\$48,083,708					
36	Principal Base Salary	\$83,577	\$85,650	\$87,774	\$1,953,121	\$1,082,221	\$3,954,680	\$2,191,281			2.48%	2.48%	
37	Principal Health Insurance	\$2,814	\$3,819	\$0	\$946,902	\$524,677	(\$2,651,642)	(\$1,469,270)	\$3,819	\$0			
38	Principal Other Benefits	\$19,223	\$19,699	\$20,188	\$449,218	\$248,911	\$909,576	\$503,995			2.48%	2.48%	
39	Total Principal Salary & Benefits	\$105,614	\$109,168	\$107,962	\$3,349,241	\$1,855,808	\$2,212,615	\$1,226,006					
40	Per Student Total Principal S&B	\$211	\$218	\$216	\$3,349,241	\$1,855,808	\$2,212,615	\$1,226,006					
41	Secretary Base Salary	\$35,276	\$36,151	\$37,047	\$824,363	\$456,778	\$1,669,169	\$924,884			2.48%	2.48%	
42	Secretary Health Insurance	\$2,814	\$3,819	\$0	\$946,902	\$524,677	(\$2,651,642)	(\$1,469,270)	\$3,819	\$0			
43	Secretary Other Benefits	\$8,113	\$8,315	\$8,521	\$189,603	\$105,059	\$383,909	\$212,723			2.48%	2.48%	
44	Total Secretary Salary and Benefits	\$46,203	\$48,284	\$45,568	\$1,960,868	\$1,086,513	(\$598,563)	(\$331,663)					
45	Per Student Total Secretary S&B	\$92	\$97	\$91	\$1,960,868	\$1,086,513	(\$598,563)	(\$331,663)					
46	Total School Level Salaries	\$5,426	\$5,757	\$5,614	\$155,769,687	\$86,311,685	\$88,392,384	\$48,978,050					
48	School-Level Resources												
49	Technology Per Student	\$250	\$235	\$235	(\$7,067,276)	(\$3,915,964)	(\$7,067,276)	(\$3,915,964)	\$235	\$235			
50	Salary Enhancement Other Employees	\$44	\$50	\$52	\$2,826,910	\$1,566,386	\$3,769,214	\$2,088,514	\$50	\$52			
51	All Other Personnel Health Insurance	\$30	\$41	\$0	\$5,297,585	\$2,935,382	(\$14,134,552)	(\$7,831,928)	\$41	\$0			*Adjusted to provide total annual amount per participating employee of \$3,819 in FY2026.
52	Instructional Materials Per Student	\$205	\$210	\$216	\$2,399,711	\$1,329,675	\$4,858,934	\$2,692,326			2.48%	2.48%	
53	Extra Duty Funds Per Student	\$72	\$74	\$76	\$846,099	\$468,822	\$1,713,180	\$949,270			2.48%	2.48%	
54	Supervisory Aides Per Student	\$58	\$59	\$61	\$678,216	\$375,798	\$1,373,252	\$760,916			2.48%	2.48%	
55	Substitutes Per Student	\$78	\$85	\$90	\$3,087,944	\$1,711,024	\$5,443,703	\$3,016,345	\$85	\$90			
56	School-Level Resources Increases	\$739	\$755	\$730	\$8,069,189	\$4,471,122	(\$4,043,545)	(\$2,240,520)					

FINAL MATRIX RECOMMENDATION OF THE 95TH GENERAL ASSEMBLY - PER ACT 909 OF 2025

	B	E	F	G	H	I	J	K	L	M	N	O	P
		FY25	FY26	FY27	FY26 Increase over FY25	Estimated State Portion*	FY27 Increase over FY25	Estimated State Portion*	FY26 Amt. Change	FY27 Amt. Change	FY26 % Change	FY27 % Change	Notes
28													
58	District-Level Resources (Carry-Forward)												
59	Operations & Maintenance	\$786	\$809	\$833	\$11,103,115	\$6,152,214	\$22,539,323	\$12,488,995			3.00%	3.00%	
60	Central Office	\$483	\$495	\$507	\$5,642,481	\$3,126,488	\$11,424,895	\$6,330,513			2.48%	2.48%	
61	Transportation	\$337	\$345	\$354	\$3,937,698	\$2,181,871	\$7,973,050	\$4,417,852			2.48%	2.48%	
62	District-Level Resources Increases	\$1,605	\$1,649	\$1,694	\$20,683,293	\$11,460,573	\$41,937,268	\$23,237,360					
63													
65	Total Foundation**	\$7,771	\$8,162	\$8,037	\$184,522,169	\$102,243,380	\$126,286,108	\$69,974,890					
67	**\$330 is deducted from the FY2027 foundation funding rate due to the \$0 amounts for all health insurance lines. The corresponding amount of total funding will be added to the DESE Public School Employee (PSE) Insurance line item to allow DESE to pay for PSE health insurance directly to EBD.												
68	CATEGORICAL PROGRAM FUNDING												
69	Categorical***	FY25	FY26	FY27	FY26 Increase over FY25	Estimated State Portion	FY27 Increase over FY25	Estimated State Portion					
70	ALE	\$5,086	\$5,212	\$5,341	\$688,714	\$688,714	\$1,394,508	\$1,394,508			2.48%	2.48%	
71	ELL	\$366	\$375	\$384	\$371,940	\$371,940	\$753,104	\$753,104			2.48%	2.48%	
72	ESA <70%	\$538	\$551	\$565	\$1,702,090	\$1,702,090	\$3,446,392	\$3,446,392			2.48%	2.48%	
73	70%-90%	\$1,076	\$1,103	\$1,130	\$9,919,357	\$9,919,357	\$7,935,913	\$7,935,913			2.48%	2.48%	
74	>90%	\$1,613	\$1,653	\$1,694	\$142,489	\$142,489	\$288,511	\$288,511			2.48%	2.48%	
75	PD	\$41	\$41	\$41	\$0	\$0	\$0	\$0					
76	Total Categorical				\$6,824,589	\$6,824,589	\$13,818,428	\$13,818,428					
77	***Alternative Learning Environment (ALE), English Language Learner (ELL), Enhanced Student Achievement (ESA), Professional Development (PD)												
78	SUPPLEMENTAL FUNDS												
79	Supplemental	FY25	FY26	FY27	FY26 Increase over FY25	Estimated State Portion	FY27 Increase over FY25	Estimated State Portion					
80	Additional ESA	\$5,500,000	\$5,636,400	\$5,776,183	136,400	\$136,400	\$276,183	\$276,183			2.48%	2.48%	
81	Additional Professional Development****	\$16,500,000	\$0	\$0	-\$16,500,000	-\$16,500,000	-\$16,500,000	-\$16,500,000					
82	Enhanced Transportation	\$8,000,000	\$8,000,000	\$8,000,000	\$0	\$0	\$0	\$0					
83	Special Education High-Cost Occurrences	\$17,500,000	\$17,934,000	\$18,378,763	\$434,000	\$434,000	\$878,763	\$878,763			2.48%	2.48%	
84	Teacher Salary Equalization	\$60,000,000	\$60,000,000	\$60,000,000	\$0	\$0	\$0	\$0					
85	Total Supplemental	\$107,500,000	\$91,570,400	\$92,154,946	-\$15,929,600	-\$15,929,600	-\$15,345,054	-\$15,345,054					
86	****This funding is reallocated per Act 795 of 2025.												
87	Total Increased Costs for Foundation Matrix, Categoricals, and Supplementals				\$175,417,159	\$93,138,369	\$124,759,482	\$68,448,264					
92	Total dollar estimates in this spreadsheet are based on the following student counts:												
93	Funding Program	Districts	Charters	Total									
94	Estimated 2023-24 1-3Q Avg ADM for Foundation Funding and PD	445,162	25,989	471,152									
95	2023-24 ALE FTEs	5,450	10	5,460									
96	Districts w/ <70% FRL Students 2023-24 FRL Students	123,216	4,354	127,570									
97	Districts w/ 70%-90% FRL Students 2023-24 FRL Students	141,490	5,386	146,876									
98	Districts w/ 90%+ FRPL Students 2023-24 FRL Students	3,240	322	3,562									
99	2023-24 ELL students (2025 student counts not yet available)	38,600	2,377	40,977									

FY26 State Funding Amounts

Foundation Funding \$8,162 (increase of \$391)

- ALE \$5,212 (increase of \$126)
- ELL \$375 (increase of \$9)

PD funding rate is calculated in time for publication on first state aid notice each year

- FY25 rate was \$37.50
- FY26 rate will be similar

Enhanced Student Achievement – ESA state categorical funding (yearly transition = rate at former level up or down \$179)

- \$1,653 if 90% and above (increase of \$40)
- \$1,103 if at least 70% and less than 90% (increase of \$27)
- \$551 if less than 70% (increase of \$13)

Enhanced Transportation funding amounts are provided in Act 425 of 2025.

