

# Priority Program Evaluation

## Distribution of State Funds for K-12 Public Education

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Legislative Office of Fiscal Transparency  
State Capitol Building, Room 107  
2300 North Lincoln Blvd.  
Oklahoma City, OK 73105  
[okloft.gov](http://okloft.gov)



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**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

<b>1,783</b> Total Schools	962 Elementary Schools
	254 Middle Schools
	52 Junior High Schools
	449 High Schools
	31 Charter Schools

System-Wide ADM

<b>687,009</b> Average Daily Membership	
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Total Number of School Employees

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

Student Needs

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

Total Funding

<b>\$7.6 Billion</b> 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.



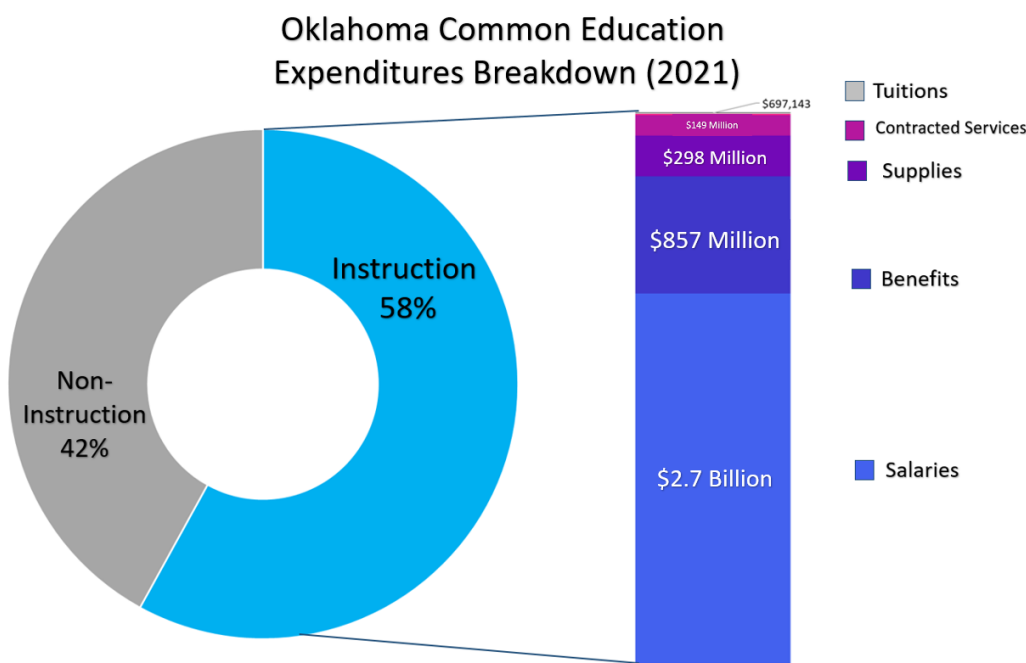
LOFT identified opportunities to both simplify and modify the formula, which could make it easier to determine the fiscal impacts of changes and allow the State to be more responsive to evolving student needs.

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

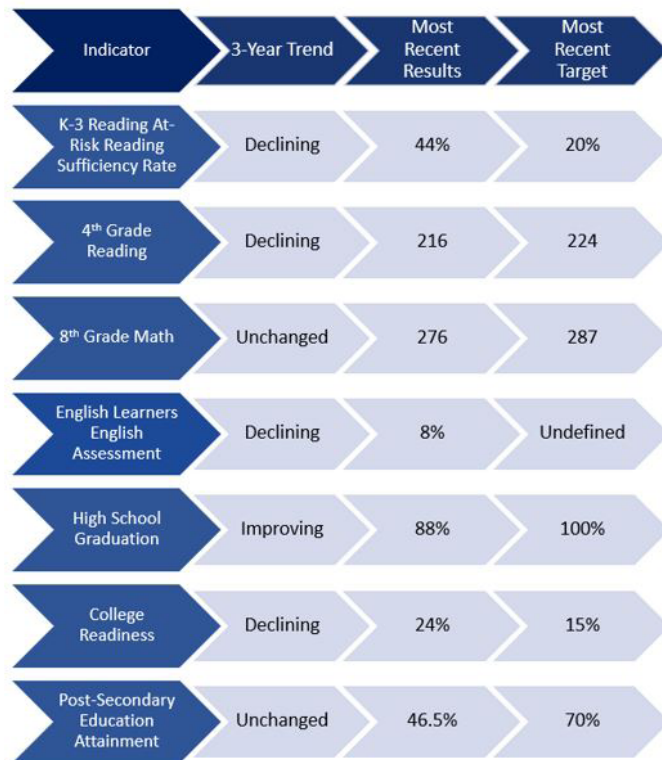
demonstrating program effectiveness would enable strategic investments of public funds, as demonstrated in the figure to the right, which is modeled after Washington’s Statewide Indicators report.

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)



## Summary of Policy Considerations

### Policy Considerations

The Legislature may consider the following policy changes:

- Requiring OSDE to produce and publicly deliver to the Legislature a comprehensive annual report on school financing, expenditures, and progress on targeted academic indicators.
- Amending the definition of “bilingual” for funding purposes to match the definition of “English Learners” and update students receiving bilingual weight based on annual federally required assessments (§70-18-109.5).
- Providing additional funding to school districts with high concentrations of poverty.
- Raising the student weight for economically disadvantaged and bilingual students to .34 to be equal to the weight of gifted students (§70-18-201.1).
- Directing new educational funding to instructional categories and requiring reporting of measurable outcomes.
- Establishing thresholds for ideal ratios of administrative to instructional expenditures.
- Amending the composition and appointment process for State Board of Education members to allow the Speaker of the House of Representatives and the President Pro Tempore of the Senate to appoint members (§70-3-101).

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## Summary Agency Recommendations

### Agency Recommendations

The Oklahoma State Department of Education should:

- Expand the scope of Oklahoma Cost Accounting System (OCAS) reviews and financial reviews to identify non-compliance and expand the sample size selected for non-automated review.
- Collaborate with the Office of Educational Quality and Accountability (OEQA) to compile and contextualize data regarding Oklahoma students' academic performance and trends; provide an annual update on overall standing and assessment of students and the public education system with the Department's annual budget request.
- Conduct a periodic review of the State Aid Funding Formula and report recommended changes to the Legislature.
- Enhance OCAS reporting by requiring a brief description of the expenditure or justification similar to the practice used by State agencies within PeopleSoft
- Simplify the categories for key expenditures areas and provide examples of allowable expenditures for each within the annual OCAS Manual.
- Annually identify the most commonly misused codes to provide training for local school districts.

## Introduction

Public elementary and secondary education (ranging from pre-kindergarten through 12<sup>th</sup> grade) constitutes the largest single share of the State's budget. Those funds are distributed to public school districts through a funding formula to provide an equal educational opportunity based on the direct needs of students.

While the needs of public education have evolved over the past several decades, the way Oklahoma funds schools has remained largely unchanged since 1981. The current formula involves a complex methodology of eight separate steps – with numerous variables and statutory references to calculate the amount of State aid directed to school districts. The formula's age and complexity are both a reason for - and an impediment to - improving the funding system. The following questions are relevant to any discussion about funding Oklahoma's public schools:

- Where is money spent?
- How transparent and accountable are school district expenditures?
- How can policymakers determine the impact of investments?
- How are educational expenditures aligned with student outcomes?

### Oklahoma's Public Education System Governance

Every State constitution in the United States enumerates education as a vested responsibility of the State, resulting in each State having its own laws, regulations, and system of funding.<sup>1</sup> Public education systems are generally either State- or local-controlled systems, based on whether the State education agency (SEA) or locally elected school boards have greater control over school policies. Oklahoma is largely considered a "local control" State.<sup>2</sup> The Oklahoma public school system operates within districts governed by locally elected school boards and superintendents. Exhibit 1 illustrates the governance structure of Oklahoma's public education system.

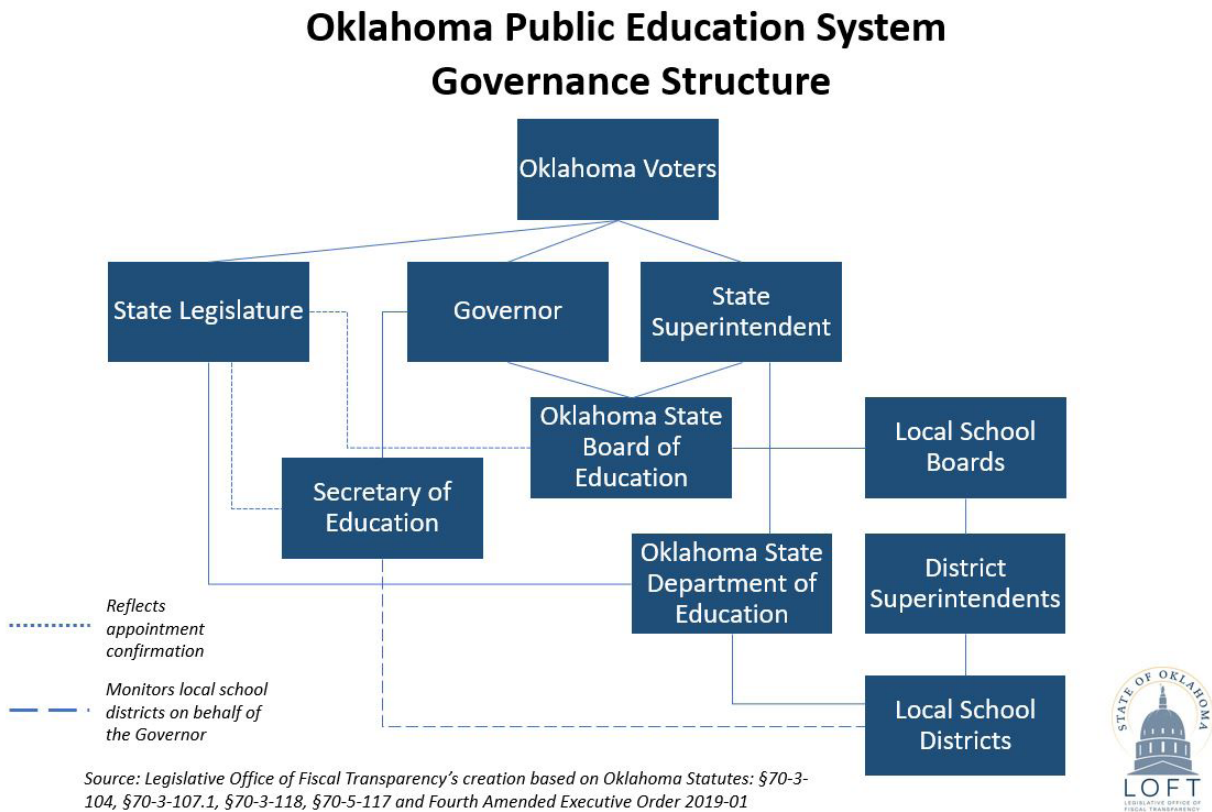
**The complexity of Oklahoma's school funding formula has prompted policy discussions about the State's school finance system, including the level of accountability and transparency regarding expenditures, how to determine the impact of investments, and to what degree educational expenditures are aligned with student outcomes.**

1. Molly A. Hunter, "State Constitution Education Clause Language," Education Law Center, January 2011

2. Per 70 O.S. §18-101, "The system of public schools should be designed to strengthen and encourage local responsibility for control of public education. Local school districts should be so organized, financed and directed that they can provide full educational opportunities for all children. The maximum public autonomy and responsibility for public education should remain with the local school districts and the patrons of such districts."



**Exhibit 1: Oklahoma's Public Education System Governance Structure.** (This figure provides a hierarchical view of how Oklahoma's public education system is governed.)



Oklahoma citizens independently elect the Governor and State Superintendent of Public Instruction (State Superintendent) every four years, and each has a role in the oversight and administration of the State's public education system. The Governor appoints six members to the Oklahoma State Board of Education, with the consent of the Oklahoma Senate. The State Superintendent, who serves as Chair of the Board, works to provide oversight and administration to both the Oklahoma State Department of Education (OSDE) and local school districts. The Oklahoma State Legislature appropriates funds which are distributed to school districts through the State Aid funding formula. The Secretary of Education serves in an advisory role to the Governor; monitoring the progress and effectiveness of State's public education system.<sup>3</sup>

Each school district is governed by a locally elected school board whose members serve staggered four-year terms. Local school district boards have broad discretionary power to determine and adopt policies if they do not conflict with State laws. These policies typically provide for the development and implementation of instructional programs, activities, services, or practices that the school board determines will promote student education and the effective management and operation of the school district. Together, the local superintendents and boards are entrusted with governing a community's local schools by developing a budget, adopting goals and priorities for the district, and setting school-level policies.

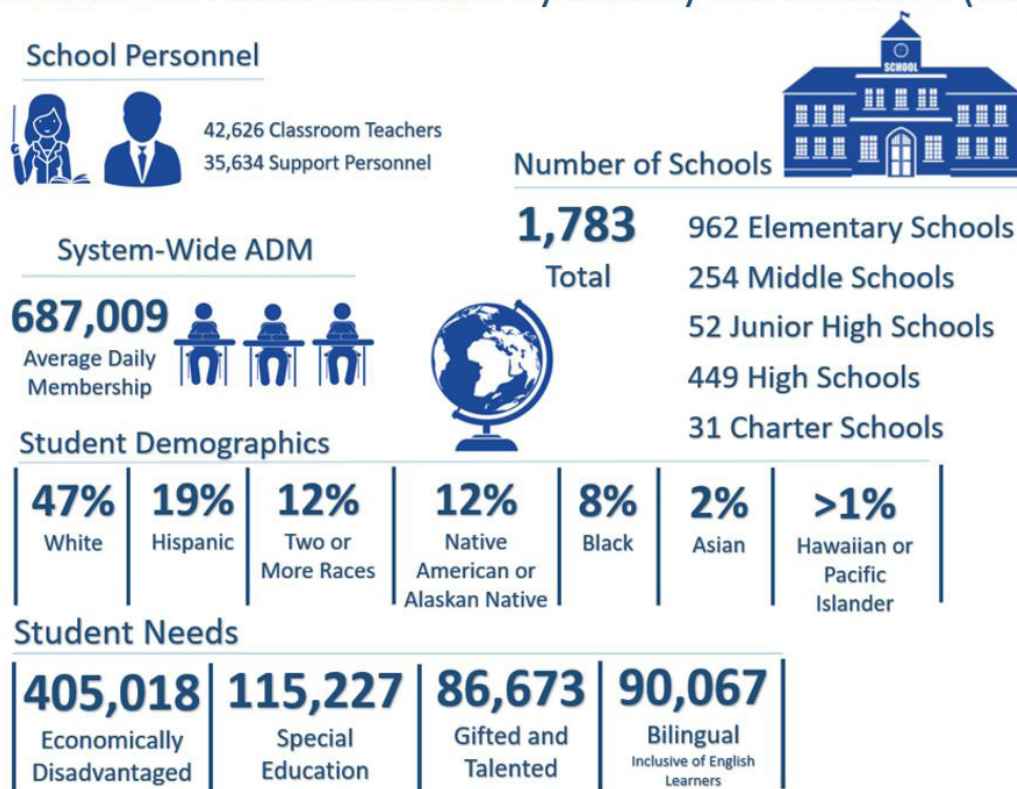
3. §70-3-118

### Oklahoma’s Public Education System by the Numbers

In 2021, Oklahoma’s public education system had an Average Daily Membership (ADM) of 687,009 enrolled across 1,783 schools in 540 school districts.<sup>4</sup> In 2021, there were 42,926 full-time equivalent (FTE) classroom teachers in the State’s public education system, or roughly one teacher for every 16 students, which was the same as the national average.<sup>5</sup>

**Exhibit 2: Oklahoma’s Public Education System by the Numbers (2021).** (This infographic shows key data points regarding Oklahoma’s public education system in 2021).

