

Key Objectives:

- **Map funding sources for Common Education and describe how funds are distributed**
- **Assess the level of transparency and accountability of funds**
- **Determine the categorization “instructional” and “non-instructional” expenditures**
- **Identify expenditure categories tied to measurable outcomes and identify opportunities for the State to better align educational expenditures to outcomes**

Executive Summary

Oklahoma’s public schools are primarily funded through a formula intended to equalize educational opportunity by accounting for students’ needs and the capabilities of school districts to meet those needs. Through this formula, the State sets a minimum level of funding per pupil, estimates each district’s ability to contribute local funds, and fills in the gaps with State appropriated funds.

Oklahoma’s Public Education System by the Numbers (2021)

540 School Districts

1,783 Total Schools	962 Elementary Schools
	254 Middle Schools
	52 Junior High Schools
	449 High Schools
	31 Charter Schools

System-Wide ADM

687,009 Average Daily Membership	
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Total Number of School Employees

85,953 Total	42,626 Classroom Teachers <small>(Jobs Codes 210 & 213)</small>
	35,634 Support Personnel

Student Needs

405,018 Economically Disadvantaged	115,227 Special Education
86,673 Gifted and Talented	90,067 Bilingual Inclusive of English Learners

Total Funding

\$7.6 Billion Total	\$3.3 Billion – State
	\$3.1 Billion – Local
	\$1.1 Billion – Federal

Oklahoma is largely considered a “local control” State, with school districts – governed by locally elected school boards - responsible for the operation of individual schools. The State Department of Education (OSDE) sets policy, provides oversight, and directs the administration of the public school system. OSDE is responsible for calculating the State Aid formula and distributing funds to individual schools. Additionally, OSDE maintains a Statewide accounting system used by schools for tracking expenditures and collecting data.

With this evaluation, the Legislative Office of Fiscal Transparency sought to identify where and how funds for common education (grades K-12) are spent, determine the level of transparency and accountability of expenditures, assess the degree to which educational outcomes are reported, and assess how policy-makers can determine the impact of investments and better align expenditures to outcomes.

This evaluation resulted in four key findings:

Finding 1: Oklahoma’s Outdated Funding Formula Fails to Account for the Needs of Today’s Students

Oklahoma’s school funding formula has remained largely unchanged since 1981, likely due to its overly complex structure and concerns about the impact of changes to individual schools. While functional, the current formula does not reflect the academic needs of today’s student population.

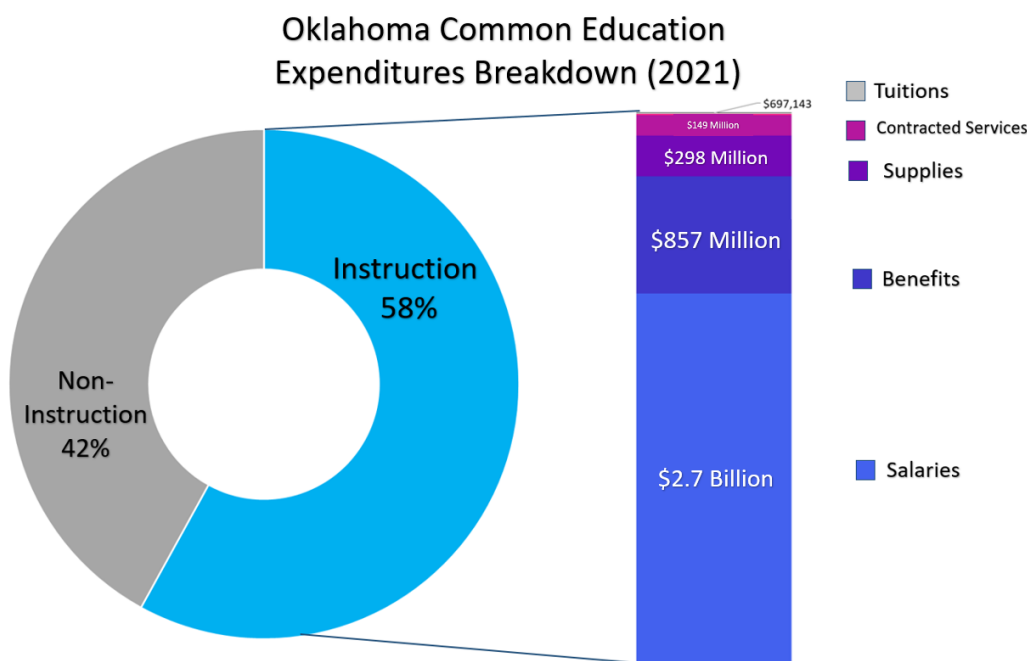
LOFT identified opportunities to both simplify and modify the formula, which could make it easier to determine the fiscal impacts of changes and allow the State to be more responsive to evolving student needs.