References: A.C.A. § 6-20-2305

Miscellaneous Funds

Calculated miscellaneous funds count towards a district's foundation funding, thus reducing the amount of state foundation funding aid that a district receives.

Initial state foundation funding aid is calculated using estimated miscellaneous funds from the prior year.

In February each year, the initial calculation of state foundation funding aid is updated to replace the initial miscellaneous funds estimate with actual miscellaneous funds received in the calendar year ending December 31.

Miscellaneous funds include federal forest reserve funds, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, severance taxes, payment in lieu of taxes (PILOT), and local sales and use taxes dedicated to education.

Some miscellaneous funds could be affected by economic downturn. Depending on the timing, it could adversely affect school districts.

References: A.C.A. § 6-20-2303

Net URT Revenues

County treasurers submit calendar year ad valorem tax reports by January 31st. Districts should check the report to ensure accuracy.

Total ad valorem tax is multiplied by the ratio of the school's millage rate and the uniform rate of tax (URT) to arrive at Net Revenues.

Net Revenues > 98% of the URT multiplied by the property assessment = school district remits amount over 98% to DESE.

* Net Revenues < 98% of the URT multiplied by the property assessment = school district receives payment from DESE to true up to the 98%.

References: A.C.A. § 6-20-2305

Open-Enrollment Public Charter School State Foundation Funding, Charter Facilities Funding, & Teacher Salary Equalization Funding

For the first year of operation, the first year operating under a new license, the first year adding a new campus, and in any year a grade is added at any campus:

Foundation funding, charter facilities funding, and teacher salary equalization funding for an open-enrollment public charter school will be based on current year three-quarter ADM from cycle 7. Until this is available:

- First estimate uses the current year July 1 enrollment
- Second estimate uses current year quarter 1 ADM from cycle 3
- Third estimate uses current year three-quarter ADM from cycle 6
- Final adjustments (if necessary) for any ADM corrections submitted in cycle 7 in July
 - Charter schools must meet the eligibility requirements listed in A.C.A. § 6-23-908 to receive facilities funding

References: A.C.A. §§ 6-23-501 and 6-23-908, [Rules Governing Public Charter Schools](#), [Rules Governing Student Special Needs \(Categorical\) Funding](#)

FY26 Student Growth Funding

Calculation:

- FY26 student growth funding will compare:
- FY25 quarter 4 ADM to FY24 3-quarter ADM from cycle 7
- FY26 quarter 1 ADM from cycle 3 to FY25 3-quarter ADM
- FY26 quarter 2 ADM from cycle 5 to FY25 3-quarter ADM
- FY26 quarter 3 ADM from cycle 6 to FY25 3-quarter ADM

Comparison:

An eligible school district will receive the higher funding category after comparing student growth funding to declining enrollment funding.

Expenditure:

Student growth and declining enrollment are unrestricted funding categories, but expenditures are tracked for reporting to the legislature (no transfers out of these codes)

Contact David Allison for more information at david.allison@ade.arkansas.gov.

References: A.C.A. § 6-20-2305, [Calculator Tools on the DESE School Funding Website](#), [Rules for Declining Enrollment and Student Growth Funding](#)

ESA Requirements

Districts shall budget 100% of ESA funds each year.

Plans can be updated as needed.

Districts shall review progress on the ESA plan and submit amendments annually.

ESA plans are included in the AR APP.

A district that does not demonstrate progress toward goals in the ESA plan for three consecutive years may be subject to additional monitoring, and increased level of support as provided in § 6-15-2913, or a corrective action plan to be developed by DESE and the school district.

If a district intends to transfer ESA funds to other categorical funds, justification shall be provided to DESE.

Per ADE rule, districts must participate in the federal National School Lunch Program to be eligible for ESA funds.

References: A.C.A. § § 6-15-2913 and 6-20-2305, [Rules Governing Student Special Needs Funding](#)

ESA for CEP/P2 Districts or Schools

Claiming percentages, established from ISPs, do not come into account for ESA funding.

ESA percentages for CEP and P2 districts/schools are based on the last time the district/school took meal applications. It becomes a locked percentage that is carried forward in future years and applied to enrollment when the district/school does not take meal applications.

A district or school can collect Alternate Income Verification (AIV) Forms to establish an updated ESA rate if they believe their actual free & reduced percentage has changed from the percentage that was locked in for ESA funding. When AIV forms reflect the need for a change, enter the AIV data in Cycle 2 by checking the box "Alternate Income Verification" in eSchool for each student who is classified as low income based on the student's AIV form.

ESA Required Expenditures and Balances

Districts are required to spend 85% of annual ESA allocation by June 30 of each year.

Districts that have an ESA balance in excess of 15% of the current year allocation shall reduce the total ESA balance by at least 10% in each year that follows.

May request a one-year waiver due to “unusual and limited circumstances.”

References: A.C.A. § 6-20-2305(b)(4)(F)(i), [Rules Governing Student Special Needs Funding](#)

ESA Matching Grant Program

ESA Matching Grants – based on prior year ESA (1281 & 2281) expenditures for evidence-based programs such as tutors, before- and after-school academic programs, and prekindergarten programs.

Act 146 of 2024 allocated \$5,300,000 for ESA Matching Grant program plus an additional \$200,000 upon adequacy recommendation for a total of \$5,500,000 expenditures for evidence-based programs to improve the academic achievement of identified National School Lunch students.

References: Act 146 of 2024, [Appropriation for Public School Fund Grants](#)

Categorical Balances

Requires that the balance of all categorical funds be no more than 20% of annual categorical fund allocations for the current school year.

If the balance exceeds 20%, the district is required to reduce the balance by 10% each year until the district's June 30 balance of aggregate annual categorical fund sources is 20% or less of the total aggregate annual state categorical fund allocations for the current school year.

References: A.C.A. § 6-20-2305(e)(2), [Rules Governing Student Special Needs Funding](#)

Limitation on Fund Balances

Districts with a year-end net legal balance that exceeds 20% of current year net legal balance revenues shall reduce the net legal balance to no more than 20% of current year net legal balance revenues within 5 years.

- Balances required to be transferred to **Fund 3200**.
- Review monthly on APSCN website at the following link:
- [APSCN District Information Webpage](#)

Net legal balance is the combined balance for the teacher salary fund, the operating fund, and the debt service fund; minus the combined balance for categorical funds and escrow balance restricted for the retirement of federal qualified bonds.

- Net legal balance revenues are the revenues placed in the salary fund, the operating fund, and the debt service fund; minus revenues placed in the categorical funds and proceeds derived from federal qualified bonds.

Districts balances may be reduced by transferring funds into the building fund.

Funds transferred into the building fund must be used for construction, renovation, repair, or other planned facility expenditures.

- A.C.A. § 6-20-2210.

(C) If the construction, renovation, repair, or other planned building fund expenditure or project under subdivision (c)(1)(B) of this section is cancelled or revised such that the funds are no longer dedicated to the construction, renovation, repair, or other planned building fund expenditure or project, the public school district may transfer the funds back into the fund from which the transfer was made under subdivision (c)(1)(A) of this section unless transferring the funds will result in the net legal fund balance exceeding twenty percent (20%) of the public school district's current year net legal balance revenues.