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



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma State Department of Education’s Public Records  
 Note: Classroom teachers includes Jobs Codes 210 & 213. Support personnel include all other additional staff employed by school districts.



### Oklahoma Public Education Funding Trends

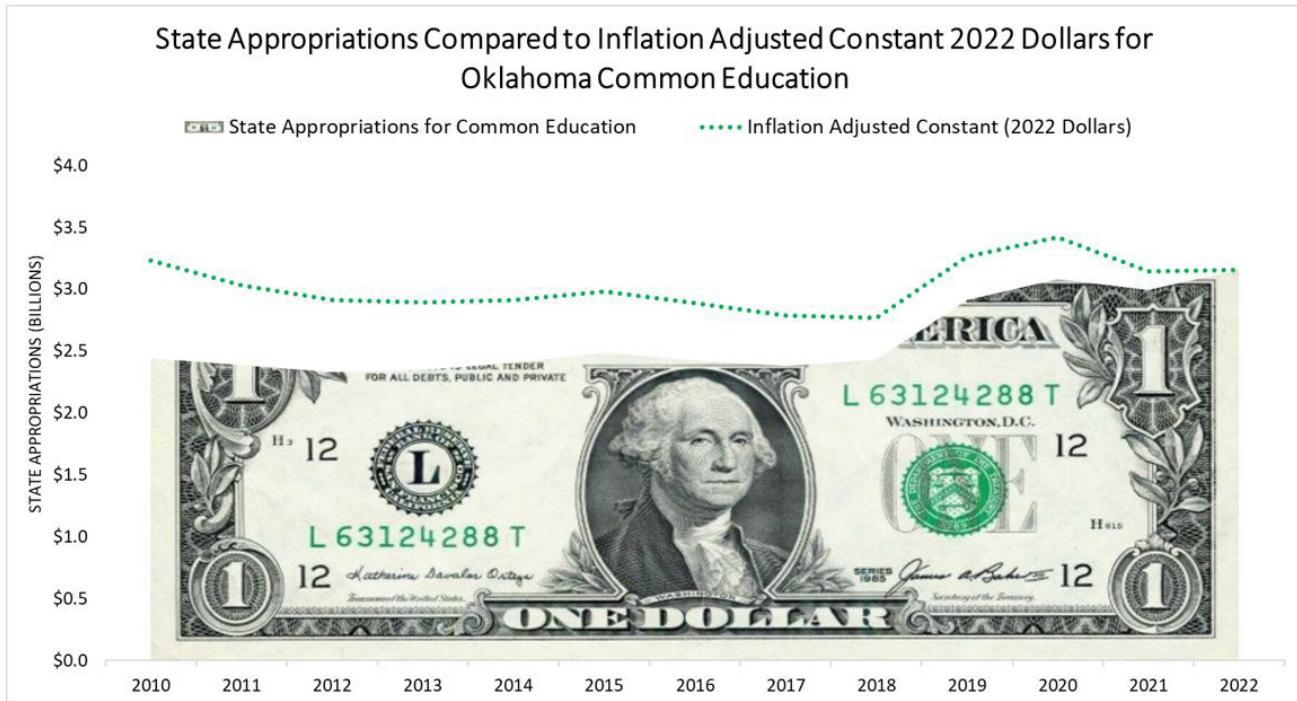
Oklahoma’s public elementary and secondary schools are funded through a combination of local, State, and federal sources, with State and local governments, on average, providing roughly 90 percent of all funding.<sup>6</sup> **Overall, a total of \$7.6 billion from all funding sources was devoted to the State’s public education system in the 2020-21 academic school year.**

In 2021, the State Legislature funded 44 percent of the total amount allocated to the State’s public education system. Local sources were responsible for 42 percent of all public school funding. The federal government provided 15 percent of the total revenue received by public schools, a total of \$1.1 billion.

4. Average Daily Membership (ADM) enrollment is based full year enrollment in 2021; Enrollment is not the same as ADM. Enrollment is a number for a specific day. ADM is average enrollment over a series of days.  
 5. Oklahoma Teacher Job Codes in OCAS: 210: Teacher and 213: Resource Teacher  
 6. Appendix H provides a breakdown of revenue sources.

In terms of State appropriations, real dollars for common education have continued to rise. As shown in illustrated in Exhibit 3, State appropriations for common education have increased by 29 percent since 2010. When adjusting for inflation, common education funding has declined by two percent during the same period.

**Exhibit 3: State Appropriations Compared to Inflation Adjusted Constant 2022 Dollars for Oklahoma Common Education.** (This chart compares the real State appropriated dollars with the trend of State funding for common education adjusted for inflation in constant 2022 dollars.)



Source: Legislative Office of Fiscal Transparency's creation based on data from annual Oklahoma Senate Appropriations report.

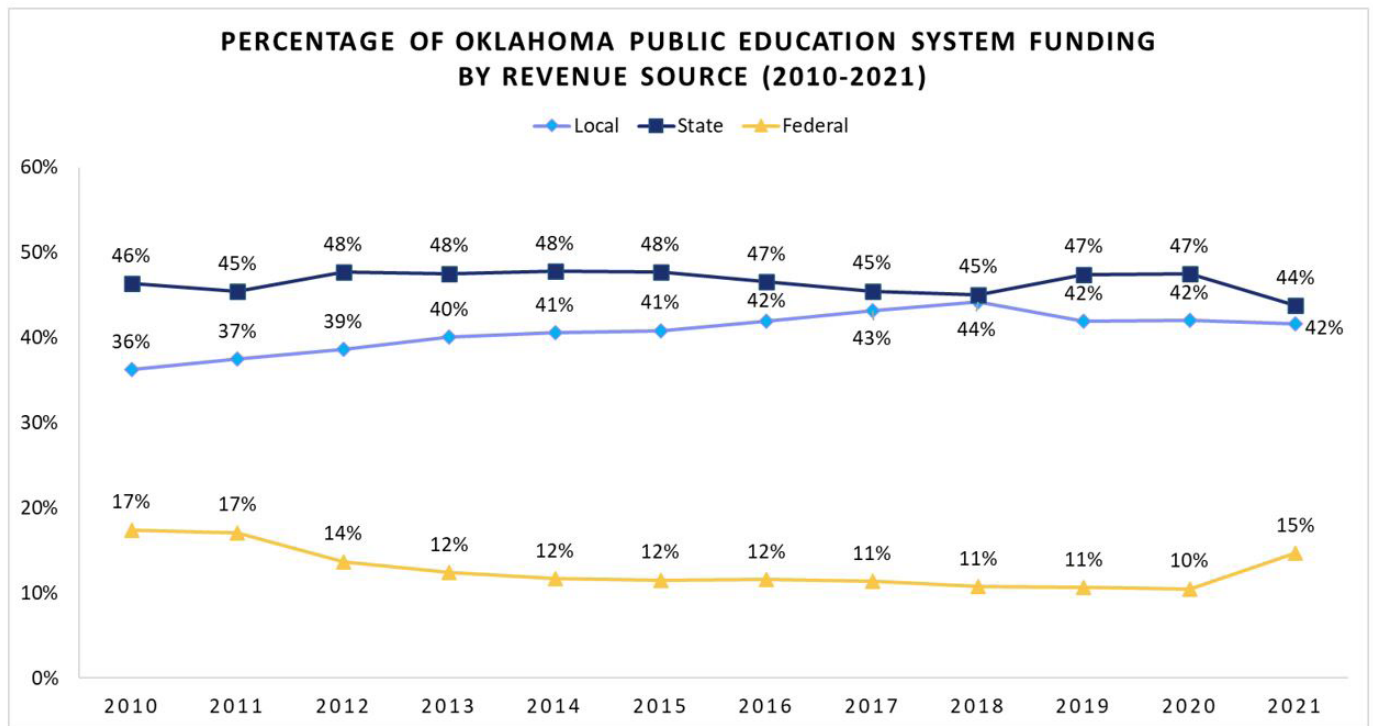
Note: LOFT's methodology used the Consumer Price Index (CPI) calculator from the U.S. Bureau of Labor Statistics to adjust for inflation.

Total funding for the State's public education system has significantly increased over the last 12 years.<sup>7</sup> Between 2010 and 2021, Oklahoma's public schools received, on average, \$6.2 billion in annual funding from various revenue sources. Since 2010, total funding for Oklahoma schools has risen 39 percent. The State's share of funding has risen by 31 percent, federal funding has increased by 17 percent, and local funding increased by 59 percent over the same period. Between 2010 and 2021, on average, State funding accounted for 47 percent of the total revenue supporting the State's public education system.

7. Appendix F provides additional analysis of State revenue sources for common education.



**Exhibit 4: Percentage of Oklahoma Public Education System Funding Trends by Source (2010-2021).** (This line chart illustrates the composition of common education funding in Oklahoma by revenue source over the last twelve years, demonstrating the State’s share of overall funding for common education has outweighed both local and federal funding sources.)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma Cost Accounting System  
 Note: Federal funding is inclusive of federal COVID-19 relief

Despite recent historical federal investments, federal funding makes up a smaller portion (15 percent) of the State’s total funding than it did in 2010 (17 percent). The recent growth in federal funding is largely attributed to federal relief funding in response to the Coronavirus pandemic (COVID-19).<sup>8</sup>

In the 2020-21 academic school year, taxpayers funded 49 different federal programs through five federal agencies at a cost of approximately \$1.1 billion to support Oklahoma public schools. Exhibit 5, on page 17, itemizes the federal funding by specific agency for the 2020-21 academic school year.

8. Oklahoma received a total of \$2,320,636,280 in federal COVID-19 relief funding.

**Exhibit 5: Federal Funding Allocated to Oklahoma School Districts (2021).** (This table breaks down the total federal funding allocated to Oklahoma school districts by federal agency, number of programs, and total federal funding received in 2021. The U.S. Dept. of Education accounts for 68 percent of all federal revenue received.)

Federal Grantor	Number of Programs	Federal Revenue	% of Total Federal Revenue
U.S. Department of Education	22	\$710,698,930.47	68%
U.S. Department of Agriculture	12	\$340,363,546.00	32%
U.S. Department of Health and Human Services	3	\$838,082.22	0.08%
<b>Total Federal Funding Allocated to School Districts</b>	<b>37</b>	<b>\$1,051,900,558.69</b>	<b>100%</b>

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma State Department of Education

Note: Depicts federal funding paid by OSDE to Oklahoma school districts

The largest component of federal funding (68 percent) was from the U.S. Department of Education (ED), specifically funds allocated for Title I and special education grants. Other significant federal funding streams were for food and nutrition services and programs for students under the U.S. Department of Agriculture (USDA) – accounting for 32 percent of all federal funding in 2021.

### K-12 School Finance Funding Models

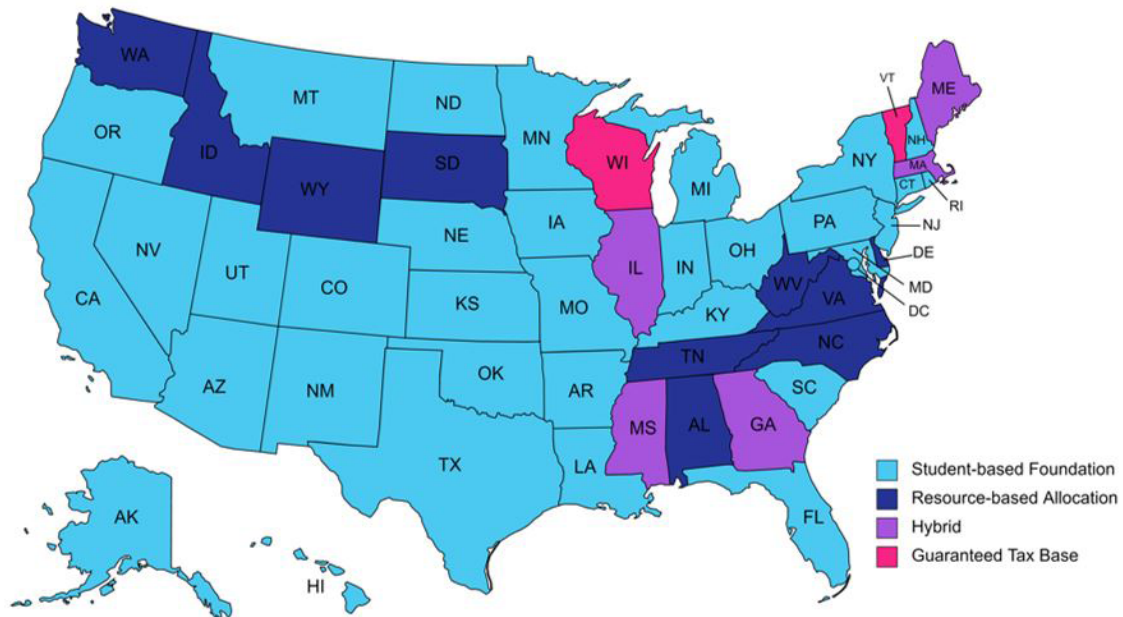
There are three main types of State funding formulas:

- Student-based, which are calculated based on counts of students —this includes students provided more funding because they have identified a greater need;
- Resource-based, calculated based on the cost of resources and inputs; and program-based, which provide limited-use funding for particular programs.
- Hybrid funding formulas, in which States combine aspects of different funding formulas to provide for students and schools.

LOFT researched and categorized funding formulas for all 50 States, as illustrated in Exhibit 6, on page 7.

**Exhibit 6: K-12 Education Funding Model State Comparison (2021).** (This chart categorizes States by the type of K-12 education funding model through which State funding is calculated or allocated.)

### K-12 Education Funding Model State Comparison (2021)



Source: Legislative Office of Fiscal Transparency's analysis and creation based on data from Education Commission of the States

- Student-based foundation:** Districts receive a base amount of funding per student, with additional money or weights added to provide additional support to students with a higher need.
- Resource-based allocation:** All districts receive a minimum base amount of resources. Resources could be staffing, services or programs, and are often based on a ratio of students to staffing.
- Guaranteed tax base/tax-levy equalization:** Funding levels are determined by a formula that equalizes the taxes paid on the base amount of property within the district. The state provides higher levels of funding to lower property-wealthy districts than higher property-wealthy districts.
- Hybrid model:** Hybrid models often combine aspects of student-based foundation models, resource-based allocation models and various cost factors.

Oklahoma uses a student-based formula to generate and allocate funding based on the direct needs of students (the formula is detailed in Finding 1 of this report). Students with greater identified needs are given more weight, based on the expected cost of their education. Student-based funding formulas generally allow for more equity, accountability, and transparency than other systems.<sup>9 10</sup>

#### Oklahoma State Aid Funding Formula

Prior to the implementation of the current State Aid funding formula, Oklahoma's public education system was funded primarily through a tiered approach, using State and local sources of revenue. A formula guaranteed a specified amount of revenue for pupil and provided the difference between total revenues generated and local revenues.<sup>11</sup> Also, State support for special education and vocational education was distributed on the basis of a fixed amount per classroom unit, which did not consider the wealth of school districts in the allocation mechanism. In the late 1970s, efforts began to reform the method by which funds were distributed to schools, with a focus on equity. In June 1981, House Bill 1236 was enacted, creating the State's new school finance model, known as the State Aid funding formula.<sup>12</sup>

9. Based on communication with the National Conference of State Legislatures (NCSL) and extensive research

10. Appendix I and J provide a comprehensive breakdown of State funding formula comparative weights and calculations.

11. *Changes in the Equity of School Finance Systems in Oklahoma, Delaware, and Alaska*, Augenblick and McGuire (1983).