Oklahoma’s formula uses “weights” to identify and assign more funding to students with greater educational needs. LOFT found three student weight categories currently under-support students most in need: grade-level weights, the weight for bilingual students, and the weight for economically disadvantaged students. For example, Oklahoma’s weight for bilingual students is below the national average and less than the State weight applied for gifted and talented students. Additionally, Oklahoma’s definition for this group of students is overly broad, encompassing students who are proficient in two languages instead of targeting students lacking English proficiency. Last, Oklahoma does not require any assessment or re-assessment of bilingual students’ English proficiency, likely resulting in the weight being applied to students who have become proficient in English. LOFT found approximately 30 percent of students receiving the additional bilingual funds are not English learners.

Oklahoma is also the only State in the immediate seven-State region to not provide additional support for school districts with concentrated poverty.

Finding 2: Despite Increased Investments in Common Education, the Proportion Spent on Student Instruction has Remained Flat

School expenditures can be split into two main categories: instructional and non-instructional. Instructional spending includes salaries and benefits for teachers and others directly involved in classroom instruction, classroom materials, and curriculum design. Non-instructional spending includes facilities operation and maintenance, student transportation, school administration, and food services. In the 2020-21 academic school year, 58 percent of K-12 common education expenditures were directed to classroom instruction. Despite instructional expenditures increasing by \$1.8 billion



between 2010 and 2021, the percentage of funds directed to instructional expenditures is the same today as it was in 2010. Compensation is the primary expense in both spending categories.

Administrative personnel, who are included within the non-instruction category, have increased by eight percent in the last five years.

During the same

time there was no significant growth in student enrollment. Administrative positions have a higher average salary (\$92,995) than teachers (\$54,764), which may contribute to the pace of growth in this expenditure category.

Finding 3: Current School Finance Governance Limits Accountability of Education Expenditures

OSDE’s current role in oversight of common education expenditures is to ensure proper standardized accounting and reporting of revenue and expenditures and to ensure compliance with federal funding requirements. Schools report expenditures through the Oklahoma Cost Accounting System (OCAS). Data within OCAS is accessible to the general public. However, the usefulness of that information is limited by the volume of expense codes and the lack of explanation for understanding the expenditures defined within those codes.

OSDE is responsible for the administration and oversight of OCAS but does not actively monitor or provide a detailed review of school district expenditures. Instead, OSDE performs a “desktop” review of self-certified school finance data from schools and relies heavily on OCAS processes and school districts’ certification to ensure school expenditures are coded correctly.

LOFT found the OCAS system falls short of providing full transparency of public funds due to system limitations. For instance, system “flags” must be manually created to catch incompatible data entries. Automated coding compatibility checks are a reliable way of ensuring that common coding errors are not repeated, but they are only effective if OSDE identifies errors and programs them into the OCAS system. LOFT observed improper coding of items in OCAS, demonstrating the challenges in ensuring funds are spent in the areas intended. Additionally, while the OCAS Manual defines “Instruction” expenditures as, “activities dealing directly with the interaction between teachers and students,” items such as laundry, plumbing services, and transportation insurance were coded under instruction.