References: A.C.A. § 6-20-2210, [APSCN District Information Webpage](#)

M & O 9% Expenditure

If any amount of the M&O dedicated nine percent (9%) is unspent at the end of the school district's fiscal year, the funds shall carry over, and the school district must transfer the remaining amount into a public school facilities escrow account.

Fund Source of Fund code 2391 shall be used for this escrow account.

The funds in escrow may be used in any fiscal year for payment of utilities and costs of custodial, maintenance, repair, and renovation activities, which include related personnel costs, for public school facilities.

See Commissioner's Memo FIN-23-035.

References: A. C. A. §§ 6-21-803, 6-21-808(d), and 6-20-2305(a); [Memo FIN-23-035](#)

Arkansas Public School Procurement Bidding

The board of directors of each school district shall prescribe the method of soliciting bids and may adopt other rules governing the procurement of commodities. Districts may adopt state procurement procedures as district policy except where they conflict with Title 6.

Purchases exceeding the purchase price amount listed in A.C.A. § 6-21-304(a)(1)(A)(i)(a), as adjusted pursuant to A.C.A. § 6-21-304(a)(1)(B), shall be procured by soliciting bids.

Purchasing official may reject all bids and purchase the commodity by negotiating a contract.

- If a purchasing official determines purchase should be made by negotiation, each responsible bidder who submitted a bid shall be notified of the determination and given the opportunity to negotiate.

Open market purchases may be made when purchase price is less than the purchase price threshold as adjusted in A.C.A. § 6-21-304 (a)(1)(B).

Commodities means all supplies, goods, material, equipment, machinery, facilities, personal property, and services other than personal and professional services purchased for or on behalf of the school district.

The following commodities may be purchased without soliciting bids:

- Commodities in instances of an unforeseen and unavoidable emergency (see further requirements in A.C.A. § 6-21-305),
- Commodities available only from the U.S. government,
- Utility services,
- Used school buses, used equipment and machinery (definition of used school bus in A.C.A. § 6-21-306), and
- Commodities are available only from a single source.
- The purchasing official must determine in writing that it is not practicable to use other than the required or designated commodity or service, and a copy of this statement shall be attached to the purchase order.

State procurement laws and rules can be found on the website of the [Office of State Procurement](#).

In the document “State of Arkansas Procurement Laws and Rules”, school districts fall under the category of political subdivisions.

Office of State Procurement has contract administration best practices guide on the website.

Public schools may purchase off the [statewide contracts](#). Public schools may use a purchasing agreement established by another governmental entity (example: TIPS).

For projects (major repairs/alterations, new buildings/structures) with an estimated cost of \$50,000 or more, there are specific requirements including advertising, sealed bids, timelines for awarding bids, bid bond, performance bonds, and contractor licenses (A.C.A. § 22-9-203).

ACT 167 of 2024 Fiscal Session Defined “Public school construction services” in A.C.A. § 19-11-206 as:

“services procured by a public school district or open-enrollment public charter school under a contract with a corresponding cooperative purchasing verification letter providing for the making of repairs, alterations, erection, or other permanent improvements to a public building, property, or structure that do not exceed a total aggregate amount of one million dollars (\$1,000,000) for a public procurement unit in a fiscal year.”

Additionally,

“(d) If a public procurement unit needs to procure public school 10 construction services in excess of the amount provided in § 19-11-206(7), the 11 public procurement unit may submit a request for a waiver to the Executive 12 Subcommittee of the Legislative Council.”

It is the policy of the State of Arkansas and its political subdivisions that political subdivisions (which includes school districts) shall follow the procedures for professional services stated in A.C.A. § 19-11-801 et seq., except that competitive bidding shall not be used for the procurement of legal, financial advisory, architectural, engineering, construction management, and land surveying professional consultant services.

A political subdivision (school district) shall not use competitive bidding for the procurement of other professional services with a two-thirds vote of its governing body (school board) – A.C.A. § 19-11-802.

The Office of State Procurement has published a memo on [Cooperative Procurement for School Districts](#).

2025-2026 Tier 1 School Finance Resource Guide

A.C.A. § 6-21-307 – School districts may purchase a new motor vehicle from a motor vehicle dealer if the purchase price does not exceed the fleet price awarded by the Office of State Procurement.

A.C.A. § 6-21-306 – The purchase of used school buses (used means two years after date of issuance of certificate of origin) is not subject to competitive bidding.

A.C.A. § 6-21-301 et seq. The board of directors of each school district shall prescribe the method of soliciting bids and may adopt other rules governing the procurement of commodities.

Effective July 1, 2025, the threshold is adjusted to \$26,500.

A.C.A. § 19-11-801 contains additional requirements regarding procurement of professional services for school districts.

References: A.C.A. §§ 6-21-301 et seq., 19-11-801, 19-11-802, and 22-9-203; [Memo FIN-22-039](#), [TIPS](#), [Statewide Contracts](#), [Office of State Procurement](#).

Federal Procurement Procedures

All federal expenditures must be allowable, reasonable, and essential to the success of the federal program.

For ESEA Federal purchases, If the per unit item is over \$1,000, an email should be sent to the program advisor for pre-approval before purchasing.

Micro-purchases (under \$10,000) – do not require competitive bid; requires distributing purchases among qualified suppliers to the extent practicable.

Small Purchases (\$10,000 to \$249,999) - require price quotations from at least two qualified sources.

Purchases of \$250,000 and greater – require formal bidding procedures – sealed bids, competitive proposals, or single source suppliers.

References: 2 CFR 200.320

State vs. Federal Procurement

State Purchasing Threshold (2025-2026) = \$26,500.

Federal Micro-Purchase Threshold = \$10,000 (2 CFR 200.67).

Supplies purchased with non-federal funds are required to use the purchasing threshold of \$26,500 for obtaining bids.

Supplies purchased with federal funds are required to use the micro-purchase threshold of \$10,000 for obtaining quotes.

Individual school district policies may set thresholds lower than required by law. If your district's policy is more restrictive, you must follow your district's policy.

References: Micro Purchases: 2 CFR 200.67, 10% Variance: 2 CFR 200.308, Equipment: 2 CFR 200.213, Procurement Standards: 2 CFR 200.317-326, Time Certifications: 2 CFR 200.430

Sales and Use Tax

Districts are only exempt from paying taxes on items that are exempted by law.

The district pays use tax on items purchased from out of state vendors that does not charge tax on the invoice.

Districts pay use tax for any transaction for which it was invoiced.

Equipment required to make use of digital materials and software is exempt from sales tax by Act 914 of 2021.

References: A.C.A. § 26-52-401 et seq.

Split Procurement

No purchasing official shall parcel or split any item or items with the intent or purpose to enable the purchase to be made under less restrictive procedures.

10% Variance in Federal Funds Budgets

ESSA 10% Variance for Federal Funds Budgets

The 10% variance will be determined by comparing the difference in the budgeted amount of each line item by function code to the total expenditure amount for that line item.

Actual expenditure is not to exceed the total budgeted for that function by more than 10%.

If the function line variance is greater than 10% of overall total function budget, then the district is out of compliance.

Ten percent (10%) variance does not apply to indirect cost. A district's actual indirect cost charged/taken cannot exceed budget for indirect cost.

Overall total budget expenditures are never to be greater than the amount of funds available regardless of variance policy.

The ten percent (10%) variance rule currently does not apply to Categorical funds (ESA, PD, ELL, & ALE). Ten percent (10%) does not apply to the ESSER I, ESSER II, or ESSER funds.