12. §70-18-200.1



Through this formula, the State determines the minimum amount of funding per pupil, estimates each districts' ability to contribute local funds, and fills in the gaps with State-appropriated funds. The funding formula applies two primary calculations to each school district to determine its amount of State funding, as illustrated in Exhibit 7.<sup>13</sup>

**Exhibit 7: Oklahoma State Aid Funding Formula Structure.** (This figure shows the system used to calculate and allocate State funding to local school districts.)

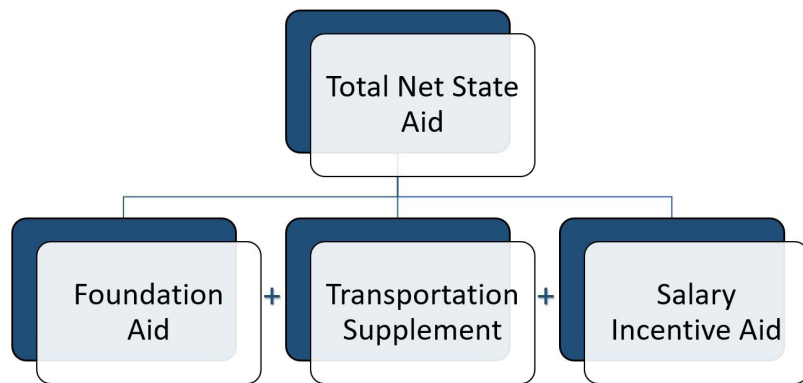
The first calculation (referred to as the Foundation Aid calculation) is the top tier of the formula. The Foundation Aid calculation determines the amount of State Aid to be allocated through the funding formula based on a school

district's weighted average daily membership (WADM) and revenue school districts receive from local sources (referred to as "chargeables.")<sup>14</sup> The largest chargeable within the formula is ad valorem, which is local property taxes. The Foundation Aid encompasses 15 mills (the measure of property value) of ad valorem to the formula.<sup>15</sup>

The next tier is known as the Sal-

ary Incentive Aid calculation. This tier uses a formula to encompass the remaining 20 mills of general fund ad valorem revenue to the total.<sup>16</sup> Every school district has 35 mills applied, although the current formula assesses them separately through two calculations. The State Aid Formula is designed to balance State support across districts by accounting for the degree of local revenue (or district "wealth.")

As a supplement to both the Foundation and Salary Incentive Aid, school districts receive State funding through a separate calculation within the formula known as the Transportation Supplement. The Transportation Supplement accounts for a district's student population living more than 1.5 miles away and geographical size of the district. Once Foundation Aid, Salary Incentive, and the Transportation Supplement are separately computed, they are summed to determine total State funding for school districts.



Source: Legislative Office of Fiscal Transparency's creation based on §70-18-200.1v1

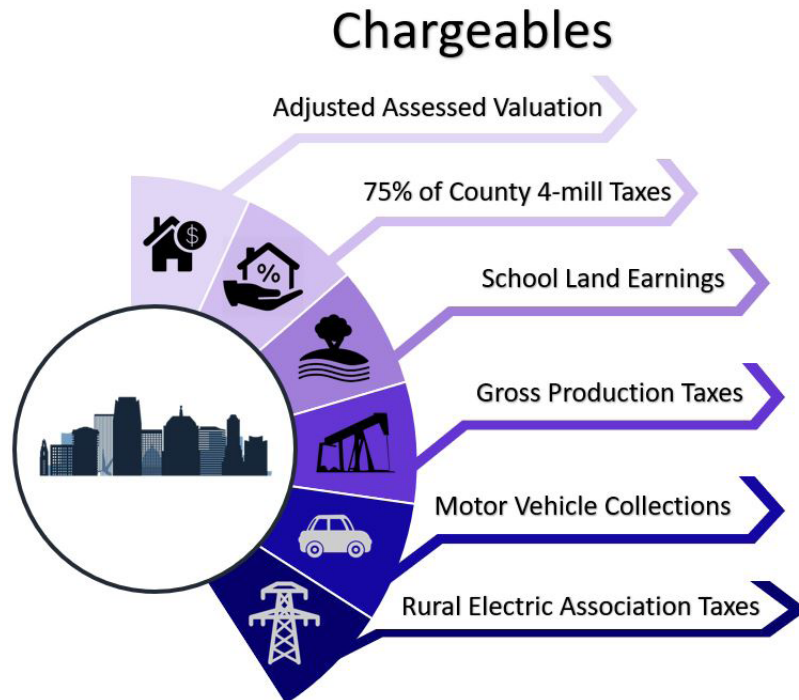
13. Appendix K through O provides a comprehensive breakdown of the State Aid funding formula calculations.

14. Appendix P provides a definition and description of chargeables.

15. Almost all districts charge a rate slightly more than 15 mills. Each board of education in Oklahoma is authorized to levy up to 15 mills (plus increased millage because of personal property tax adjustment) on the property in the district based on certification of need for the financial support of the schools.

16. One mill is 1/1000 of a dollar or .001

The two-tiered equalization formula reduces the amount of State Aid school districts receive based on the amount of the district's State-dedicated and local revenue. **At its core, State Aid is calculated based on local school district's average student enrollment and is then adjusted for local revenue collections, or "chargeables."**



Source: Legislative Office of Fiscal Transparency's creation based on §70-18-200.1v1



**Exhibit 8: Local Chargeables for Oklahoma School Districts.** (This infographic shows sources of revenue from which local school districts receive monies to support their local education systems.)

As illustrated in Exhibit 8, "chargeables" are local and State-dedicated sources of revenue that include

a district's assessed valuation, county 4-mill taxes, school land earnings, gross production taxes, motor vehicle collections and rural electric association taxes. These revenue sources are collected and subtracted from a school district's Foundation Aid to determine a district's allocation of State funding in the State Aid funding formula. Incorporating "chargeables" works to eliminate or reduce funding disparities between wealthier and poorer areas of the State. School districts which generate enough local revenue to cover any State funding generated from the State Aid funding formula receive no State funding. **In 2021, 45 school districts received no Foundation or Salary Incentive Aid in the final State Aid funding allocation.**<sup>17</sup>

Implemented in 1981, Oklahoma's State Aid funding formula is one of the nation's oldest functioning school finance formulas; exceeding the average 20-year lifespan for a school funding formula.<sup>18</sup> Since the State Aid funding formula's inception, there have only been a few major modifications to the formula, the majority focusing on student categorical weights for targeted funding, as illustrated in Exhibit 9. As a point of comparison, the New Mexico Legislature has amended their common education funding formula more than 80 times since its inception in 1973.<sup>19</sup>

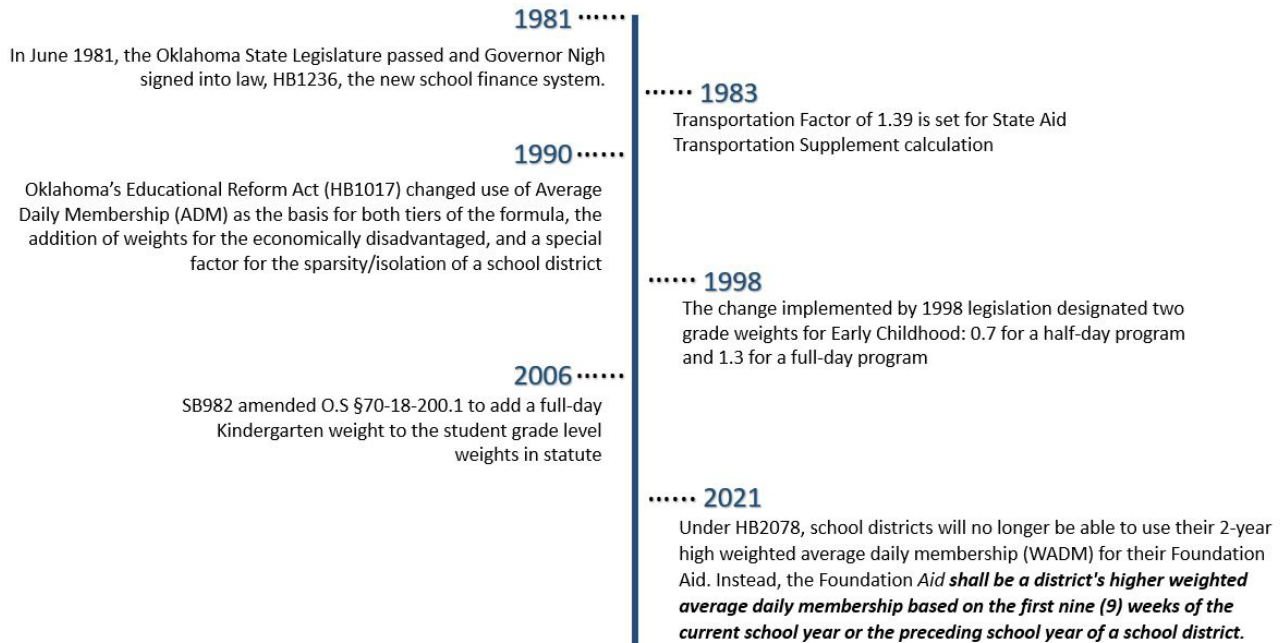
17. School districts generating enough local revenue to be off the funding formula can still receive funding for transportation through the funding formula. Please refer to Appendix Q for a complete list.

18. LOFT correspondence with the National Conference of State Legislatures (NCSL) in February 2022.

19. [New Mexico Public School Funding Formula Evaluation \(nmlegis.gov\)](https://www.nmlegis.gov)

**Exhibit 9: Oklahoma State Aid Funding Formula Timeline.** (This timeline shows the statutory changes to Oklahoma’s State Aid funding formula since the school finance model’s inception in 1981. Over the last 41 years, LOFT identified only a few major statutory changes to the State Aid funding formula.<sup>20</sup>)

### Oklahoma State Aid Funding Formula Timeline



Source: Legislative Office of Fiscal Transparency’s creation based on extensive statutory research and information provided by the Oklahoma State Department of Education

### 2018 State Aid Funding Formula Task Force

In 2017, the Legislature created a 16-member task force to improve the State Aid formula,<sup>21</sup> comprised of State lawmakers, school superintendents, financial auditors, and education advocates.<sup>22</sup> The State Aid Funding Formula Task Force sought to examine how funds are allocated through the formula and identify any ways to simplify the funding allocation as well as modernize the equitable distribution of funds to align with current student need.

In October 2018, the task force presented 10 recommendations to the Legislature and the Governor. The recommendations centered on making modifications to the funding formula’s calculations to streamline the process and adjusting various student and grade categorical weights. As of 2022, only one of the recommendations has taken effect.<sup>23</sup>

20. Please refer to Appendix R for a full review of changes to the funding formula.

21. OK [HB 1578](#) – Enrolled.

22. Jennifer Palmer, “Group Unveils Proposed Changes to How Oklahoma Funds Schools,” [Oklahoma Watch](#), Sept. 18, 2018.

23. SB212 modified the calculation of weighted average daily membership at virtual charter schools for State Aid.

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

Oklahoma’s State Aid funding formula was established as a student-based formula to be allocated based on the direct needs of students.<sup>24</sup> A key

### VERTICAL

Q  
U  
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Y



Source: Legislative Office of Fiscal Transparency’s creation

principle of a student-based formula is “vertical equity” which recognizes that costs of providing an adequate education vary based on student needs. **At its core, the State Aid funding formula was designed and implemented to allocate State funding based on the direct needs of students to provide an equal educational opportunity.**<sup>25</sup>

The complexity of the State Aid funding formula, and concerns that changes could result in unintended conse-

quences, has resulted in few substantive reforms since the formula was implemented.<sup>26</sup>

Over the last 40 years, there have been significant changes in student enrollment, demographics, academic needs, and resources. However, the current needs of Oklahoma students are not reflected in the funding formula. LOFT identified opportunities to update the State’s funding formula for clarity, operational efficiency, and better targeting of State resources to student needs.

LOFT reviewed each component of the funding formula and found the following student weights under-support students most in need:

- grade level
- bilingual, and
- economically disadvantaged.

**At its core, the State Aid funding formula was designed and implemented to allocate State funding based on the direct needs of students to provide an equal educational opportunity.**

24. House Bill 1236 (1981).

25. *Evaluation of Oklahoma’s school aid formula: policy issues and recommendations related to H.B. 1236.* (1982)

26. §70-18-201.1



### Oklahoma Provides Incremental Funding for Key Student Populations to Account for Increased Educational Costs (Student Weights)

Oklahoma uses a student-based formula to allocate funding for common education based on the direct needs of students through “weights.” Weights are categorical funding used to identify and assign more funding to students with higher needs.

Students attend school with dissimilar learning needs and socioeconomic backgrounds, which require different levels of educational supports for them to achieve common academic standards or outcomes. Typically, outcome goals are operationalized as achieving common targets on State assessments or graduation rates. **The primary benefit of a weighted school funding formula is the ability to develop and assign weights to target financial resources towards school districts that serve higher need students.**

As noted earlier within the report, in 2021, Oklahoma’s public education system had an average daily membership (ADM) of 687,009, but the funding formula does not use unweighted student headcount for the calculation of State Aid. Exhibit 10 provides the list of weights for both grade and categories as described in statute.<sup>27 28</sup>

**Exhibit 10: Oklahoma Student Weights Breakdown (2020-2021).** (This table provides the series of

weights applied to students for purposes of identifying where supplementary dedicated funding should be allocated based on student grade and need.)

