

OKLAHOMA

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I. GENERAL BACKGROUND

State

The State Aid Formula for Oklahoma School Districts includes a two-tiered equalization formula implemented in 1981. The Oklahoma legislature annually appropriates state aid for both formulas in a single line item. The appropriated state aid is supplemented by state dedicated and local revenue. Additionally, categorical programs are annually appropriated through several legislative line items.

State funding increased dramatically during the first half of the decade, primarily driven by sweeping reform encapsulated in the Oklahoma Reform and Funding Act of 1990 (more commonly known as HB1017). With the conclusion of most of the reform provisions of HB 1017 in 1990, growth in state appropriated revenue in support of common schools slowed. Still, the state provides the largest share of funding for common schools annually, and education represents the largest single item in the annual state budget.

Local

In 1998–99 Oklahoma was divided into 547 local school districts, including independent K–12 districts and dependent districts serving students in grades pk-8. Most local revenues are derived through ad valorem taxation. A maximum 39 mills may be levied annually for general fund support. Districts may levy by a 5 mill building levy and a sinking fund levy to service debt. Local school districts also receive a county apportionment derived from county mortgage tax revenue. Local districts additionally derive miscellaneous revenues from interest income, gifts, student fees, property sales, transfer fees, tuition, rental and refunds.

Funding Summary 1998-99

Total State School Aid (All Programs)		\$ 1,769.5 million
Grants in aid	1,724.0 million	
Teacher Retirement Contributions	145.5 million	
FICA	0 million	
Total Local School Revenue		\$ 571.2 million
Property Tax	497.2 million	
Other local source tax revenue	74.0 million	
Local source non-tax revenue	0 million	
Total Combined State and Local School Revenue		\$ 2,340.7 million
State Financed Property Tax Credits		
Attributable to School Taxes		0

II. LOCAL SCHOOL REVENUE

Property Tax

The largest source of local revenue is ad valorem tax collections. Assessment ratios are constitutionally capped at 35%. Local boards of education are authorized to annually levy 15 mills for general fund education support. The levy resulting from the 15 mills constitutes part of the local district contribution to the state foundation formula.

Districts are constitutionally guaranteed proceeds from a 4 mill countywide levy. These revenues are distributed to local districts based on average daily attendance (ADA). Seventy-five percent of the proceeds are charged as part of the local contribution to the state foundation program.

Voters annually decide 20 additional mills for general fund support. These are derived from three separate levies: a 10 mill local support levy, a 5 mill emergency levy, and a 5 mill county levy. The first two levies require the approval of a majority of voters within the local district in an annual election. The county levy is approved by a majority countywide vote and distributed to local districts based on ADA. Proceeds from these 20 mills are equalized by the state through the salary incentive aid formula.

Districts may, with approval of a majority of voters, pass a 5 mill building fund levy to support capital costs. Proceeds are not equalized by the state. Further, districts may, with the approval of a 60% supermajority of voters, pass a sinking fund levy to service debt.

Income Tax

School districts do not generate revenue directly from local income tax sources. Local income taxation is prohibited by the Oklahoma Constitution.

Sales Tax

School districts do not generate revenue directly from local sales tax sources.

Tax credits and exemptions

A \$1,000 homestead exemption on real property is available to any property taxpayer. A circuit breaker provision was added to the Oklahoma Constitution in 1997. The fair cash value of homestead property belonging to a head of household age 65 or older, in a family with an income of \$25,000 or less annually, cannot be increased absent improvements made on the property. Federal and state property is exempt from ad valorem taxation in Oklahoma.

III. TAX AND SPENDING LIMITS

Oklahoma school districts are limited in the amount of ad valorem taxes annually levied for the support of local school districts. Districts are authorized to levy up to 39 mills for the support of the general educational program. An additional 5 mill building fund is authorized, while districts may pass millage to service debt not to exceed 10% of total aggregate district net assessed valuation. Fair cash value of real property for tax purposes to may be increased no more than 5% per taxable year (unless the property has been transferred, or property improvements have been made).

The state Legislature, based on State Question 640 passed in 1992, may not increase state taxation rate without the approval of a majority of voters participating in a statewide election.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

Certain revenue sources are earmarked for the support of public education. The proceeds from these sources constitute part of state foundation aid to school districts. A summary of these sources follows.

School Land Earnings

These revenues are derived from the Permanent School Fund are earmarked for local districts. The Commissioners of the Land Office administer the fund.

Rural Electrification Association Cooperative Tax (R.E.A. Tax)

These revenues are in lieu of property tax collections, and are distributed in proportion to the number of miles of transmission lines with each district.

Motor Vehicle Collections

Thirty-five percent of all motor vehicle fees collected are allocated to local school district from a separate motor vehicle fund. Proceeds are distributed through each county to school districts based on ADA.