Function	Budgeted Amount	Actual Expenditure	10% of Total Function Budget	Variance Budget to Actual	Notes
1591 Title I Schoolwide Instruction	\$126,866.73	\$127,519.90	\$12,686.67	-\$653.17	Over budget but within 10% variance
2170 Parent Involvement	\$3,500.00	\$2,532.75	\$350.00	\$967.25	Not over budget
2210 Improvement of Instruction	\$19,400.00	\$32,855.00	\$1,940.00	-\$13,455.00	Out of compliance - expenditures exceed budget by more than 10%
2213 Instructional Staff Training	\$10,478.39	\$15,097.78	\$1,047.84	-\$4,619.39	Out of compliance - expenditures exceed budget by more than 10%

References: [Memo COM-21-070](#)

Federal Time Certification

Every district employee paid with federal funds must demonstrate a Time Distribution Record by either:

- Monthly Personnel Attendance Report (PARs) – if paid from more than one federal fund or a federal fund and one other fund, or
- Semi-Annually Time Certification – if 100% of salary is charged to a single fund.

References: [2CFR 200.430\(i\)](#)

Budget Reviews: Items to be Reviewed

- GT Requirement
- Debt (proper coding)
- Revenues
- Expenditures
- Fund Balances (including Act 1105)
- Categorical Funds
- Change in Unrestricted Fund balance
- M&O 9% Requirement
- Will concentrate on expenditures, especially salaries and benefits

Discretionary Grants

All discretionary grants will be processed through the GMS (Grants Management System).

Mid-year and end-of-year financial and performance reporting required.

Any funds remaining after 90 days after the period of performance must be returned to DESE.

Examples: Computer Science Specialists, Distance Learning, Special Education Specialists, APPEL Site Grants, Novice Teacher Mentoring, School Based Health Centers, Content Specialists, etc.

Contact Riley Favell at riley.favell@ade.arkansas.gov for more information.

Management Response Letters – Federal Audit Finding

2CFR 200.521 requires that the pass-through entity, DESE, provide a management decision for federal audit findings. Letters will indicate the expected auditee action from the LEA/ESC, which is due to DESE 30 days upon receipt. If all corrective actions have not been completed, a timetable for completion **must** be included with the response.

References: 2CFR 200.521, [Memo FIN 23-016](#)

Audit Corrective Action Plans

Corrective action plans (CAP) shall include the following elements:

- Each finding must be individually addressed (use reference numbers assigned by the auditor i.e., 2021-001)
- Include the contact person responsible for the CAP
- Provide a detailed planned corrective action
- Provide an anticipated completion date for the planned corrective action
- Specific reasons for disagreement with audit findings, if applicable

Prompt action is essential. ADE will determine if the corrective action for each finding is clear, specific, and could be reasonably expected to correct the underlying cause of the finding.

Recurrence of findings may involve significant federal funds that must be returned, programmatic concerns, or significant control weaknesses that could jeopardize receipt of federal funds in the future.

Uniform guidance requires that the auditee include more detailed reasons for any recurring findings in the CAP.

The corrective action plan must be prepared by the school entity and not the auditor.

The CAP shall be received within thirty (30) days of filing with the Federal Audit Clearinghouse (FAC).

References: [Memo Number COM-25-037](#)

School Audits

Prohibits a school district from selecting an alternative basis of accounting for its annual school audit and instead mandates a regulatory basis of accounting audit.

Does not prohibit a school district from using a private audit.

References: A.C.A. § 10-4-413(c)

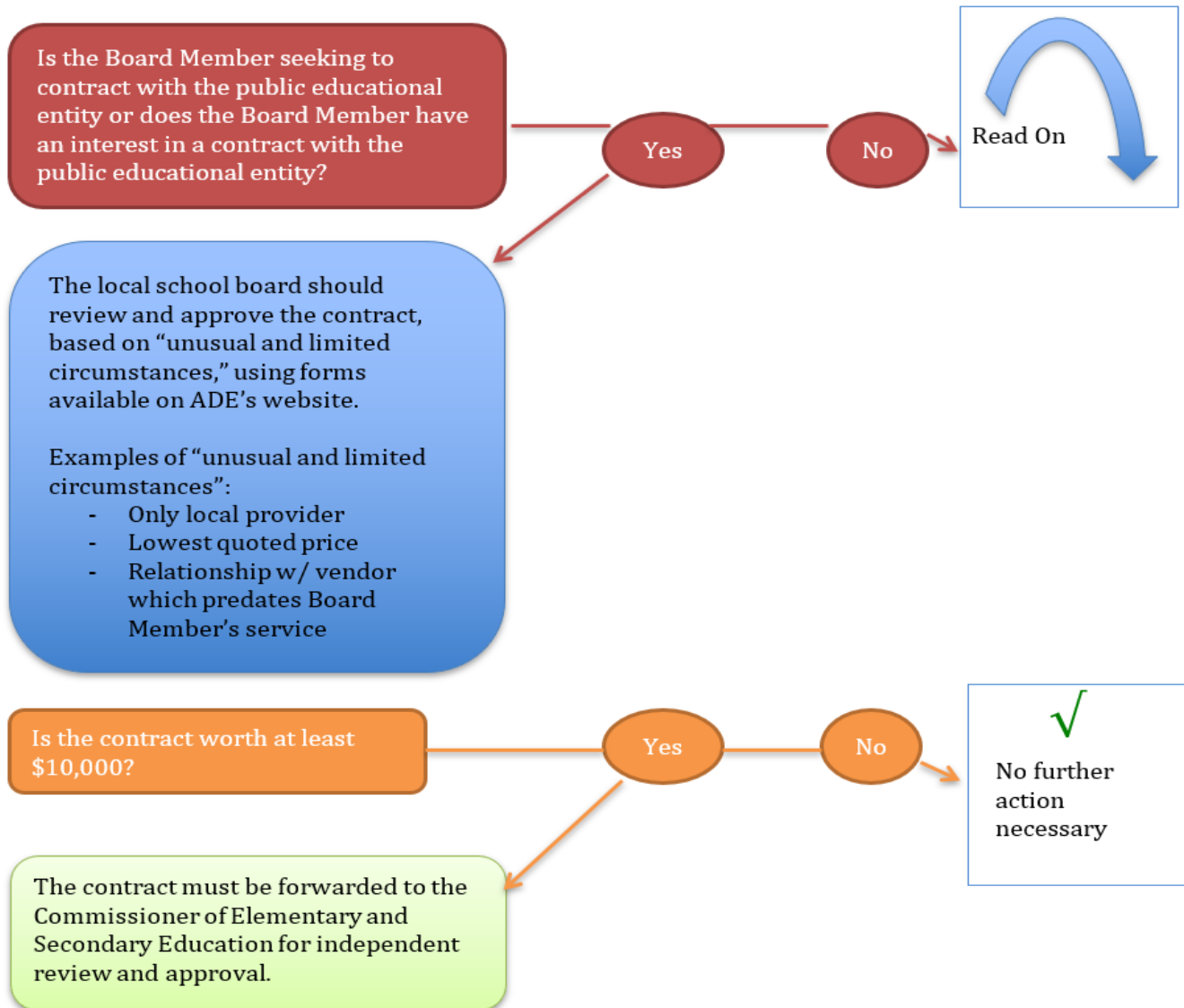
Common Audit Findings

- Theft/criminal activity
- Unallowed costs
- Lack of bank reconciliations
- Expenditures charged to the program not included in approved budget (Includes 10% variance)
- Lack of supporting documentation for expenditures (credit card and payroll)
- Lack of separation of duties
- Improper oversight of compliance with applicable federal regulations
- Time sheet certifications (Federal)
- Multiple districts have received an audit finding due to receiving fictitious emails from employee accounts requesting a change to their bank account numbers for direct deposit.
- As a result. Districts have responded by requiring ga handwritten document and/or verifying the change in-person.

Rules Governing Ethical Guidelines and Prohibitions

[Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties \(March 2016\) \(PDF\)](#)

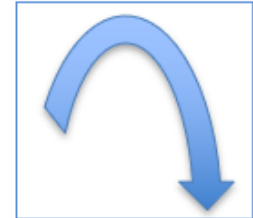
SECTION I - Board Member Conflicts of Interest:



Is the person involved truly a family member of a board member? Ark. Code Ann.

§ 6-24-102 defines a **Board Member** as **any board member, director, or other member** of a governing body of a public educational entity.”