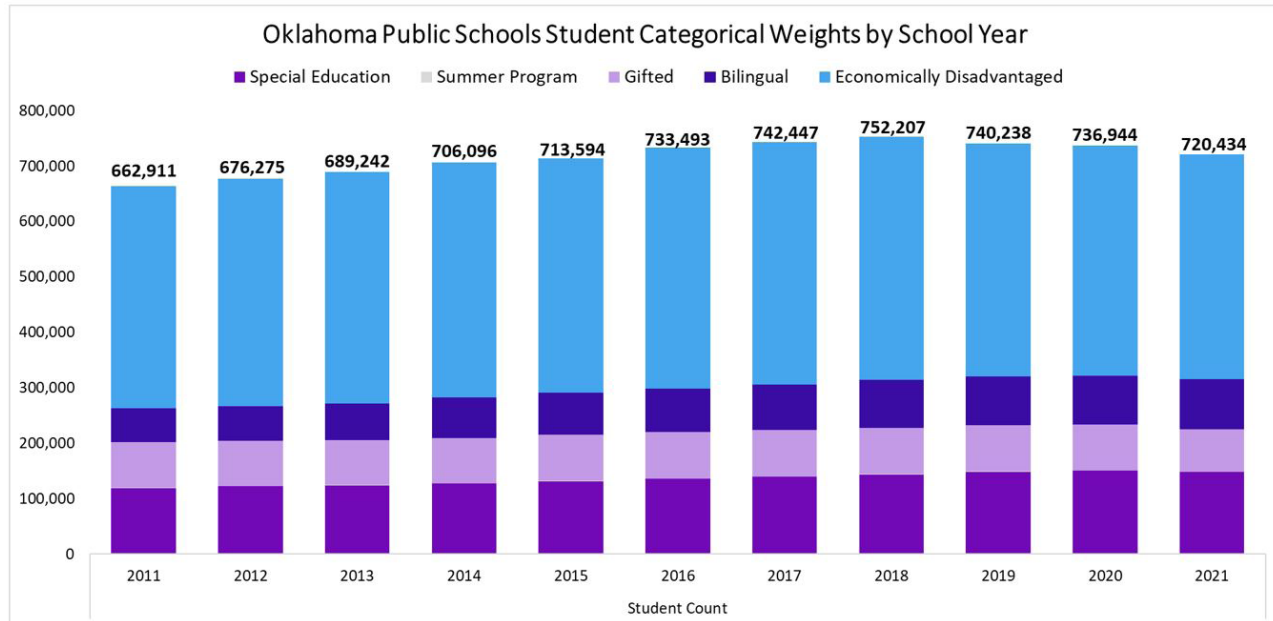
Oklahoma Student Weights Breakdown (2020-2021)			
Grade Level	Weight	Category	Weight
Early Childhood/Prekindergarten 3	1.2	Hearing Impairment (HI)	2.9
Early Childhood (Half-Day)	0.7	Speech Or Language Impairment (SI)	0.05
Early Childhood (Full-Day)	1.3	Vision Impairment (VI)	3.8
Kindergarten (Half-Day)	1.3	Emotionally Disturbed (ED)	2.5
Kindergarten (Full-Day)	1.5	Orthopedically Impaired (OI)	1.2
Grades 1-2	1.351	Other Health Impairment (OHI)	1.2
Grade 3	1.051	Specific Learning Disability (LD)	0.4
Grades 4-6	1	Deaf-Blind (D/B)	3.8
Grades 7-12	1.2	Multiple Disability (MD)	2.4
Out of Home Placement	1.5	Autism	2.4
		Traumatic Brain Injury (TBI)	2.4
		Developmentally Delayed (DD)	0
		Intellectually Disabled (ID)	1.3
		Summer Program	1.2
		Gifted	0.34
		Bilingual	0.25
		Economically Disadvantaged	0.25

Source: Legislative Office of Fiscal Transparency's analysis based on OK §70-18-201.1

27. Definitions for categorical weights can be found at 70 O.S. §18-109.5.

28. Appendix S provides a detailed weight breakdown of the total average daily membership for Oklahoma students in the 2020-2021 academic school year and Appendix T provides an example of calculating WADM for students.

**Exhibit 11: Oklahoma Public Schools Student Categorical Weights by School Year.** (This stacked bar chart is reflective of the total number of categorical weights generated in the funding formula and not total enrollment of student population.)



Source: Legislative Office of Fiscal Transparency’s creation based on data from the Oklahoma State Department of Education’s annual Detail Weight Breakdown Statewide Report.

Note: Data is reflective of total number of weights generated and not total enrollment of students.

Decrease in students receiving categorical weights is attributed to the overall decline in public school student enrollment. In 2020, the summer program student weight was recategorized under special education.

As the State’s public enrollment continues to increase, and more weights are applied to the student population, a regular review of the State Aid funding formula would ensure students’ needs are being met. **Since 2013, based on weighted average daily membership (WADM), the enrollment of students receiving the categorical weights reflected in Exhibit 11 have increased by 25 percent.**

The following sections present LOFT’s analysis surrounding adjustments and trends in student weights specifically for grade, bilingual students, and economically disadvantaged students. Together, these categorical weights accounted for 23 percent (\$424 million) of appropriated State Aid generated from both grade and categorical weights in the 2020-21 academic school year.<sup>29</sup>

29. Given the depth of the policy issue, LOFT did not fully examine special education weights within this evaluation. However, LOFT finds Oklahoma had a 79 percent increase in the number of students identified for special education between 1991 and 2020; representing the eleventh-highest increase in the nation and significantly above the national average.

Despite being critical periods of a student's education, the current funding formula provides no additional funding for students in fourth through sixth grade.

Between 2013 to 2021, the number of bilingual students in Oklahoma's public education system increased by 34 percent.

### Grade Weight

Oklahoma's statutes provide 10 different grade weights ranging from 0.7 to 1.5.<sup>30 31</sup> Oklahoma's current grade weights may be attributed to students in different grade levels requiring different emphasis of instruction. As shown in Exhibit 10 (page 2), the funding formula provides extra support to students enrolled in both early learning and higher grade levels. These grade ranges serve as critical periods during a student's academic journey; early childhood is the foundation of early learning and cognitive development, and higher grade levels are centered on college and career readiness.

Even after these considerations, it is unclear why the weights fund some student populations at higher rates than others. For example, fourth grade is considered a critical year for learning, but the State's fourth graders are funded at the base level (1.0) with no additional weights; the same is true for both fifth and sixth graders. At the same time, 7-12 grade students are all provided a weight of 1.2 through the funding formula. Students enrolled in half-day kindergarten receive a 1.3 in the formula, almost double what students enrolled in half-day early childhood receive (0.7), despite both being critical periods of both early learning and cognitive development. **OSDE could provide no methodology for the grade-specific weights currently in place.**<sup>32</sup>

### Bilingual Students

According to OSDE, Oklahoma schools are educating an increasing number of students who speak a primary language other than English. This requires devoting more personnel and resources to assist these students in reaching English proficiency.<sup>33</sup> As illustrated in Exhibit 12, on page 26, based on 2019 State assessment scores, students who are not proficient in English are significantly behind their English-proficient peers in *all* measured subjects.

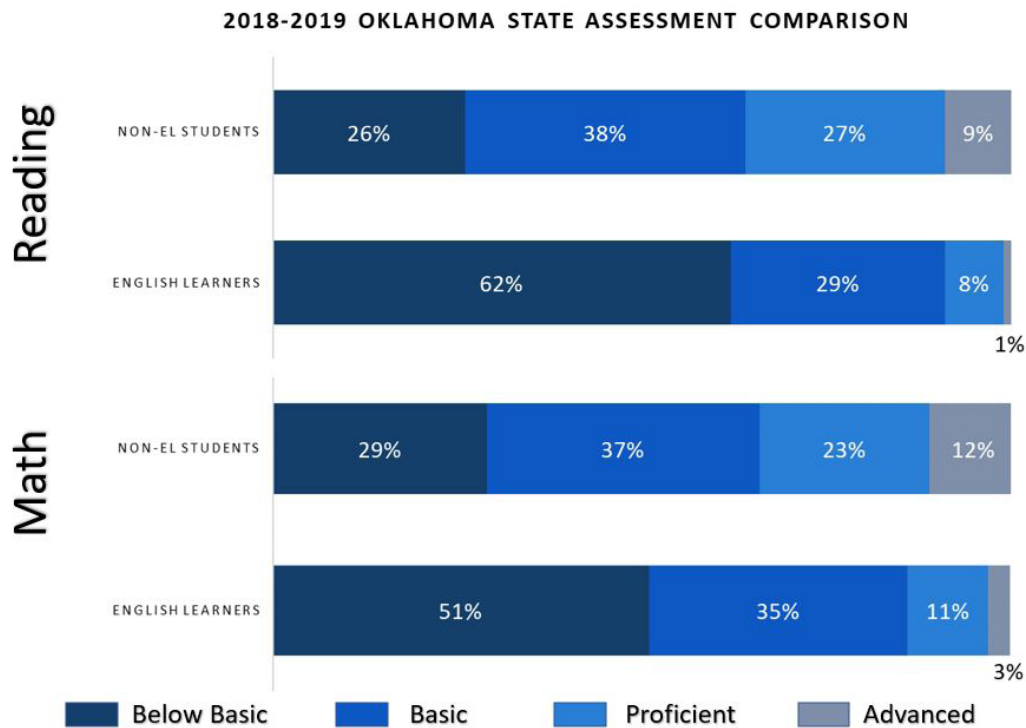
30. OK Stat § 70-18-201.1

31. 31 States distribute funding by applying weights to the base per-pupil amount for students in different grade spans, similar to Oklahoma's funding formula. Appendix U provides a comprehensive list by State.

32. OSDE attributes a 2005 research study requested by the Oklahoma Legislative Service Bureau (LSB) for the development of student grade weights: Augenblick, Palaich and Associates, Inc. (2005). *Calculating the cost of an adequate education in Oklahoma*. Paper prepared for the Legislative Service Bureau of the Oklahoma State Legislature.

33. Conversations with OSDE on 5/11/2022.

**Exhibit 12: 2018-2019 Oklahoma State Assessment Comparison.** (This exhibit presents two bar charts illustrating the variance between the academic performance of English Learners and non-EL students on the Oklahoma State Assessment in both reading and math.)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from OSDE’s Assessment Office data

**Bilingual Student Weight**

Nearly every State provides additional funding for students with limited English proficiency.<sup>34</sup> Most States use student weights to apply the additional student funding, ranging from a low of .025 (in Utah) to as high as 1.58 in Georgia.<sup>35</sup> The 2022 national average for student weights for English Learners (EL) was .33. Oklahoma applies a .25 weight for bilingual students.

Oklahoma Statute directs the bilingual weight be applied to:

*“students who have limited English speaking abilities or who come from homes where English is not the dominant language as reported on the current year application for accreditation.”<sup>36</sup>*

**English Learner Student Weights Comparison**



Source: Legislative Office of Fiscal Transparency’s analysis and creation based on data from EdBuild

34. Mississippi and Montana are the only States that do not provide increased funding for English-language learners.

35. Appendix V provides a comprehensive list of English Learners weights by State.

36. OK Stat § 70-18-109.5



**All English Learners are considered Bilingual, but not all Bilingual students are necessarily English Learners.**

*Source: Legislative Office of Fiscal Transparency's creation*

While the weight is intended to provide additional financial support for students who have challenges speaking and learning in English, the current statutory definition encompasses students who are already proficient in English but also speak other languages at home.<sup>37 38</sup> Of the 90,000 Oklahoma students that qualified for the bilingual funding weight in 2021,

62,950 were identified as English Learners. **Approximately 30 percent of students receiving additional funds are not English Learners.**

**Exhibit 13: Identified Bilingual vs English Learners in Oklahoma Schools.** (This table provides a comparison of the number of students identified as bilingual and English Learners with the percentage of students who are bilingual but not English Learners.)

Oklahoma is not one of the 25 States whose funding formulas use either the federal definition or a similar definition meeting the federal criteria for an “English language learner,” which is based on proficiency.<sup>39</sup>

In 2021, Oklahoma’s overly broad statutory definition of bilingual students resulted in \$10.1 million being distributed to students who are not EL students.<sup>40</sup>

Year	Number of Bilingual Students	Number of English Learners	Percentage of Bilingual Students Not English Learners
2013	66,996	46,864	30%
2014	72,751	48,318	34%
2015	75,937	49,040	35%
2016	78,638	50,107	36%
2017	81,605	46,536	43%
2018	86,224	55,258	36%
2019	88,300	57,134	35%
2020	88,319	59,853	32%
2021	90,067	62,950	30%

*Source: Legislative Office of Fiscal Transparency's analysis based on data from Oklahoma State Department of Education*

37. LOFT correspondence with the National Conference of State Legislatures (NCSL) in February 2022.

38. Bilingual students are identified either exclusively through the Home Language Survey (HLS) by answering two of the three language questions with an answer other than “English,” or through a combination of a single HLS answer other than English and a qualifying test score.

39. The U.S. Department of Education defines an “English language learner” as “A national-origin-minority student who is limited-English-proficient.” (Office of Civil Rights glossary)

40. This amount was provided by the Oklahoma State Department of Education.

### Reassessment of Bilingual Students' Language Proficiency

When students enroll in a public school, their families are provided a Home Language Survey (HLS) to identify if the student is bilingual. According to OSDE policy, *"once completed, there is no requirement to collect this document in subsequent years as long as the student remains enrolled in the same district, but a copy of the HLS must remain in the students' cumulative file."*<sup>41 42</sup> Currently, a student receiving the bilingual weight is only re-assessed when transferring into a new school district.<sup>43</sup> **The current policy directs extra funding to schools for teaching students who may already have gained proficiency in English.**

As a point of comparison, Colorado statute caps the period for additional funding for English-language learners at five years.<sup>44</sup> Also, English-language learners in Florida are identified through assessments but must be reassessed if they remain classified as English-language learners for more than three years. Implementing similar policies could assist Oklahoma in verifying the actual language proficiency needs of students and potentially preventing the State from providing extra funding to students who no longer require language services.<sup>45</sup>

### Actionable Measures on Bilingual Students

As State assessment data indicates, EL students are falling significantly behind in various academic subject areas and further behind their student peers. As this student population continues to grow, it will place additional strain and financial pressure on local schools and the State to assist them in achieving academic proficiency.

LOFT's assessment corresponds with the conclusion reached by the 2018 State Aid Funding Formula Task Force: the State should consider statutorily redefining bilingual students to apply only to EL students. Under current statute, bilingual students are receiving a lower student weight (0.25) than that applied to gifted and talented (GT) students (0.34).<sup>46</sup> The intent of the funding formula is to provide an equitable educational opportunity for all

41. [OSDE English Learner Guidebook](#)

42. For students identified as bilingual through a combination of the HLS and a qualifying test score and who have become proficient, the LEA is required to complete a Non-EL Bilingual Qualification Form, which is retained with the original HLS in the student's cumulative file.

43. Local school districts test English Learners every school year for English proficiency.

44. [Colorado Revised Statutes under the English Language Proficiency Act](#)

45. According to OSDE, the current percentage of ELs that reach proficiency within five years of identification is 30 percent. OSDE began tracking EL progress towards proficiency in 2016, so the progression data represents only a five-year data for a single cohort of students. This cohort also experienced disruption in learning due to the COVID-19 pandemic.

46. "Gifted and talented children" means those children identified at the preschool, elementary and secondary level as having demonstrated potential abilities of high performance capability and needing differentiated or accelerated education or services.... students who score in the top three percent (3%) on any national standardized test of intellectual ability. (§70-1210.301)

**Oklahoma does not require any assessments of bilingual students' English proficiency, likely resulting in the weight being applied to students who have become proficient in English.**

students. The current weights applied to students not proficient in English is misaligned with this goal in two ways: first, by underserving actual English learners through inclusion of bilingual students who are English proficient, and second, by applying a relatively small weight for the additional educational supports needed for these students.