Gross Production Tax

Extractive industries provide a major source of revenue for Oklahoma, an energy producing state. Ten percent of the tax revenues are earmarked for school districts, based on an ADA allocation for independent schools only.

V. BASIC SUPPORT PROGRAM

Funding 1998–99: \$1,179.4 million.

Percentage of Total State Aid: 66.7%.

Nature of Program: The basic state support mechanism for Oklahoma schools includes a two-tiered equalization program. The first component is a foundation formula with a transportation supplement. The second tier, the salary incentive aid, is a modified guaranteed yield formula.

Allocation Units: State aid is enrollment driven, with weighted average daily membership (ADM) used as the formula unit of funding.

Local Fiscal Capacity: Assessed valuation.

How the Formula Operates: The foundation program for a given local district includes a legislatively determined statewide base support factor (\$1,239 for FY1998–99) multiplied by the district’s weighted ADM. The local foundation program income for the district is subtracted from this product. This income includes district 15 mill tax levy, 75% of the 4 mill countywide levy, and collections from the dedicated revenue sources (motor vehicle collections, gross production tax revenues, rural electrification tax revenues, and school land earnings). State foundation aid results from the subtraction of the local foundation program income from the total foundation program. State appropriated aid to school districts is therefore disbursed in inverse proportion to local ability to raise revenue.

The salary incentive aid component of the Oklahoma funding system (fundamentally a guaranteed yield formula) constituted a second tier resource equalization program. The local portion of the program was derived from an annual levy up to 20 mills for each local district. In FY 1998/99 the state guaranteed \$59.93 per weighted ADM for every mill levied up to 20.

State Share: Difference between foundation amount and amount raised locally.

Local Share: 15 mill tax levy, 75% of 4 mill county wide levy and dedicated resources.

Weighting Procedures: ADM are provided four series of weights. The first two are grade level and special education category. For districts that qualify, ADM are additionally provided a small school or isolation weight. The teacher index weight is provided to give districts the fiscal incentive to hire more experienced teachers with graduate degrees. In FY1998–99, ADM were weighted identically for the foundation formula (excluding the transportation supplement) and the salary incentive aid.

Adjustment For Special Factors: None other than weighting.

Aid Distribution Schedule: District aid is calculated semiannually, in July and January. Aid is distributed monthly through electronic transfer. August through December disbursements are based on the July calculation, while January through June disbursements are based on a January calculation.

Districts Off Formula: 1.

VI. TRANSPORTATION

Funding 1998–1999: \$22.8 million.

Percentage of Total State Aid: 1.3%.

Description: State transportation aid is provided as a supplement to the foundation formula. The transportation supplement is calculated by multiplying average daily haul (ADH) by a per-capita transportation allowance and then multiplying this product by a transportation factor (1.39 for FY1998–99). ADH for a district represents the number of students legally transported who live at least one and a half miles from school. The transportation supplement is general rather than categorical aid. Additional costs are borne by local school districts.

Extent of Participation: 544 districts participated.

VII. SPECIAL EDUCATION

Funding 1998–1999: Included in basic support program.

Percentage of Total State Aid: N/A.

Description: Special education weights are used in weighting ADM in both the foundation and salary incentive aid formulas. The additional weights for special education students are as follows:

Learning disabilities	0.40
Hearing Impaired	2.90
Visually Impaired	3.80
Multiple Handicapped	2.40
Speech Impaired	0.05
TBI	2.40
Autism	2.40
MR	1.30

Emotionally Disturbed	2.50
Physically Handicapped	1.20
Deaf and Blind	3.80
Spec Ed Summer Program	1.20

Revenues are not tracked to expenditures. Any additional costs are borne by the local school districts, supplemented by federal funding.

Extent of Participation: Not reported.

VIII. COMPENSATORY EDUCATION

Funding 1998–1999: \$184.4 million.

Percentage of Total State Aid: 10.4%.

Description: A student add-on weight of .25 is provided for both funding formulas to assist local school district in defraying compensatory education costs. Additional costs must be borne by districts, supplemented by federal funding.

Extent of Participation: 547 districts participated.

IX. GIFTED AND TALENTED EDUCATION

Funding 1998–1999: \$61.9 million.

Percentage of Total State Aid: 3.5%.

Description: A student add-on weight of .34 is provided in both funding formulas to assist local school district in maintaining programs for gifted students. Additional costs must be borne by districts.

Extent of Participation: 532 districts participated.

X. BILINGUAL EDUCATION

Funding 1998–1999: \$20.5 million.

Percentage of Total State Aid: 1.2%.

Description: A student add-on weight of .25 is provided for both funding formulas to assist local school district in defraying bilingual education costs. Additional cost must be borne by districts, supplemented by federal funding.