A Family Member is defined as “an individual’s spouse, children of the individual or spouse of a child of the individual’s spouse; parents of the individual or parents of the individual’s spouse; brothers and sisters of the individual or brothers and sisters of the individual’s spouse; anyone living or residing in the same residence or household with the individual or in the same residence or household with the individual’s spouse; or anyone acting or serving as an agent of the individual or as an agent of the individual’s spouse.”



Is the public educational entity seeking to hire a Board Member’s family member?

Yes

No

Read On

The local school board should review and approve the contract, based on “unusual and limited circumstances,” using forms available on ADE’s website.

Examples of “unusual and limited circumstances”:

- Only qualified applicant
- Clearly best applicant
- Multiple positions where all qualified applicants will receive contract
- Short sub list
- Few people on sub list have a license

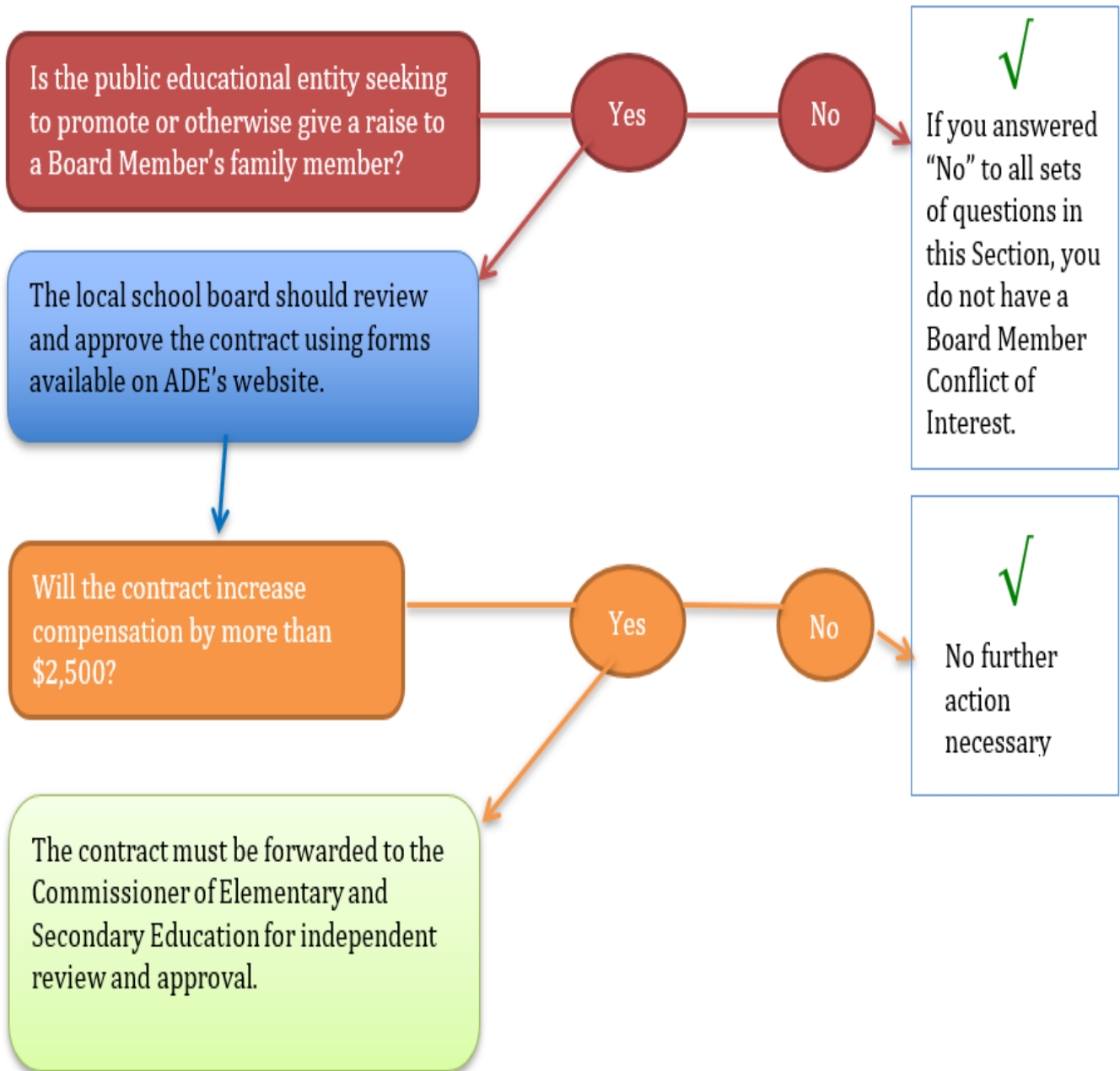
Is the contract worth more than \$5,000 in compensation?