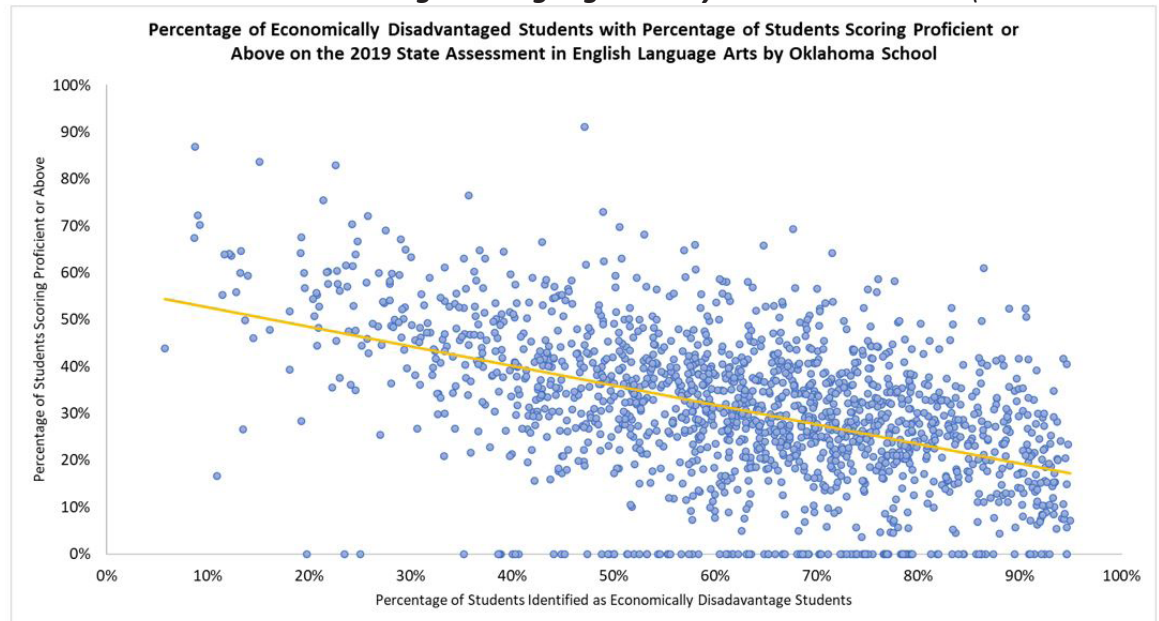
Amending statute to align the identification of students generating Bilingual funding with the criteria used to identify EL students can ensure that funding benefits the students who truly require language assistance. Other States have effectively used assessments to better target legislative investments and Oklahoma already has the tools in place to do so.

### Economically Disadvantaged Students

Oklahoma's public education system has a high proportion of economically disadvantaged (ED) students. In 2022, 53 percent of all students enrolled in Oklahoma's public education system were classified as low-income students.<sup>47,48</sup> **In 2022, 72 percent of all Oklahoma school districts (379) had more than 50 percent of their students classified as economically disadvantaged.**<sup>49</sup> Oklahoma's ED students are failing to meet both federal and State academic standards and generally perform far below their non-economically disadvantaged student peers. In addition, ED students are much more likely to drop out than their peers.

Higher concentrations of low-income students are often associated with low performance on academic assessments and benchmarks. Exhibit 14, below, shows the direct relationship between economic status and academic performance in Oklahoma's public school system.

**Exhibit 14: Percentage of Economically Disadvantaged Students with Percentage of Students Scoring Proficient or Above on the 2019 State Assessment in English Language Arts by Oklahoma School.** (This scatterplot shows the direct relationship between economic status and academic performance in Oklahoma's public school system. LOFT's analysis finds the higher percentage of economically disadvantaged students enrolled the lower the performance on State assessments.)



Source: Legislative Office of Fiscal Transparency's analysis based on data from Oklahoma State Report Card data matrix

Note: Each blue dot represents an Oklahoma public school with the yellow line representing the trend line. 2019 State assessment performance data was used to omit the impact of COVID-19 learning loss.

47. Based on OSDE's 2022 Low Income Report.

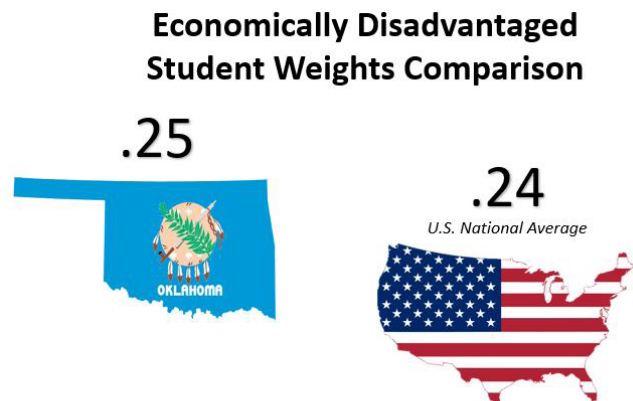
48. According to 2020 data from the National Center for Education Statistics (NCES), Oklahoma has the 10th highest percentage of students eligible for free and reduced-price lunch (FRPL) across the country. In 2020, 59 percent of Oklahoma students were eligible for FRPL, above the national rate (52 percent).

49. Please refer to Appendix W for Oklahoma school districts by their percentage of enrolled students classified as low-income in the 2021-22 academic school year.

### Economically Disadvantaged Students Weight

Forty-one States, including Oklahoma, have policies that specify additional funding for students living in poverty or who are economically disadvantaged.

Economically disadvantaged weights range from a low of .0048 (in Iowa) to as high as .91 (in Maryland), with a national average of .24 for this weight.<sup>50</sup> Oklahoma assigns a .25 weight to students identified as “economically disadvantaged.”<sup>51 52</sup> The weight for economically disadvantaged students (.25) is lower than what Oklahoma applies for GT students (.34).



### Modifying the Formula for Concentrated Poverty

**Unlike most States, Oklahoma’s funding formula does not provide additional funding to support school districts with high levels of concentrated poverty.** All neighboring States (Arkansas, Colorado, Kansas, Missouri, New Mexico, and Texas) provide additional financial support for schools with high concentrations of low-income students.

For example, Arkansas provides additional funding to districts on a sliding scale based on the concentration of students eligible for the federal free or reduced price lunch program (FRL) under the National School Lunch Program. This funding can only be expended for direct academic support, and districts receiving such funds are required to produce an impact report detailing how the funds improved student outcomes.<sup>53</sup> Arkansas does not apply a separate weight for economically disadvantaged students.

*Source: Legislative Office of Fiscal Transparency’s analysis and creation based on data from EdBuild*

As illustrated in Exhibit 15, Arkansas’ per-student financial support ranged from \$532 to \$1,594 in FY22 based on a district’s percentage of low-income students. Oklahoma could increase the impact of supporting the high needs of this population by pairing the existing weight for economically disadvantaged students with additional funding for concentrated poverty.

50. Appendix X provides a comprehensive list of economically disadvantaged weights by State.

51. An economically disadvantaged student is any student eligible for federally funded free and reduced-price meal programs. OK Stat § 70-18-109.5

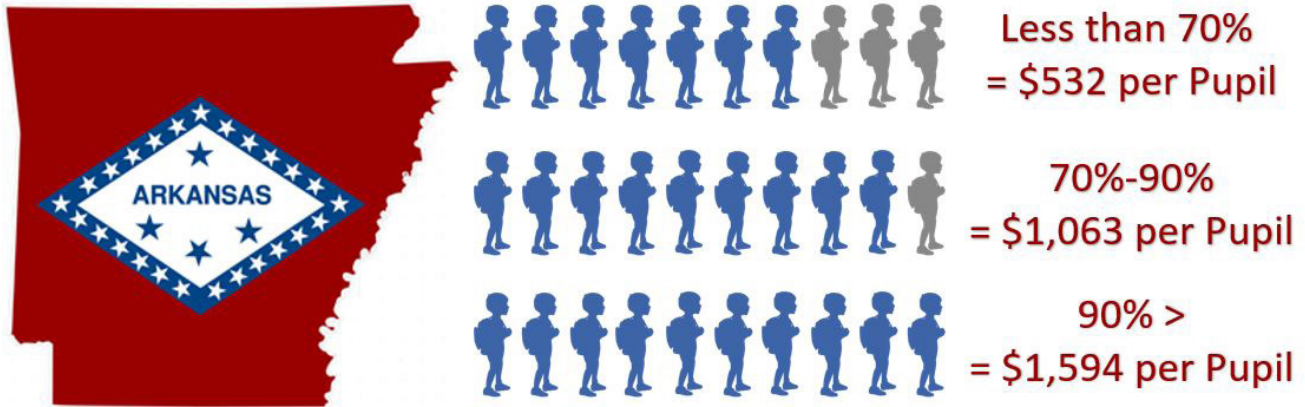
52. OK Stat § 70-18-201.1

53. AR Code § 6-20-2305 (2020).



**Exhibit 15: Arkansas Concentrated Poverty Education Funding Formula (2022).** (This infographic illustrates the allocation of additional State funding under Arkansas’ education funding formula based on the concentration of economically disadvantaged students per school district.)

### Arkansas Concentrated Poverty Education Funding Formula



Source: Legislative Office of Fiscal Transparency’s creation based on data from Ark. Code Ann. § 6-20-2305


#### Impact of Compensatory Education Funding is Unclear

The purpose of compensatory education funding is to help meet the educational needs of specific students.<sup>54</sup> The State’s formula for compensatory funding depends heavily on student demographics and characteristics – which generate weights based on student needs.

Compensatory funding is generated through student weights and is applied through a school district’s weighted average daily membership (WADM) used for the Foundation Aid within the State Aid funding formula. Compensatory funding is then distributed to schools through the State aid funding formula. According to the Oklahoma State Department of Education (OSDE), school districts are responsible for the funding generated through weights and expenditures once received.<sup>55</sup>

**Compensatory funding is allocated to each school district where students generating the funding are served. However, LOFT found no requirements or evidence that compensatory funding is applied for specific student educational needs as intended.** OSDE confirmed there are currently no specific reporting requirements surrounding compensatory funding expenditures for students beyond special education and gifted and talented (G&T).

**The Oklahoma State Department of Education does not analyze the annual impacts of compensatory education funding; nor do school districts report information to OSDE on the revenue’s impacts on student’s educational needs or academic performances.**



Source: Legislative Office of Fiscal Transparency’s creation based on conversations with the Oklahoma State Department of Education

For example, districts do not have to report specific programs or targeted strategies for funds received for bilingual or economically disadvantaged children.

54. LOFT defines compensatory funding as targeted State funding intended to help meet the specific educational needs of certain students identified through categorical weights in the State Aid funding formula.

55. LOFT Entrance Conference with OSDE on Thursday, February 17, 2022.

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In contrast, federal Title I funds have specific use requirements. The \$218.6 million in federal Title I grants passed through to Oklahoma school districts for concentrations of low-income students are required to be used for specific services and resources. States must also report annually on the expenditure of these funds.

Common examples of how Oklahoma schools use Title I for targeted assistance for students include:

- Expand learning time, including before and after school programs;
- Provide professional development to teachers who work with eligible students and
- Provide eligible students with health, nutrition and other social services which are not otherwise available to them.

Without sufficient evidence generated through reporting requirements, LOFT is unable to determine whether increased expenditures of compensatory funding have raised student achievement levels. It is LOFT's determination that oversight mechanisms already in place for federal funding compliance (detailed in Finding 3) can be adapted to provide rigorous oversight of State funding and create the data necessary to fund the most successful programs (detailed in Finding 4).

**Between 2010 and 2021, total expenditures for Oklahoma's public education system increased by over \$1.8 billion - representing a 35 percent increase, but the proportion spent on student instruction remained flat.**

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

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.<sup>56</sup>

While there have been slight fluctuations in spending over the past 10 years, the share of spending dedicated to instruction has remained relatively flat. Over that same timespan, the Legislature increased teacher compensation twice – in legislative sessions 2018 and 2019. Teacher compensation comprises the vast majority of instructional spending.

**Exhibit 16:**  
**Oklahoma Instructional Expenditures by Year.** (This table provides a 12-year historical review of the total expenditures spent on instruction in Oklahoma's public education system.)

Year	Total Instruction (In Billions)	Total Expenditures (In Billions)	Percentage Expended on Instruction
2010	\$2.9	\$5.1	58%
2011	\$2.8	\$5.0	57%
2012	\$2.8	\$5.1	56%
2013	\$2.9	\$5.3	55%
2014	\$3.0	\$5.4	55%
2015	\$3.0	\$5.5	55%
2016	\$3.1	\$5.6	56%
2017	\$3.0	\$5.4	56%
2018	\$3.1	\$5.6	55%
2019	\$3.6	\$6.4	56%
2020	\$3.7	\$6.6	57%
2021	\$4.0	\$6.9	58%

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma Cost Accounting System

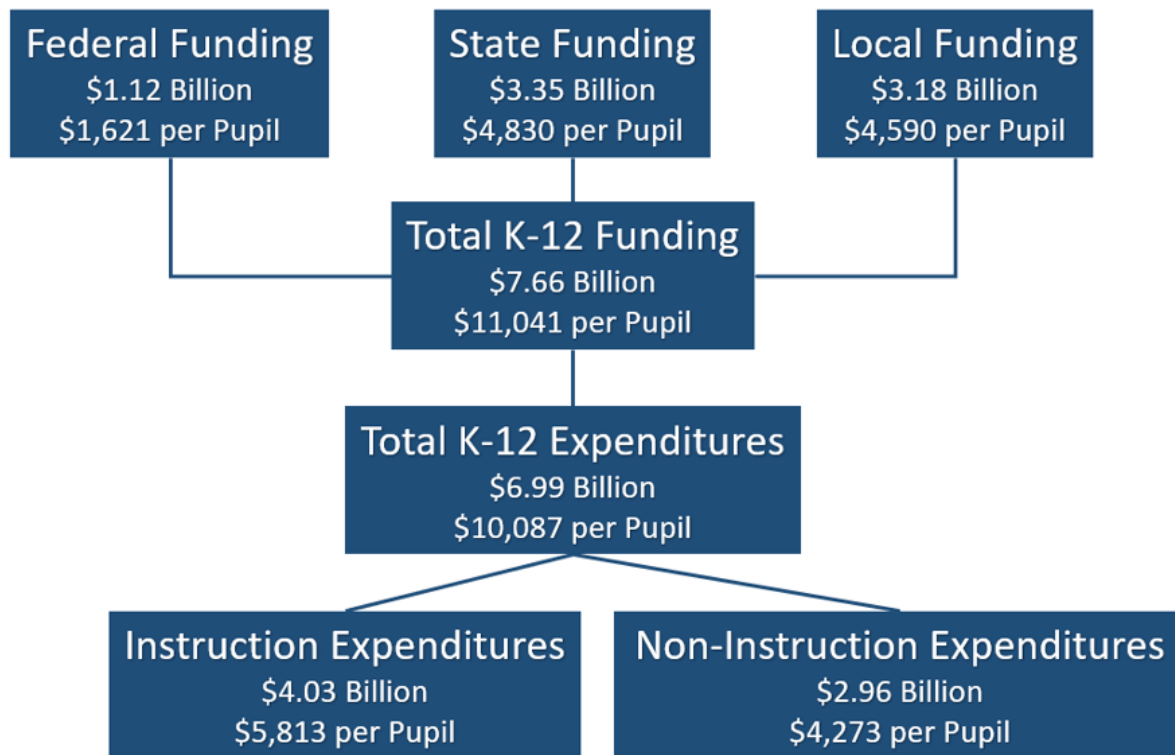
56. The \$1.8 billion increase between 2010-2021 represents a 35 percent increase in real dollars and a seven percent increase when adjusted for inflation.

**Oklahoma School Districts Collectively Spent \$6.9 Billion on K-12 Education in 2021**

During the 2020-21 academic school year, Oklahoma’s 540 school districts spent over \$6.9 billion to educate approximately 693,000 elementary and secondary students, an average of \$10,087 per pupil. As illustrated in Exhibit 17, Oklahoma school expenditures can be split into two main categories: instructional and non-instructional spending. Instructional spending includes instructional staff compensation, classroom materials, and curriculum design. The non-instructional spending category includes facilities operation and maintenance, student transportation, school administration, and food services.