Extent of Participation: 388 districts participated.

XI. EARLY CHILDHOOD EDUCATION

Funding 1998–1999: \$37 million.

Percentage of Total State Aid: 2.1%.

Description: Students in early childhood programs are weighted at 0.7 (half-day students) or 1.3 (full day students) as part of the pupil grade level weight in both formulas. Additional costs are borne by local districts, supplemented by federal funds.

Extent of Participation: 372 districts participated.

XII. OTHER CATEGORICAL PROGRAMS

Several categorical programs were included in FY 1998/99 funding. Each categorical program was provided through separate appropriation by the Oklahoma Legislature.

Mentor Teacher Stipend

Funding 1998–1999: \$1.0 million.

Percentage of Total State Aid: less than 1%.

Description: Funds for mentor classroom teachers who provide guidance and assistance to first year teachers.

Extent of Participation: 446 districts participated.

Alternative and High Challenge Education

Funding 1998–1999: \$21.3 million.

Percentage of Total State Aid: 1.2%.

Description: Funds for students who are at risk of not completing a high school education.

Extent of Participation: 425 districts participated.

Community Education Grants

Funding 1998–1999: \$0.4 million.

Percentage of Total State Aid: less than 1%.

Description: Funds provided to offer courses for the purpose of enhancing lifelong learning opportunities for members of local communities.

Extent of Participation: 65 districts participated.

Psychometric Services

Funding 1998–1999: \$0.9 million.

Percentage of Total State Aid: less than 1%.

Description: Funds available to contract for screening, student assessments, counseling, and vision and hearing services in areas where the needs exceed the services provided by the Regional Education Services Center.

Extent of Participation: 5 districts participated.

School/Community Network for Arts-in-Education

Funding 1998–1999: \$0.13 million.

Percentage of Total State Aid: less than 1%.

Description: Funds distributed through the State Board of Education to provide student access to the arts, including music, art, drama and dance. Access is provided through skill development in a specific art form, infusion of the arts into other basic skills, and through the use of arts to reach the special learner.

Extent of Participation: 48 districts participated.

Special Education Assistance Fund

Funding 1998–1999: \$1.2 million.

Percentage of Total State Aid: less than 1%.

Description: School districts with students with severe disabilities requiring special services that result in extraordinary costs to the local district may be eligible for reimbursement.

Extent of Participation: 156 districts participated.

Professional (Staff) development

Funding 1998–1999: \$14.1 million.

Percentage of Total State Aid: less than 1%.

Description: A line item appropriation from the legislature to increase teacher education programs and upgrade professional abilities of certified staff.

Extent of Participation: 547 districts participated.

Adult Education Matching

Funding 1998–1999: \$1.3 million.

Percentage of Total State Aid: less than 1%.

Description: Legislatively appropriated revenue to match federal funds intended to establish and maintain adult education programs that will enable all adults to acquire basic literacy skills, complete secondary school, and become more employable, productive and responsible students.

Extent of Participation: 40 districts participated + 3 Votech/YWCA.

Driver Education

Funding 1998–1999: \$1.6 million.

Percentage of Total State Aid: less than 1%.

Description: Reimbursement to districts for providing driver education programs.

Extent of Participation: 340 districts participated.

Homebound/Special Services

Funding 1998–1999: \$1.2 million.

Percentage of Total State Aid: less than 1%.

Description: Reimbursement for salary and travel allowances for instructors of students who qualify for homebound/special services.

Extent of Participation: 243 districts participated.

School Lunch—State Reimbursement

Funding 1998–1999: \$3.2 million.

Percentage of Total State Aid: less than 1%.

Description: Funds provided to local districts to help defray costs of student meals.

Extent of Participation: 547 districts participated.

School Lunch-State Matching

Funding 1998–1999: \$3.6 million.

Percentage of Total State Aid: less than 1%.

Description: Funds provided to match federal funds intended to assist local districts in providing school lunch programs.

Extent of Participation: 547 districts participated.

Small School Cooperatives

Funding 1998–1999: \$1.2 million.

Percentage of Total State Aid: less than 1%.

Description: Grant revenue distributed through the State Board of Education to assist small school districts through the creation of cooperative programs in the areas of mathematics, science, computer education and music.

Extent of Participation: 13 districts participated.

Purchase of Textbooks

Funding 1998–1999: \$19.2 million.

Percentage of Total State Aid: 1.1%.

Description: Per-pupil (in ADA) allocation to school districts to help defray the costs of student textbooks (\$32 per ADA in FY1999).

Extent of Participation: 547 districts participated.

Other State Programs

Funding 1998–1999: \$35.7 million.

Percentage of Total State Aid: 1.9%.