Yes

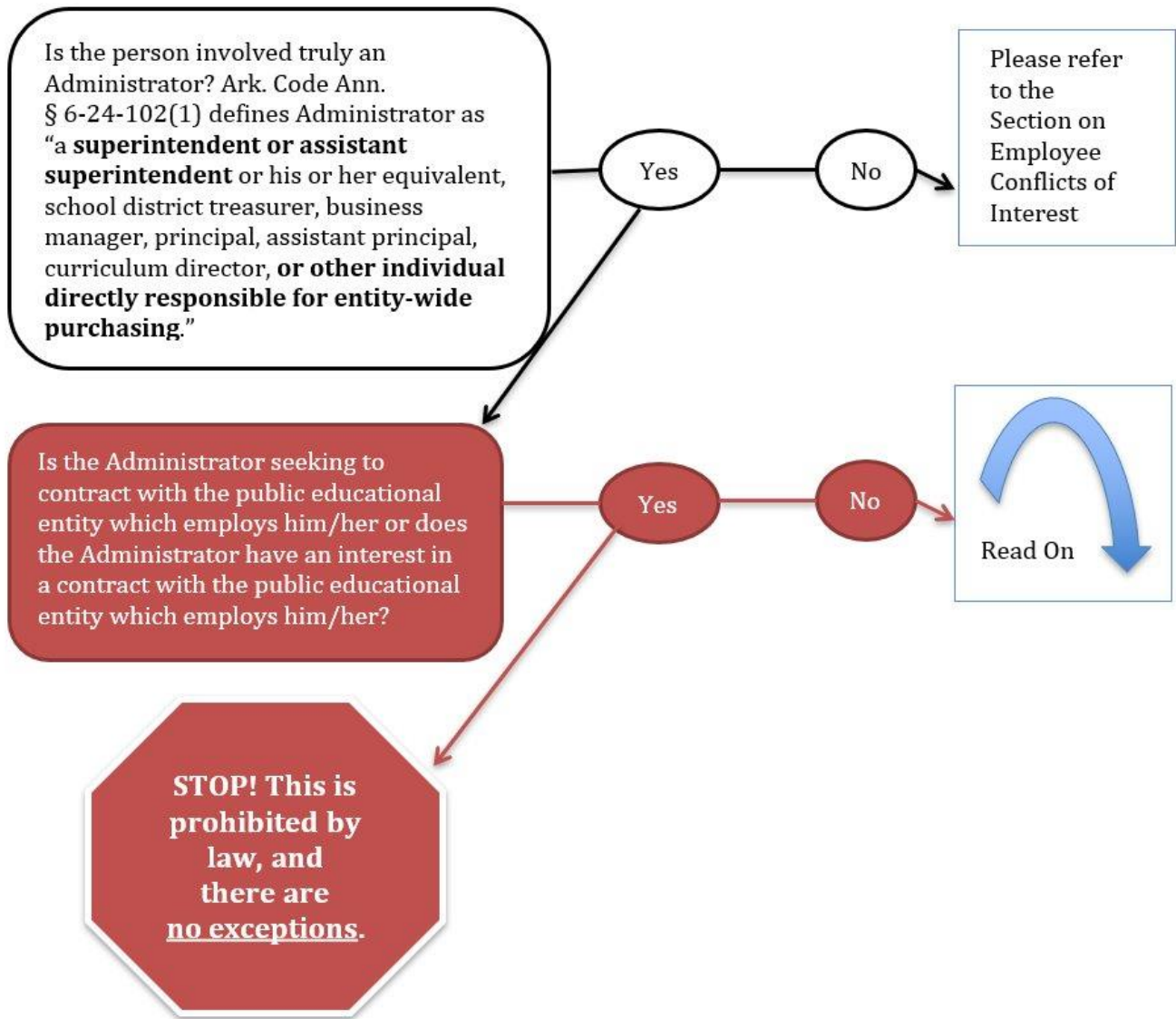
No

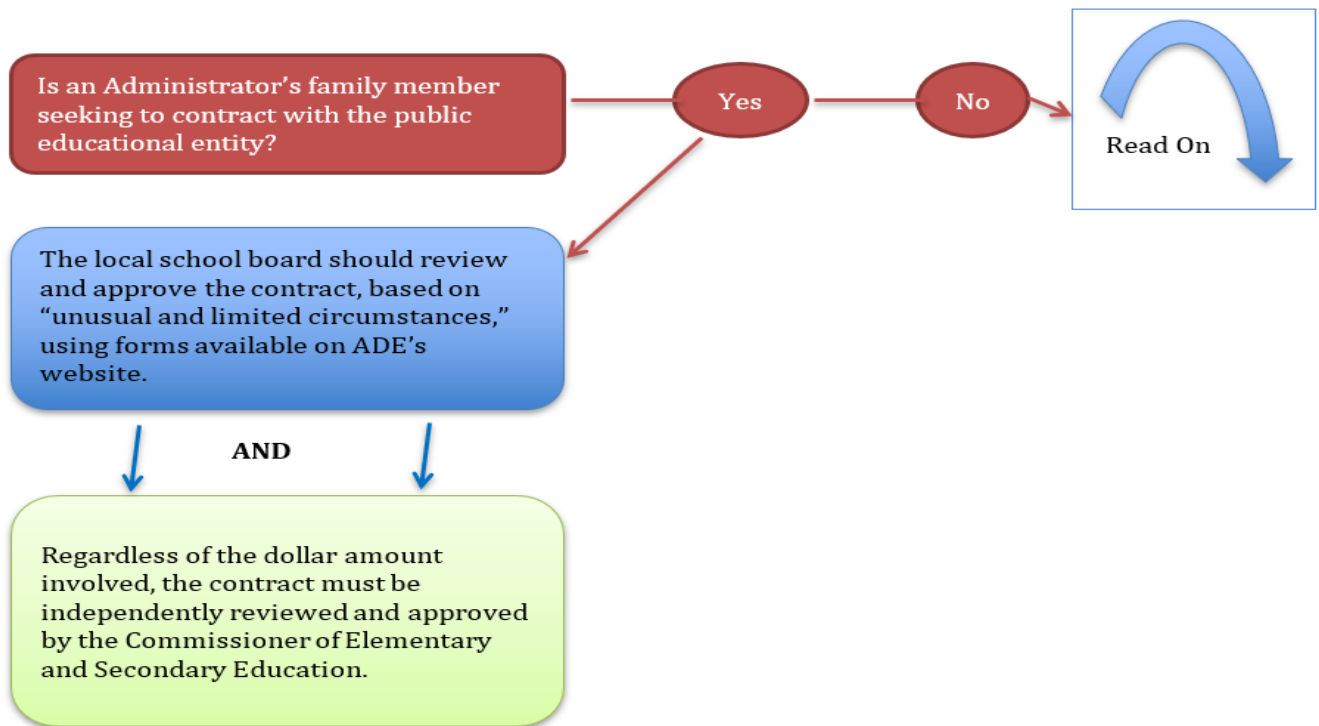
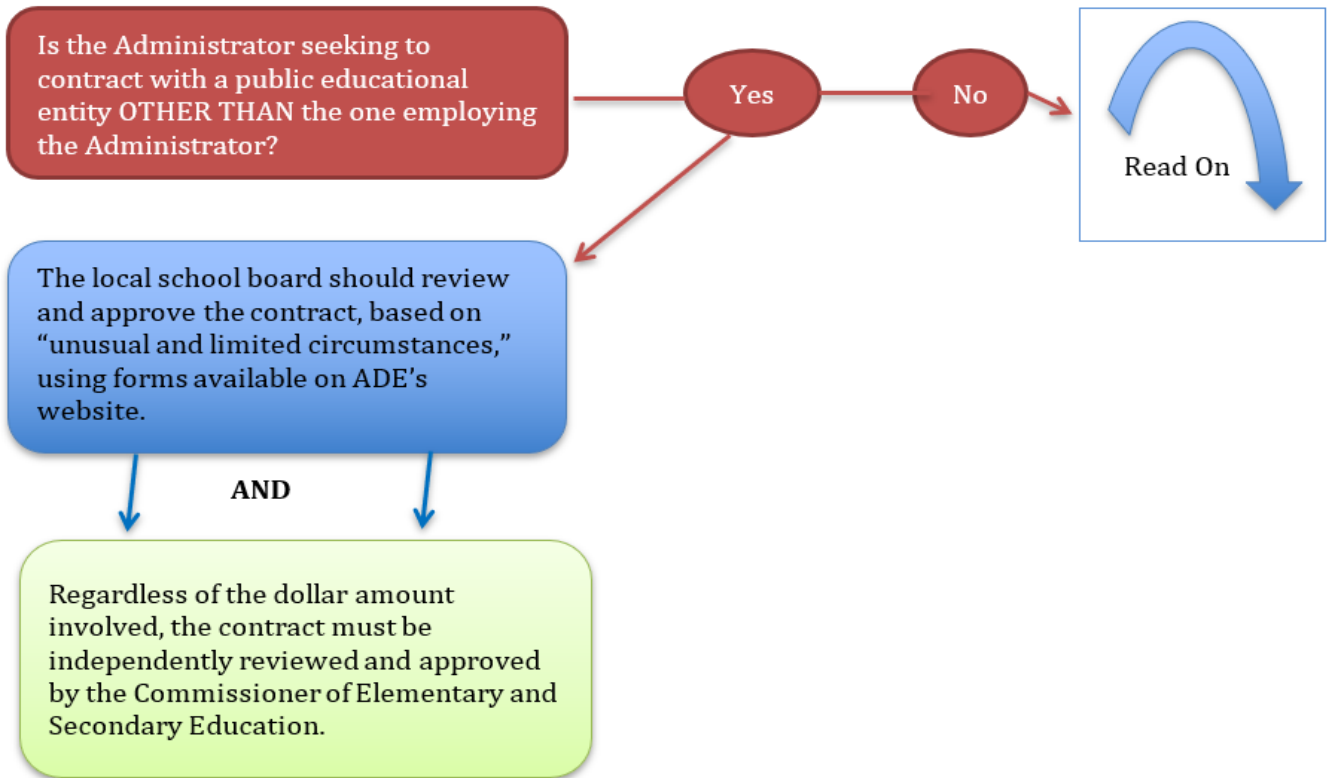
✓
No further action necessary