*Exhibit 17: Breakdown of Oklahoma Public School Funding and Expenditures (2021). (This figure depicts the various sources of funding received by Oklahoma schools and as well as expenditures, which are categorized primarily as either instructional and non-instructional. Funding and expenditures per pupil, based on October 1<sup>st</sup> enrollment, is also provided.)*

**Breakdown of Oklahoma Public School Funding and Expenditures (2021)**



Source: Legislative Office of Fiscal Transparency based on data from the Oklahoma State Department of Education and the Oklahoma Cost Accounting System  
 Note: Non-Instruction expenditures includes instructional-related expenditures

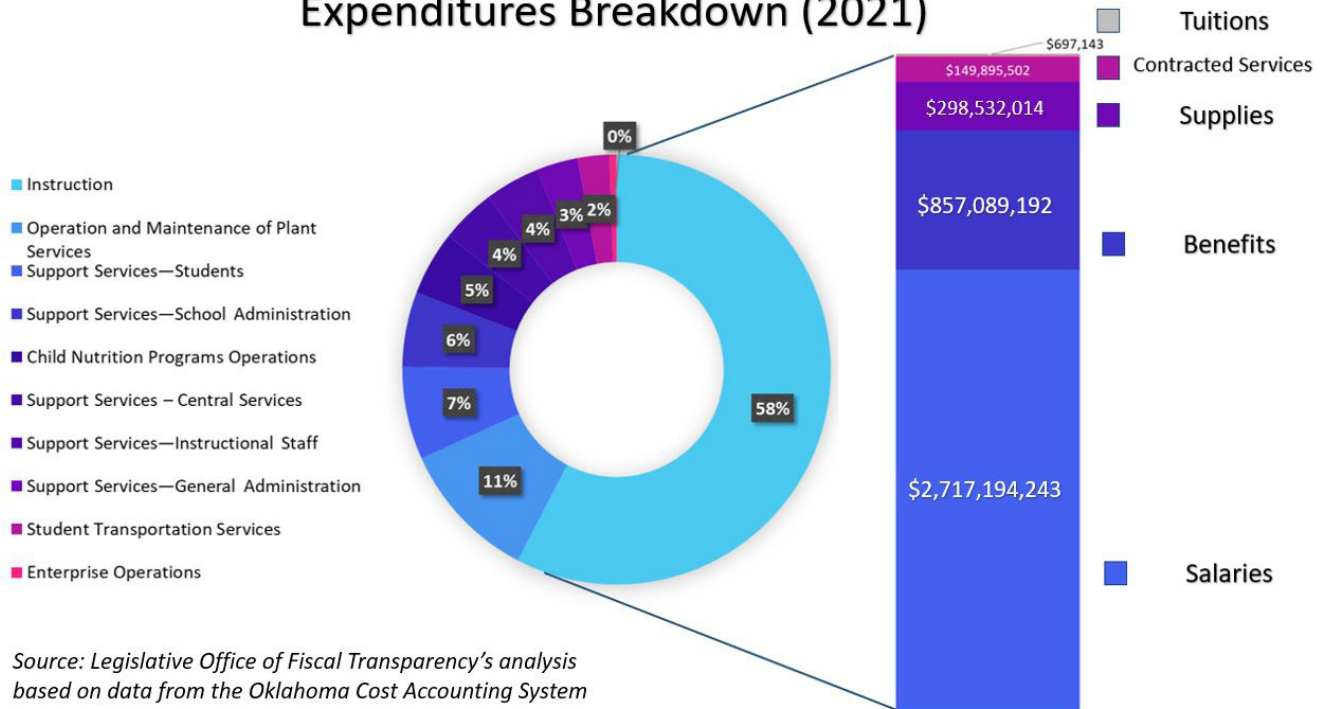


School personnel salary and benefits accounted for 88 percent of all instructional expenditures in the 2020-21 academic school year as reflected in Exhibit 18, on page 34.



**Exhibit 18: Oklahoma Common Education Expenditures Breakdown (2020-21).** (This chart breaks out the 58 percent of expenditures coded under instructional expenses and groups the instructional expenditures from schools under major categories to further understand where funds are being directed coded under instruction.)

### Oklahoma Common Education Expenditures Breakdown (2021)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma Cost Accounting System

In 2021, 76 percent of total common education expenditures were allocated for salaries and benefits for more than 91,000 certified and support public school employees. Compensation, inclusive of benefits, for school personnel is the primary expense in most spending areas.<sup>57</sup>

#### Instructional Expenditures per Pupil

In 2021, Oklahoma school districts expended \$6.9 billion. While these funds impact students’ school and academic environment, not all expenditures are directly tied to student learning. In 2021, 58 percent of all total expenditures were classified as instructional expenses. Because the goal of education spending is maximizing student outcomes, instructional spending merits particular attention.<sup>58</sup>

As illustrated in Exhibit 19, instructional expenditures per pupil have increased by 27 percent between the 2010 and 2021 academic school years.

57. Appendix Y provides a percent breakdown of salary and benefits by major expenditures category.

58. [U.S. Census Bureau - U.S. Spending on Public Schools in 2019 Highest Since 2008](#)

**Exhibit 19: Oklahoma Instructional Expenditures per Pupil.** (This table provides the instructional expenditures, as coded in OCAS, student enrollment and funding per pupil for Oklahoma’s public education system between the 2010 and 2021 academic school years. The table also provides a year-to-year analysis on the difference between funding per pupil levels based on instructional expenditures alone.)

Year	Instructional Expenditures (In Billions)	Enrollment	Instructional Expenditures per Pupil	Dollar Change in Funding per Pupil	Percent Change in Funding per Pupil
2010	\$2.9	654,542	\$4,567	N/A	N/A
2011	\$2.8	659,615	\$4,339	-\$228	-5%
2012	\$2.8	665,841	\$4,320	-\$19	0%
2013	\$2.9	673,190	\$4,380	\$60	1%
2014	\$3.0	681,578	\$4,411	\$32	1%
2015	\$3.0	688,300	\$4,450	\$39	1%
2016	\$3.1	692,670	\$4,512	\$62	1%
2017	\$3.0	693,710	\$4,430	-\$83	-2%
2018	\$3.1	694,816	\$4,530	\$101	2%
2019	\$3.6	698,586	\$5,193	\$663	15%
2020	\$3.7	703,456	\$5,377	\$184	4%
2021	\$4.0	693,924	\$5,813	\$436	8%

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma Cost Accounting System

**National Comparison – Instructional Expenditures**

In 2019, Oklahoma ranked 43<sup>rd</sup> in the nation for the percentage of education expenditures allocated to classroom instruction.<sup>59</sup>

**Exhibit 20: Instructional Spending per Pupil Comparison (2019).** (This infographic depicts the total dollars Oklahoma allocated to student instruction compared to the national average in 2019. Figures presented do not reflect total expenditures per pupil, excluding non-instructional expenditures such as administrative and other operational costs. The National Center for Education Statistics standardizes the definition of instructional expenditures across all States.)

**Instructional Spending per Pupil Comparison (2019)**



**\$5,193**

Oklahoma Instructional Spending per Pupil

**\$7,972**

U.S. Average Instructional Spending per Pupil

Source: Legislative Office of Fiscal Transparency's analysis based on data from the National Center for Education Statistics' Common Core of Data National Public Education Financial Survey (NPEFS), School Year 2018–19

LOFT finds 56 percent of K-12 common education expenditures were directed to classroom instruction in the 2018-19 academic school year; lower than the national average of 59 percent. At 69 percent, New York dedicated the highest percentage of educational funding to instructional activities in 2018-2019.<sup>60</sup> If Oklahoma were to dedicate a comparable percentage of funds to instruction, instructional spending per student would increase to \$6,353; a 22 percent increase in instructional spending. **As of 2019, Oklahoma school districts spent an average of \$5,193 for instructional purposes per pupil, ranking fourth lowest in the nation in 2019.**<sup>61</sup> As of 2019, only Utah (\$4,961), Idaho (\$4,769) and Arizona (\$4,644) spend less per pupil on instruction than Oklahoma.

59. 2019 data from the National Center for Education Statistics (NCES), reported in June 2021, is the latest and most accurate data available for national comparisons.

60. In real dollars, New York spends \$16,739 on instruction per pupil. Adjusted for cost of living, based on 2019 Regional Price Parities from the U.S. Bureau of Economic Analysis, New York spent \$14,393 per pupil.

61. Since 2019, instructional spending per pupil has increased 12 percent.

### Regional Comparison – Instructional Expenditures

Per the latest data available from NCES, in 2019, Oklahoma ranked fourth within the immediate seven-State region based on percentage of total common education operation expenditures allocated to student instruction. As shown in Exhibit 21, Oklahoma allocated 56 percent of all expenditures to student instruction. Kansas, with 59 percent allocated to student instruction, led the region.<sup>62</sup>

**Exhibit 21: Regional Comparison Percent of Common Education Expenditures Allocated to Student Instruction (2019).** (This table reflects the amounts Oklahoma and surrounding regional peer States spent on student instruction and the percentage of total operating expenditures allocated to student instruction in the 2018-19 academic school year.)

State	Instruction Expenditures (In Billions)	Total Expenditures (In Billions)	% Spent on Student Instruction	Student Enrollment
Kansas	\$3.3	\$5.6	59.1%	497,963
Texas	\$31.7	\$53.6	58.1%	5,495,398
New Mexico	\$1.9	\$3.4	57.0%	331,206
Oklahoma	\$3.6	\$6.4	56.4%	698,586
Missouri	\$5.8	\$10.3	56.2%	910,466
Arkansas	\$2.8	\$5.1	56.0%	496,927
Colorado	\$5.5	\$10.0	55.2%	913,223

Source: Data from the National Center for Education Statistics' Common Core of Data National Public Education Financial Survey (NPEFS), School Year 2018–19

Note: 2019 data from the National Center for Education Statistics (NCES), reported in June 2021, is the latest and most accurate data available for national comparisons.

### School Spending Shifting to Non-Instruction Categories

Four categories of support service spending have increased faster over the last 12 years than instructional expenditures. As shown in Exhibit 22, the percentage of operating dollars spent on other school operations has increased, with many sectors outpacing the growth of instructional expenditures. The largest growth within non-instructional spending was in “Support Services, Central Services,” which includes activities that support other administrative and instructional functions, fiscal services, and human resources. This area grew 101 percent between 2010 and 2021.<sup>63 64</sup>

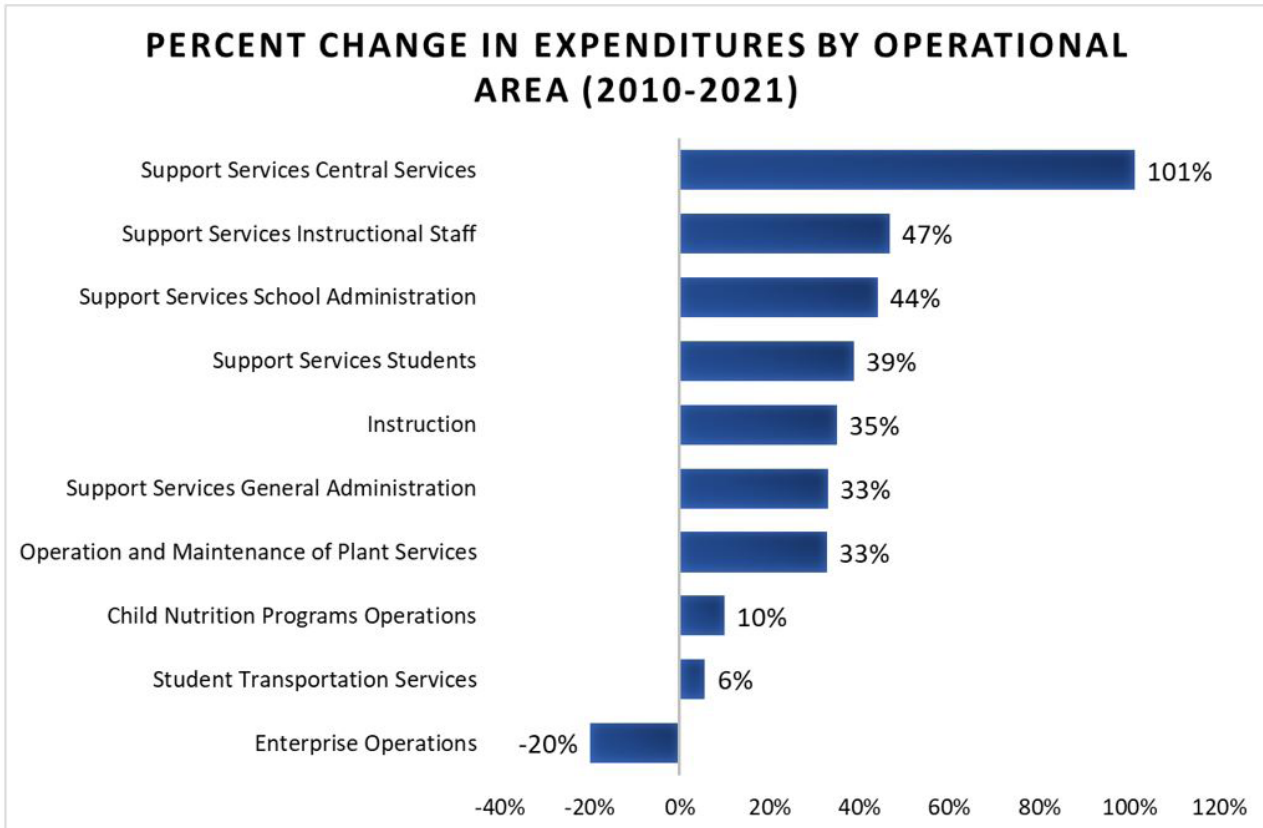
62. Appendix Z provides a longitudinal trend of instructional spending within the immediate region.

63. Appendix AA provides a comprehensive list and description of school operational areas.

64. Appendix AB provides a comprehensive breakdown of Oklahoma’s public education system’s expenditures by major function.



**Exhibit 22: Percent Change in Expenditures by Operational Area (2010-2021).** (This chart shows the percent change in operational dollars expended by the State’s public education system by operational area over the last 12 years.)



Source: Legislative Office of Fiscal Transparency’s creation based on data from the Oklahoma Cost Accounting System

### Administration Expenditures Outpace Instructional Expenditures

Administrative expenditures (those associated with directing and managing a school district’s responsibilities) have continued to increase within Oklahoma’s public education system.<sup>65</sup> Administration expenditures include compensation and support for the governing board, superintendent, principal, and business offices. Based on the position descriptions within OCAS, these are expenses unrelated to positions whose responsibilities include providing classroom instruction. Between 2010 and 2021, administration expenditures increased by 40 percent; outpacing instructional expenditures, which increased by 35 percent during the same period. Even after enactment of the 2018 teacher pay raise, administrative spending growth still outpaced instructional spending.<sup>66</sup> Exhibit 23, on page 29, compares the growth of both administrative and instructional expenditures for Oklahoma’s public education system over the last 12 years.

65. For this analysis, LOFT combined both school and general administration expenditures together, consistent with the National Center for Education Statistics’ (NCES) methodology.

66. House Bill 1023XX was the authorizing legislation for the pay raise.

**Exhibit 23: Comparison of Administration and Instruction Expenditures.** (This table compares the growth of administration and instructional expenditures, measured in both dollars and percent change, over the last 12 years.)