Finding 4: The Legislature’s Ability to Assess Educational Investments and Outcomes is Hindered by the Limited Delivery of Comprehensive Data

Total Common Education State Appropriations Directly Reported Back to the State Legislature



\$547.5 Million

State Appropriations directly reported back to the State Legislature for budgetary or reporting requirements

\$2.9 Billion

State Appropriations for Common Education

Federal funds require reporting of specific data regarding how educational funds were spent and any resulting outcomes. In contrast, Oklahoma requires minimal reporting of data to the State Legislature. The majority of State-reported data is for school personnel salary and benefits. The only academic outcome data required to be reported to the Legislature is for reading sufficiency rates and gifted and talented students. The lack of reported outcome data has limited policymakers’ ability to determine the impact of investments. Pairing information about areas of need with data

Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma State Department of Education’s line-item appropriations and FY23 budget request

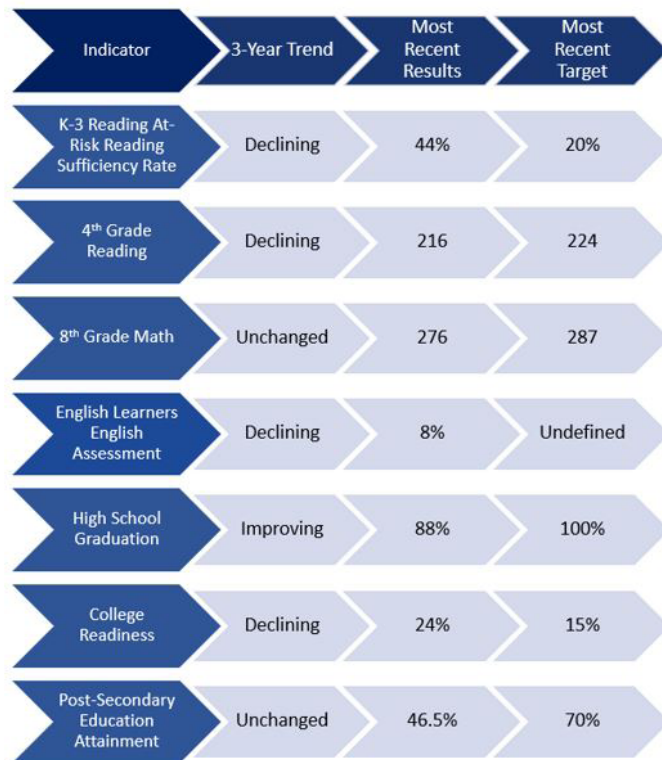
demonstrating program effectiveness would enable strategic investments of public funds, as demonstrated in the figure to the right, which is modeled after Washington’s Statewide Indicators report.

While OSDE collects significant amounts of data, much of which is available on its website across different datasets, it is not provided in a usable or useful manner. LOFT identified New Mexico, Washington, and Texas as examples of best practices for States with statutory reporting requirements for education performance outcomes. Consistent across these programs is a dedicated entity responsible for

tracking performance measures, identifying areas of underperformance, and developing strategies to meet the metrics established. For instance, Washington’s *Statewide Indicators of Education System Health* report tracks longitudinal performance across students entering kindergarten through assessing workforce preparedness as students exit the K – 12 system.

Under current federal requirements, school districts are collecting more data than ever before. However, collecting information is not enough; it must also be interpreted and effectively used. Without sufficient evidence generated through reporting requirements, Oklahoma policymakers do not have the necessary information to assess educational needs and target investments for improved student development and academic progress.

Oklahoma Academic Performance Indicators Progression



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma State Department of Education, Oklahoma State Regents for Higher education, Lumina Foundation and National Assessment of Educational Progress (NAEP)