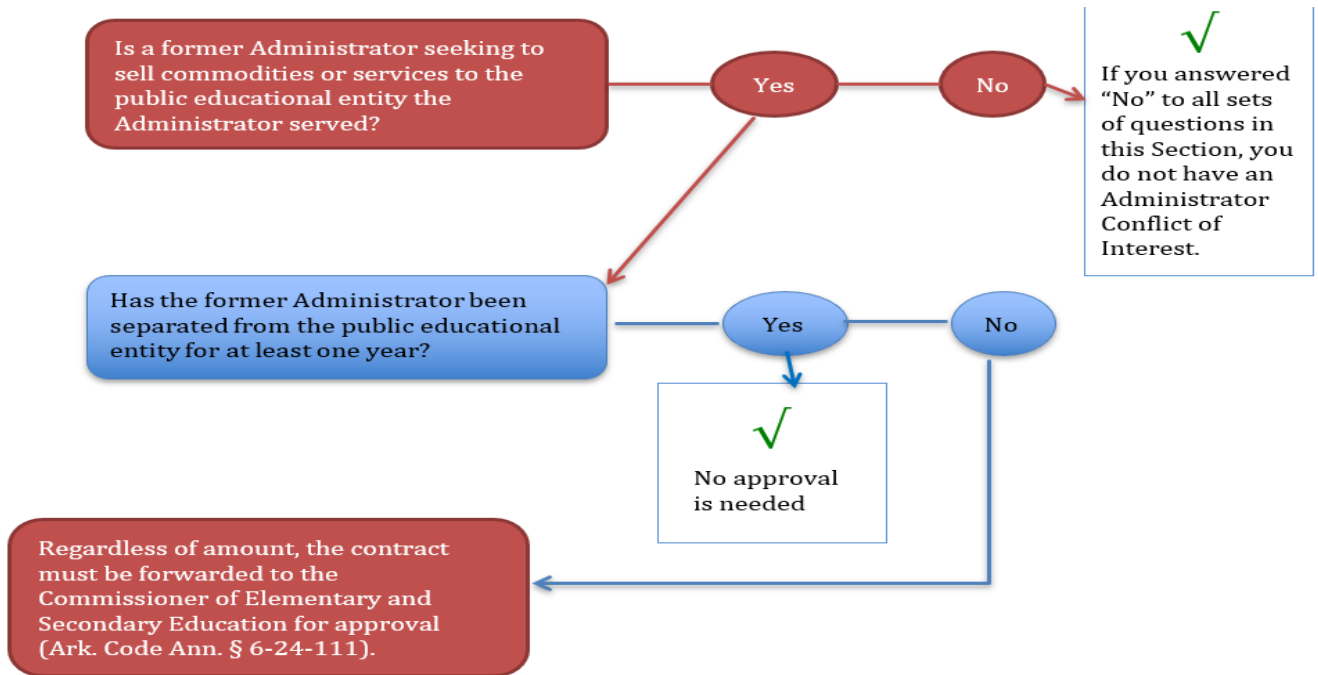
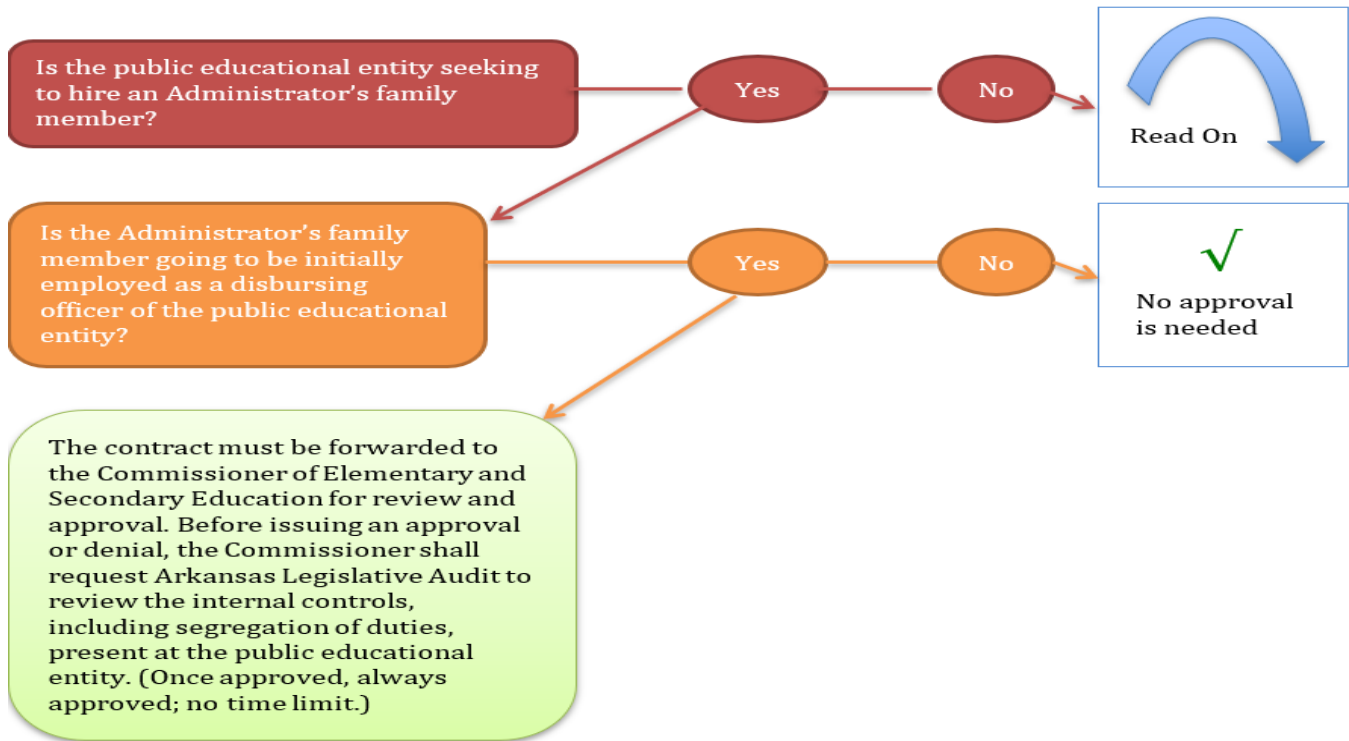
The contract must be forwarded to the Commissioner of Elementary and Secondary Education for independent review and approval. (Once approved, always approved; no time limit.)