Year	Administration Expenditures (In Millions)	Percent Change	Instruction Expenditures (In Billions)	Percent Change
2010	\$436.3	N/A	\$2.9	N/A
2011	\$431.8	-1%	\$2.8	-4%
2012	\$441.5	2%	\$2.8	0%
2013	\$465.8	6%	\$2.9	3%
2014	\$469.0	1%	\$3.0	2%
2015	\$472.0	1%	\$3.0	2%
2016	\$478.4	1%	\$3.1	2%
2017	\$470.8	-2%	\$3.0	-2%
2018	\$492.9	5%	\$3.1	2%
2019	\$556.4	13%	\$3.6	15%
2020	\$571.0	3%	\$3.7	4%
2021	\$610.7	7%	\$4.0	7%
<b>12-Year Percent Change</b>		<b>40%</b>		<b>35%</b>

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma Cost Accounting System

Note: 15 percent increase in instructional expenditures between 2018 and 2019 is a direct result of the 2018 teacher pay raise from House Bill 1023XX.

Between FY16 and FY21, administrative spending increased an average of \$71,432 across local school districts. Administrative spending over the last five years fluctuated across districts. Some raised administrative spending by as little as \$1,000, while some districts increased administrative spending by as high as \$5.9 million. In total, 401 school districts (74 percent) increased administrative spending.

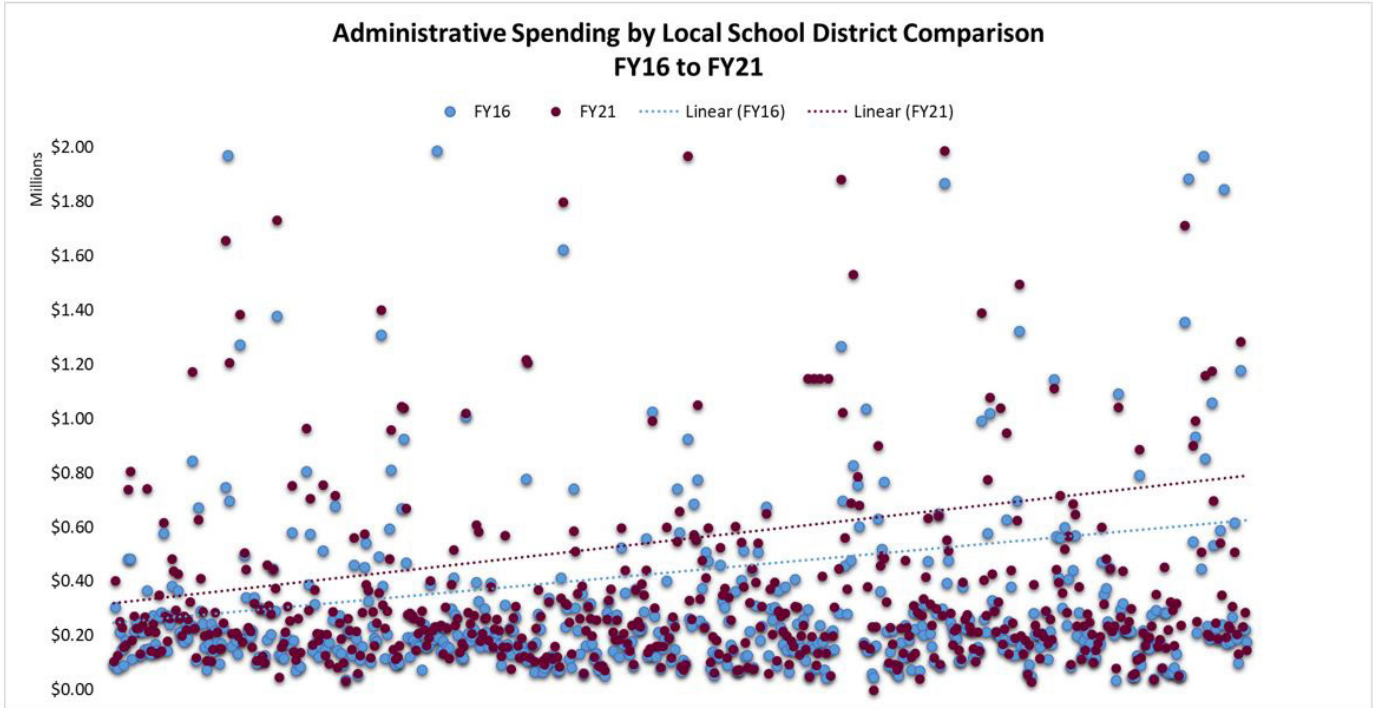
State statute caps administrative spending to no more than five to eight percent of a district's total expenditures, depending on district size.<sup>67</sup> However, the cap applies only to district administrative costs, not the administrative costs of individual schools. In 2021, 14 school districts were penalized – a portion of their Foundation and Salary Incentive Aid was withheld – for exceeding administrative spending.<sup>68</sup>

67. [70 O.S. §18-124](#). Key staff included in the statutory definition of administration include staff for the Board of Education, superintendents and their immediate staff, and consultants. District size is based on average daily attendance (ADA).

68. Appendix AC provides a complete list of school districts exceeding administrative spending in 2020.

Exhibit 24 compares district-level school administrative expenditures over a five-year period.

**Exhibit 24: Administrative Spending by Local School District Comparison FY16 to FY21.** (This scatterplot shows the change in administrative expenditures by local school district between FY16 and FY21.)



Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma Cost Accounting System and OSDE  
Note: LOFT analyzed all 540 local school districts but captured districts with administrative spending at a cap of \$2,000,000 for chart detail purposes. The chart plots 529 school districts, accounting for 98 percent of all local school districts in Oklahoma.

Examining school districts' operational expenditures between 2016 and 2021, LOFT finds 230 school districts (42 percent) had a greater increase in administration spending than instructional expenditures. As illustrated in Exhibit 25, five of the top 10 school districts increased administrative spending at a higher percent than instructional spending.<sup>69</sup>

69. Appendix AH compares the percent growth between instruction and administration expenditures for large charter school districts.

**Exhibit 25: 5-Year Percent Change in School Operation Expenditures for the Top 10 School Districts by Student Enrollment (FY16-21).** (This table compares the percent growth between instruction and administration expenditures for the top 10 school districts based on student enrollment. School districts shaded in purple reflect a higher percent increase in administration expenditures over instruction.)

<b>5-Year Percent Change in School Operation Expenditures for the Top 10 Traditional Public School Districts by Student Enrollment (FY16-FY21)</b>		
<b>District</b>	<b>Budget Percent Increase</b>	
	<b>Instruction</b>	<b>Administration</b>
Tulsa	6%	26%
OKC	3%	41%
Edmond	32%	33%
Moore	34%	33%
Broken Arrow	19%	7%
Putnam City	24%	43%
Tulsa Union	29%	25%
Norman	29%	27%
Lawton	16%	32%
Jenks	29%	17%

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma State Department of Education and the Oklahoma Cost Accounting System

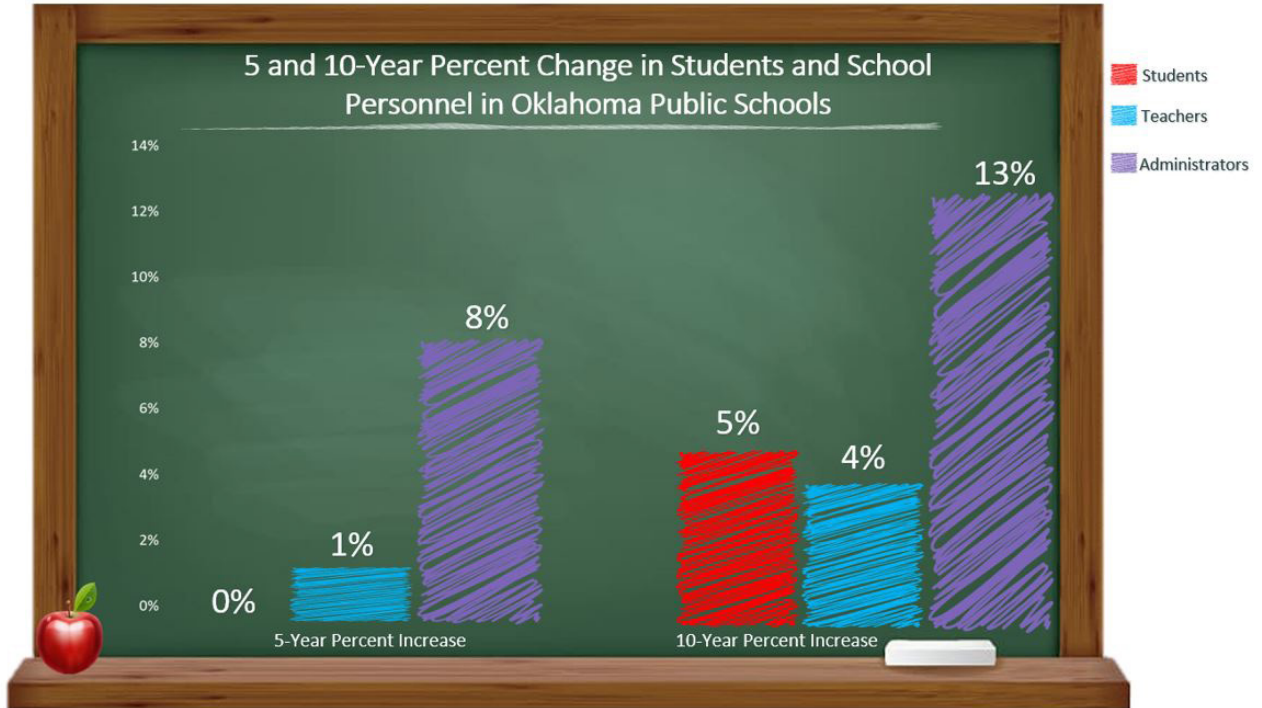
Note: LOFT analyzed the change in operational expenditures categorized under instruction and administration between FY16 and FY21. The percent change in operational expenditures for the five-year period was then analyzed. Top 10 school districts were selected based on student enrollment size; FY 20-21 (national collection date October 1, 2020 ) student enrollment (head count) from the Wave Student Information System (SIS)

The growth in administration expenditures can largely be attributed to the increase in administrative personnel and salaries over time. As illustrated in Exhibit 26, the number of administrative staff increased by eight percent in the last five years. During the same time there was no growth in student enrollment.<sup>70</sup>

70. Methodology includes only Classroom Teachers (Job Codes 210 and 213). Enrollment as of October 1<sup>st</sup>, was used for student enrollment measure.



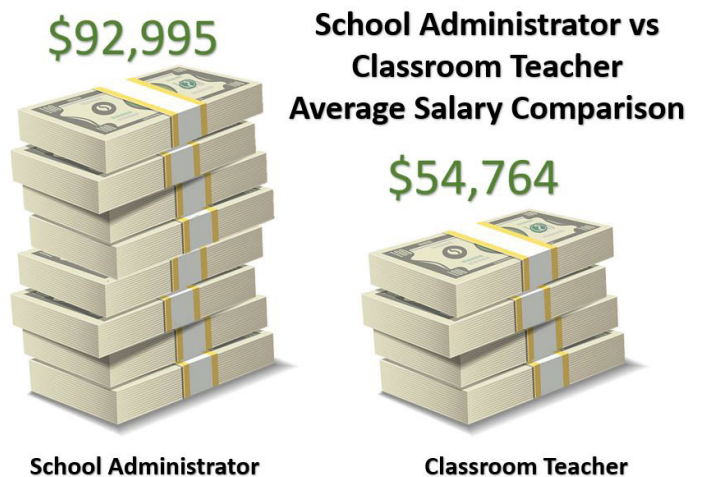
**Exhibit 26: Growth in Students and School Personnel in Oklahoma Public Schools.** (This infographic illustrates the percentage growth of students, teachers, and administrative staff in Oklahoma public schools over the last 5 and 10 years.)



Source: Legislative Office of Fiscal Transparency's analysis based on data from OSDE's Certified and Support Counts (By District FTE, Degree, and Salary annual report)

Year-over-year, growth in administrative staff continues to outpace both student enrollment and the number of classroom teachers.<sup>71</sup> To illustrate, between 2020 and 2021, student enrollment and the number of classroom teachers declined by one percent, but the number of administrators grew by two percent. The highest growth among administrative positions were deans (133 percent) and assistant principals (40 percent). These roles are not defined within OCAS as providing classroom instruction or related to federal compliance and reporting.<sup>72</sup>

In 2021, school administrators earned an average salary of \$92,995; \$38,231 (70 percent) more than the average Oklahoma teacher salary (\$54,764).<sup>73</sup> Administrative staff account for just seven percent of all certified staff employed in Oklahoma's public education system, but the higher salary levels associated with these positions have a large impact on school expenditures. Put simply, the growth of administrative payroll has limited schools' ability to hire more classroom teachers. **LOFT finds if the growth of school administrative personnel had followed student enrollment growth between 2011 and 2021, approximately \$26.4 million in salary and benefits from school administrative staff could have been available to hire the equivalent of 500 teachers.**<sup>74</sup>



Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma State Department of Education's Certified and Support Counts (By District FTE, Degree, and Salary annual report)

71. Appendix AD provides a year-over-year comparison of administration, teacher, and student growth.

72. Refer to Appendix AI for the growth in administrative positions in Oklahoma schools.

73. Inclusive of only Classroom Teachers (Job Codes 210 & 213).

74. Based on the latest average certified teacher salary inclusive of benefits (\$54,746)

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

In May 1991, the Legislature established the Oklahoma Cost Accounting System (OCAS) to standardize accounting and reporting of revenue and expenditures and to maintain a system of accountability for Oklahoma schools.<sup>75</sup> The accountability function focuses on improved comparability of school district financial data, enhanced data support as it directly pertains to the collection, analysis, application, and reporting of financial data from the school districts. According to the Oklahoma State Department of Education (OSDE), OCAS is primarily used to ensure federal compliance with the U.S. Department of Education (ED) and provide transparency for the public.

Data within OSDE’s Cost Accounting System is accessible to the general public.<sup>76</sup>

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. For example, school expenditures are coded under 2,824 different expenditure codes and 1,176 options under revenue codes.

OSDE reviews the financial reporting of local school districts and school boards. However, as described by the State Auditor and Inspector in a recent investigative audit report, data provided by schools “is self-verified by the school and accepted at face value by OSDE without on-site follow-up.” Specific to OCAS reporting, the report noted, “the actual underlying support of revenues and expenditures is typically not verified by OSDE nor is actual compliance with documented policies and procedures confirmed.”<sup>77</sup>

**LOFT arrived at a conclusion similar to that of the Auditor: there is oversight of educational funding by OSDE but not true accountability.**

“OCAS was established to provide a method of standardized financial reporting to increase the accountability of tax dollars. It is used to verify school districts are utilizing state appropriations to optimize student education. The reporting of school-level expenditures for every public school across the country is federally mandated.”  
- Oklahoma State Department of Education

*Source: Legislative Office of Fiscal Transparency’s creation based on quote from the Oklahoma State Department of Education’s Finance Division PowerPoint presentation*

**Regarding OSDE school finance oversight, LOFT arrived at a conclusion similar to that of the State Auditor and Inspector: there is oversight of educational funding by OSDE but not true accountability.**

**School expenditures are coded under 2,824 different expenditure codes and 1,176 options under revenue codes in OCAS.**

75. 70 O.S. 5-135.2. Full implementation of OCAS began July 1, 1992.