Description: A variety of state supported, statewide services, such as schools for disabled students, advanced science and mathematics schools, and other statewide services.

Extent of Participation: Not reported.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding 1998–1999: \$145.5 million.

Percentage of Total State Aid: 8.2%.

Description: Prior to the current fiscal year, a portion of the gross tax was dedicated to the Oklahoma Teachers' Retirement System (OTRS). Legislation changed this funding to 3.25% of the state's General Revenue Fund until June 30, 2001, and 3.5% each year thereafter. Although this funding change does not address the long-term unfunded liability problem in the OTRS, greater stability should be achieved due to the more stable funding source.

The district's contribution rate, which had previously consisted of a mix of the dedicated gross production tax funding plus the employer's contribution based on the employee's compensation, is scheduled to increase to 18% of the employee's compensation by FY2006. The new rate is set at 4.8% of the employee's compensation for the current fiscal year, to escalate to a maximum of 7.05% by FY2003, and consists solely of the employer's contribution. This adjustment eliminates the difficulty with predetermining the total amount of contributions.

Extent of Participation: All districts participated.

XIV. TECHNOLOGY

Funding 1998–1999: \$16.4 million.

Percentage of Total State Aid: less than 1%.

Description: \$16.4 million was distributed for common education classroom technology. \$8.2 million to help school districts obtain technology access (Internet capabilities, etc.) and another \$8.2 million to purchase computer hardware.

Extent of Participation: Not reported.

XV. CAPITAL OUTLAY AND DEBT SERVICE

No state funding mechanisms are in place for the support of capital outlay or debt service in Oklahoma.

Local school districts may annually levy up to 5 mills to support a building fund. Building fund proceeds, with few exceptions, may not be mixed with the general fund. Most of the funding for capital outlay is derived through the sale of general obligation bonds. School districts must pass bond issues only after the approval

of at least 60% of the voters voting in an election (bonded indebtedness is the only vote requiring a supermajority). With a bond issue, a debt service levy is passed to service the debt. Though there is no limit on the number of debt service mills for a school district, no district may incur debt above a ceiling 10% of net assessed valuation.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

HB1017 included among its many provisions the establishment of the Education Oversight Board and the Office of Accountability. These organizations are responsible for gathering and publishing a variety of educational indicators about the state as a whole, all Oklahoma school districts, and all individual schools. The Office of Accountability publishes an annual report card for each of these entities. Included are fiscal, test score (HB 1017 also mandated standardized testing), and personnel data. The Education Oversight board is authorized by law to identify districts not making satisfactory progress toward compliance with HB 1017 and other legislative provisions, and to recommend appropriate corrective actions to the State Board of Education.

XVII. REWARDS/SANCTIONS

Advanced Placement Incentives

Funding 1998–1999: \$4.2 million.

Percentage of Total State Aid: less than 1%.

Description: This state funding is intended to enhance advanced placement programs in schools. The funds may be used for professional development, course materials and school incentive awards.

Penalties are in the form of noncompliance with certain elements of reform. For example, districts that do not comply with state mandated class size restrictions are penalized according by having commensurate state aid withheld. Districts that employ too many non-certified teachers or do not maintain state minimum salary requirements likewise will have a measure of state aid reduced. No direct fiscal sanction exists for failing to meet standards such as test scores.

Extent of Participation: Not reported.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

There were no financial provisions for funding charter schools through fiscal year 1999. The governor signed legislation authorizing the establishment and funding of charter schools in June 1999. According to the legislation, charter schools are restricted to districts in Oklahoma and Tulsa Counties. The legislation additionally provides for ad valorem tax receipts from the resident district to be provided to charter schools in addition to concomitant state aid.

This same legislation also includes a provision for limited parental choice. According to the provision, students are allowed to transfer between schools with no restrictions, unless the receiving school has space limitations.

XIX. AID TO PRIVATE SCHOOLS

The state has no provisions for the financial support of private schools.

XX. RECENT/PENDING LITIGATION

No case has been decided since the Oklahoma Supreme Court upheld the Oklahoma state support system in *Fair School Finance Council of Oklahoma, Inc. v. Oklahoma*, 746 P. 2d 1135 (1987). *Fair II*, CJ90 7165 (Ok. 1990), challenged the Oklahoma mechanism based on adequacy rather than equity issues. *Fair II* was filed but never adjudicated.

XXI. SPECIAL TOPICS

Beginning with the 1998–99 school year \$52.3 million was provided to school districts to help their personnel pay for health insurance. Certified staff (teachers, counselors, administrators, etc.) received an allowance of \$684 to help meet their insurance premiums (33% of total cost) and support staff received \$1,026 to help meet their insurance premiums (50% of total cost). This represented 3.0% of the total school aid. All districts participated.