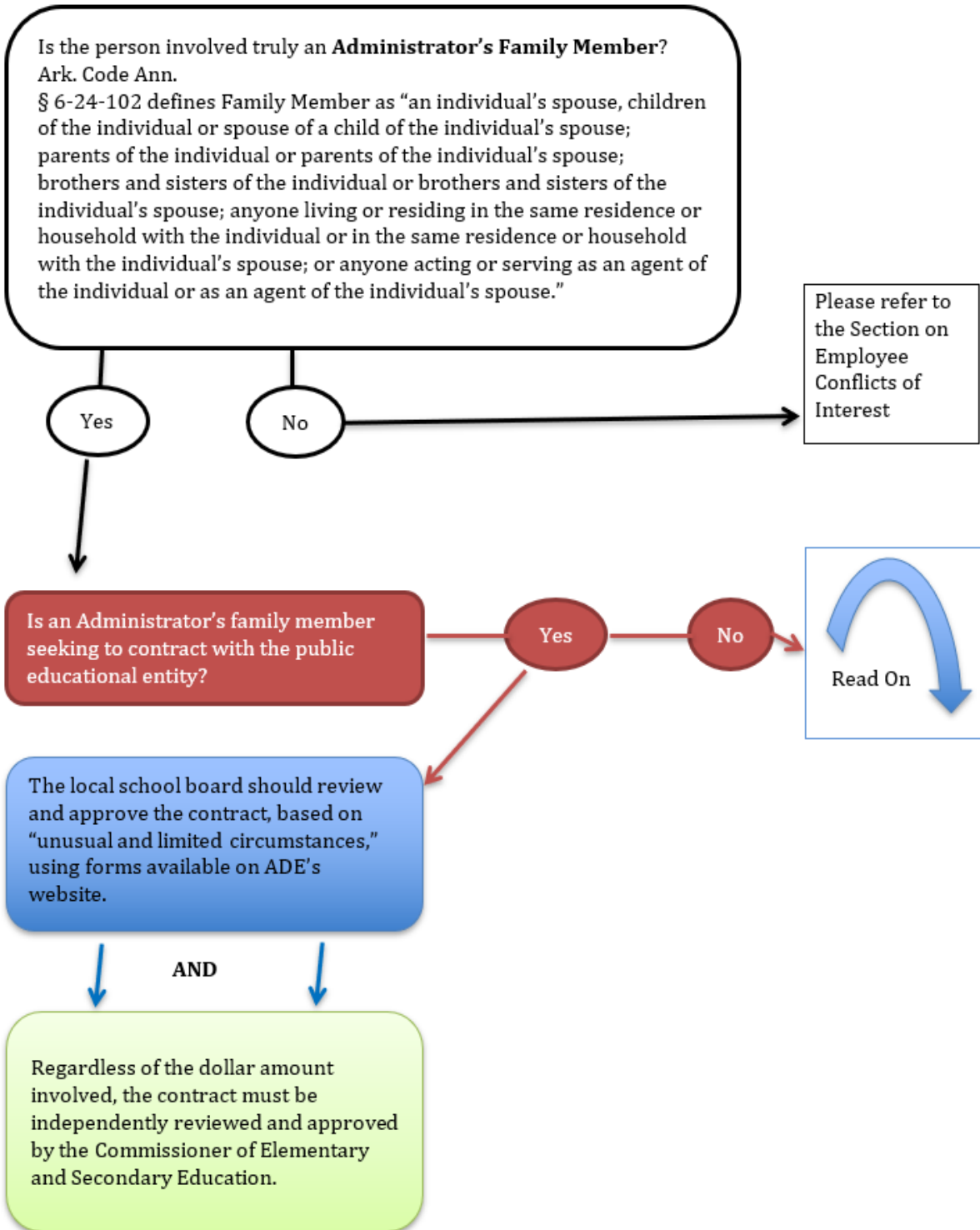


SECTION II - Administrator Conflicts of Interest:

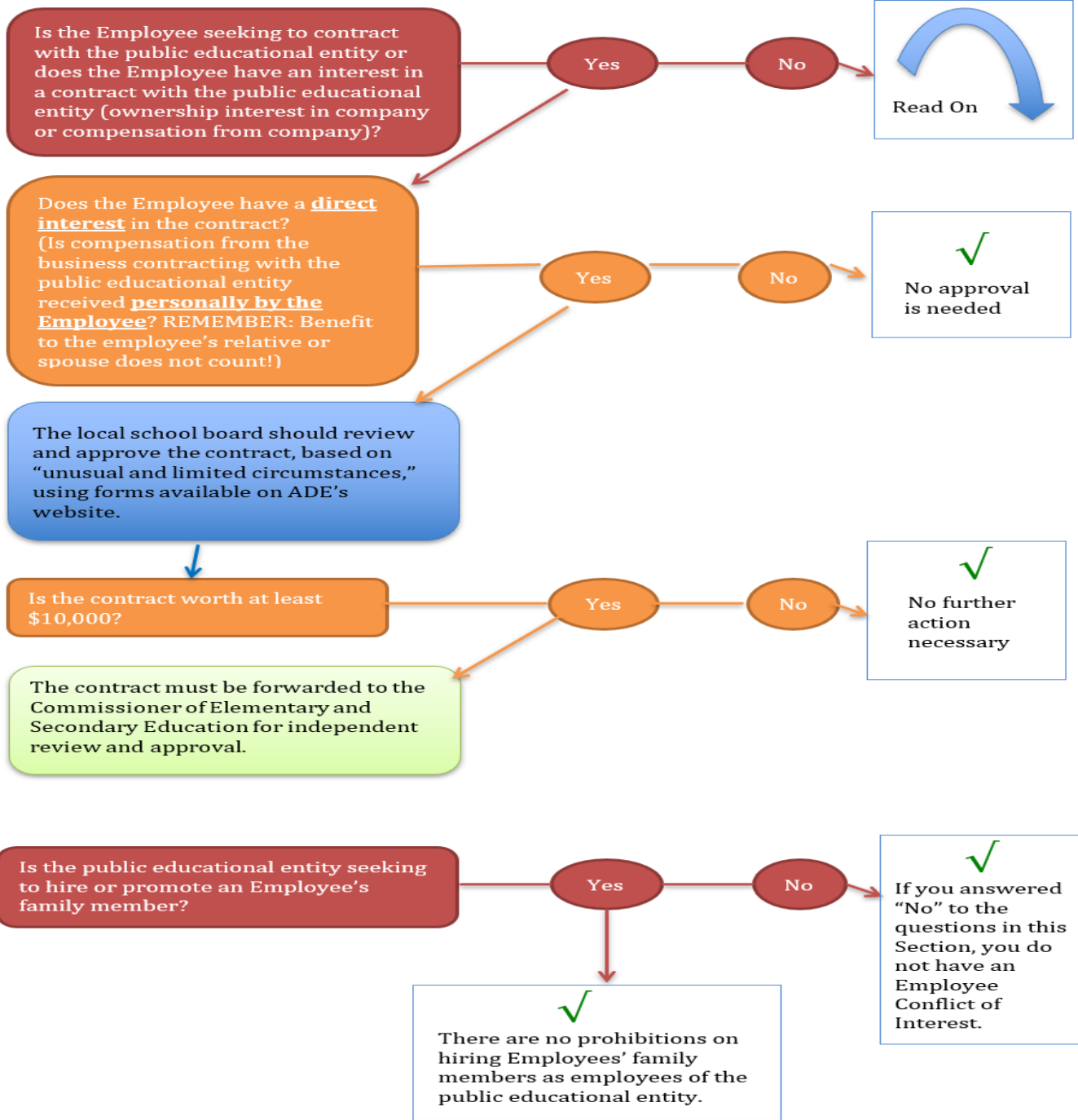








SECTION III - Employee Conflicts of Interest:



References: A. C. A. § 6-11-105, 6-24-101 et seq., and 25-15-201 et seq.; [Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties \(March 2016\)](#)

Financial Accounting Handbook

The Financial Accounting Handbook contains all necessary coding information and can be found on the [Financial Management System page](#) of the APSCN website.

Login:

School District Users

Use your State Active Directory Account (e.g., apsch\0908jdoe)

ADE Users

Sign in with your ADE credentials (e.g., jdoe)

Arkansas School Funding Guide

The [Arkansas School Funding Guide](#) can be found in the Publications and Reports section of Fiscal and Administrative Services on the DESE website.

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- Medicaid

2025-2026 Tier 1 School Finance Resource Guide

- Resources
- Arkansas Medicaid Administrative Claiming (ARMAC)
- Annual Statistical Report
- Adequacy Funding Worksheet (Matrix)

State Revolving Loan Program

The Revolving Loan Program, administered by ADE, provides a borrowing alternative for districts/education service cooperatives.

A broad range of eligible purposes including purchase of site, school bus, equipment; renovation and new construction of facilities.

School districts may borrow maximum of \$500,000; education service cooperatives up to ½ of annual grant.

The current interest rate is 4.95%, maximum term 10 years with semi-annual payments.

Loan approvals through the State Board of Education (every other month beginning with January SBE meeting).

For applications, timelines, instructions, please contact Amy Woody at 501.682.4465 or Amy.Woody@ade.arkansas.gov.

References: A.C.A. § 6-20-801 et. seq.

Registration of Non-Bonded Debt

Postdated warrants, lease-purchase agreements, and installment contracts must be registered with the district treasurer and ADE on forms provided or approved by ADE.

If a district pre-pays a registered short-term debt or deviates from the registered amortization schedule on file with the ADE, the district should notify the ADE in writing or by email, of the early pay-off or provide the revised amortization schedule.

For registration forms and instructions, contact Amy Woody at 501.682.4465 or Amy.Woody@ade.arkansas.gov.

References: A.C.A. § 6-20-402

Additional Resources and References

Websites

- [DESE Web Site](#)
- [Commissioner's Memos](#)
- [Publications and Reports](#)
- [Rules](#)
- [APSCN Web Site](#)
- [ADE Data Center](#)
- [My School Info](#)
- [Child Nutrition](#)
- [Academic Facilities and Transportation](#) -
- <http://www.arklegaudit.gov/>
- [Arkansas Code Annotated](#)

APSCN

APSCN Field Support

On-site, phone, and email support, M-F, 8:00 a.m.-4:30 p.m. or 7:30 a.m.-4:00 p.m.

APSCN Help Desk

501.682.4357 (682-HELP)

DESE Contacts

[ADE Employee Directory by Unit, Division, Office, and Unit](#)