76. [Oklahoma Cost Accounting System \(OCAS\)](#)

77. Special Investigative Audit of Epic Charter Schools, Oklahoma State Auditor and Inspector’s Office. October 1, 2020. Page 8.

**Flow of Funding and Source of Accountability**

Funding for schools is collected and distributed in several different ways through three primary sources:

**Federal funds** are designated for specific programs that have specific expenditure requirements. Federal funds are allocated to OSDE based on formulas in which school districts submit applications for funding through the grant management system (GMS). Federal funding is distributed to schools for reimbursement of expenditures under the designated purposes specified within the district’s GMS application.

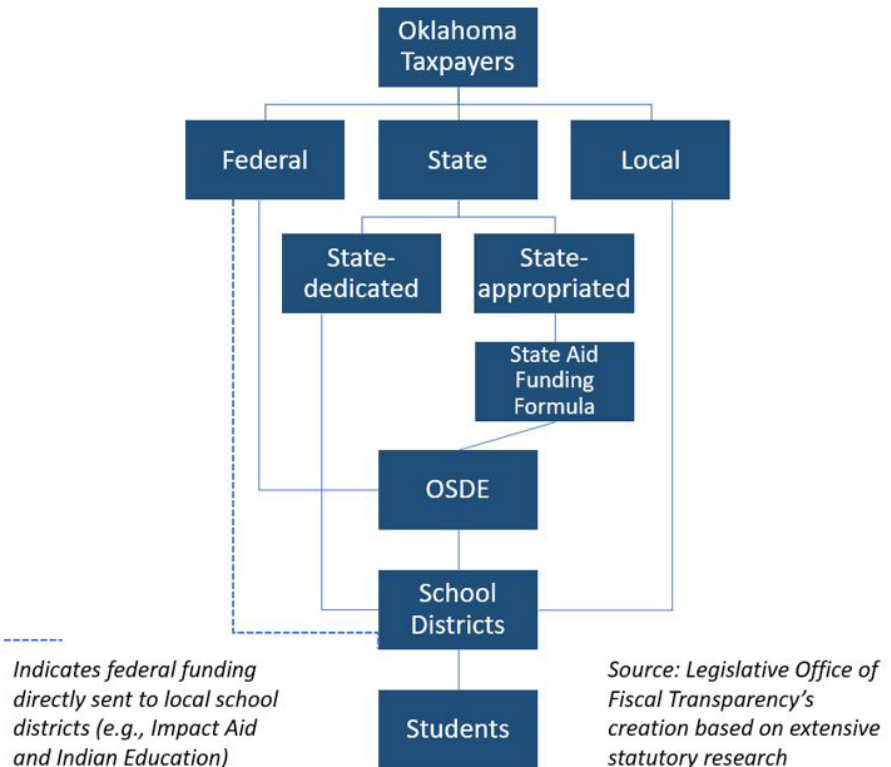
**State funds** are for general operating expenses. State funds include those collected from dedicated tax collections (State-dedicated revenue) and those directly appropriated by the Legislature (State-appropriated revenue). State-appropriated funding flows through OSDE and is allocated to school district at specific increments throughout the academic school year. State-dedicated and local funding do not pass through OSDE; these funds are sent directly to the district from the Oklahoma Tax Commission (OTC), the Commission of the Land Office (CLO), and district’s respective County Treasurer. As funds are spent, districts are required to code and report all expenditures in OCAS.<sup>78</sup>

**Local funds** are for general operating expenses. The primary sources of local revenue for school districts include local property tax collections, such as ad valorem tax and county 4-mill levy, as well as other miscellaneous revenues. Local funding is sent directly to the district. Exhibit 27 illustrates the flow of funding to Oklahoma schools and students from each primary funding source.

**Exhibit 27: Oklahoma School Finance Framework.** (This figure provides a high-level overview of how various funds flow to school districts.)

With the exception for federal funds, once funding is received by the local district, OSDE is no longer the “custodian of public taxpayer dollars,”<sup>79</sup> nor is the agency responsible for the expenditures at the district level. State statute assigns accountability of school expenditures to locally elected school boards, as they are the primary recipients and decision-makers for school funding resources.<sup>80</sup>

**Oklahoma School Finance Framework**



78. [70 O.S. § 5-135](#); [70 O.S. § 5-135.2](#).

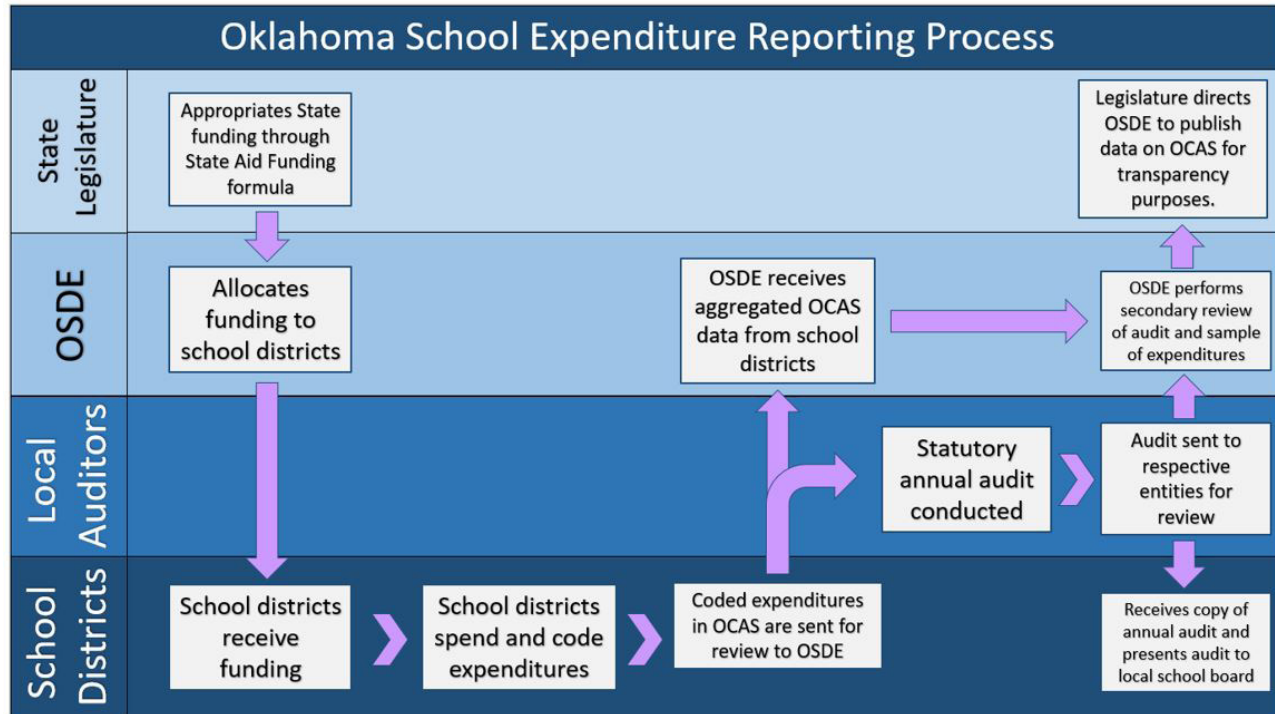
79. LOFT correspondence with OSDE on 5/14/2022.

80. [70 O.S. § 22-101 et seq.](#); see also 70 O.S. 18-101(2).



Each year, funding for Oklahoma’s public education is examined by locally elected school boards, independent auditors, and OSDE. Exhibit 28, below, details the process for reporting school expenditures.

**Exhibit 28: Oklahoma School Expenditure Reporting Process.** (This process flowchart provides a detailed look of how funding is allocated to school districts, spent, and then reported back to the State for review. Under the current process, no reports are required to be provided to the State legislature.)



Source: Legislative Office of Fiscal Transparency’s creation based on conversations with OSDE and statutory research

School districts are statutorily required to obtain an annual financial audit.<sup>81</sup> Each district is required to hire an independent auditor to perform a basic review of the district’s OCAS expenditures and OCAS coding for the preceding school year.<sup>82</sup> Financial audits are to be conducted in accordance with auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. School audits review the financial practices, internal controls, and school expenditures to help ensure adequate protection against fraud or professional misconduct as well as to ensure schools are aligned with school finance reporting requirements. Once audits are complete, the reports are sent to OSDE for a secondary review and to the State Auditor and Inspector.

81. 70 O.S. § 22-103.

82. Auditors must be certified by the State Auditor and Inspector’s Office.



**OSDE is responsible for the administration and oversight of OCAS but does not actively monitor 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.**

### OSDE’s Role in Ensuring 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. 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 receives aggregated data of education expenditures reported from local school districts and has internal processes to review and verify the proper coding of expenditures with OCAS policies and procedures. Additionally, OSDE’s processes can flag a district for closer scrutiny if the Department does find something amiss. As illustrated in Exhibit 28, OSDE receives aggregated OCAS data from schools and a copy of the local audit report of school expenditures. With both sets of information, OSDE provides a secondary review of expenditures.

OSDE confirmed to LOFT the Department does not have the statutory authority, capacity, or resources to review all reported expenditures from school districts. 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.<sup>83</sup>

### OCAS Limitations

LOFT found the OCAS system falls short of providing full transparency of public funds due to system limitations. For instance, certain object codes cannot be entered with particular function codes; the system flags such incompatible coding, and the district must change either the function or the object code before the report can be submitted. However, these codes must be identified by OCAS staff and built into the system. Without a comprehensive review of expenditures, it is likely that code groupings that should be rejected by the system as incompatible are instead accepted.

As an example, LOFT performed a review of multiple object codes to evaluate the consistency of OCAS coding across school districts. LOFT discovered firearms and ammunition expenditures were recorded under improper categories and functions within OCAS. As illustrated in Exhibit 29, in the 2020-21 academic year, districts spent \$257,425 on firearms and ammunition, which was coded across 14 separate function codes, including over \$9,300 coded under Child Nutrition Programs Services.<sup>84</sup> **While the expenditure totals identified are immaterial as a percentage of the nearly \$7 billion in funds that flow through common education, the miscoding illustrates the challenges in ensuring funds are spent in the areas intended.**

83. As defined in the Special Investigative Audit of Epic Charter Schools from the Oklahoma State Auditor and Inspector’s Office, “a desktop review is an auditing practice where an entity being examined is asked to provide data or proof of existing policies and procedures. This data is self-certified and accepted at face value without on-site follow up.”

84. Data presented in Exhibit 29 was shown to OSDE for clarification; OSDE confirmed this was due to improper coding procedures from school districts. LOFT meeting with OSDE on April 14, 2022 and May 11, 2022.

**Exhibit 29: Firearms and Ammunition Expenditures (Object Code 659) 2021.** (This table reflects LOFT's research of school districts' expenditures as coded and reported to OSDE for firearms and ammunition. As reflected by the light blue highlighted rows, LOFT discovered firearms and ammunition expenditures were expended under improper categories and functions within OCAS. Of note, over \$9,300 of school expenditures were coded under Child Nutrition Programs Services. LOFT did not conduct a comprehensive review of OCAS expenditures.)

Firearms and Ammunition (Object Code 659) Expenditures 2021		
Function	Description	Expenditures
1000	Instruction	\$135,537.69
2140	Psychological Services	\$304.69
2199	Other Support Services-Student	\$33,408.61
2212	Instruction and Curriculum Development Services	\$135.04
2213	Instructional Staff Training Services	\$1,400.00
2330	State and Federal Relations Services	\$705.54
2340	Other General and Administrative Services	\$446.03
2410	Office of the Principal Services	\$4,311.55
2575	Other Staff Services	\$645.00
2620	Operation of Buildings Services	\$48,483.31
2630	Care and Upkeep of Grounds Services	\$378.00
2660	Security Services	\$9,335.54
2670	Safety	\$12,942.34
3140	Other Direct and/or Related Child Nutrition Programs Services	\$9,392.18
<b>Total Firearms and Ammunitions Expenditures</b>		<b>\$257,425.52</b>

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma Cost Accounting System

Exhibit 29, along with other items LOFT identified while researching OCAS, were shared with OSDE during the evaluation for clarification and explanation.

Upon being made aware of the coding errors, OSDE created an internal code check within OCAS to check all expenditures for firearms and ammunitions.<sup>85</sup> These automated coding compatibility checks are a reliable way of ensuring that common coding errors are not repeated, but they are only effective if the Department identifies errors and programs them into the OCAS system. Automated flagging of incompatible codes is valuable, but it is not a replacement for human review of school expenditure data.

Coding of expenditures as "instructional" or "non-instructional" is another opportunity for improvement within OCAS. The system allows for some expenditures to be coded in more than one way. **In examining expenditures coded under instruction, LOFT identified over \$5.8 million of questionable coding of expenditures.** These expenditures are misaligned with the function definition of instruction found within the OCAS Manual.

**Instruction includes the activities dealing directly with the interaction between teachers and students.**

- OCAS Manual

Source: Legislative Office of Fiscal Transparency's creation based on information from OCAS Manual

85. LOFT correspondence with OSDE on 5/11/2022.

Stakeholders informed LOFT coding instructional expenditures should be straightforward: “If it’s in the classroom or receives a grade – it’s instruction.”<sup>86</sup> Per the OCAS Manual, the coded function “describes the activity being performed for which a service or material object is acquired.” However, LOFT identified items including laundry, plumbing services and transportation insurance coded under instruction.<sup>87</sup>

**Exhibit 30: Questionable Reporting of School Expenditures Coded Under Instruction.** (LOFT did not conduct a comprehensive review of OCAS expenditures. This table reflects items questionable reported expenditures identified by LOFT through just 16 hours of work within OCAS for one function code.)

<b>Instruction (Function 1000) Expenditures 2021</b>		
<b>Object Code</b>	<b>Description</b>	<b>Expenditures</b>
420	Cleaning and Laundry Services	\$56,137.20
433	Cooling Services	\$13,157.08
434	Electrical Services	\$61,964.15
435	Heating Services	\$16,844.00
437	Plumbing Services	\$1,761.55
438	Other Building Svcs	\$72,730.50
439	Oth Equip & Veh Svcs	\$397,390.81
442	Equip & Vehicle Svcs	\$281,154.58
443	Land & Bldg Svcs	\$190,826.51
449	Oth Rentals/Lease Sv	\$1,678,794.58
490	Other Purchased Property Services	\$33,690.46
521	Fleet Insurance	\$6,854.36
524	Student Transportation Vehicle Insurance	\$500.00
529	Other Insurance Services	\$526,983.27
612	Automotive and Bus Supplies	\$48,717.51
616	Health, First-Aid & Hygiene Supplies	\$1,054,254.01
617	Kitchen Products and Supplies	\$78,118.96
618	Cleaning, Maintenance Supplies and Chemicals	\$657,004.53
659	Firearms and ammunition	\$135,537.69
760	Vehicles	\$576,463.48
<b>Total Questionable Coded Expenditures</b>		<b>\$5,888,885.23</b>

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma Cost Accounting System

Note: Some of the items listed could potentially be used for student instruction.

86. LOFT fieldwork with school district finance coordinator in June 2022.

87. [OCAS Manual 2020-21](#)



### Federal Reporting Requirements Outweigh State’s Requirements

The majority of OSDE’s reporting on Oklahoma’s education funds are to fulfill federal reporting requirements, like those mandated by the Every Student Succeeds Act (ESSA). While federal funds account for just fifteen percent of all revenue supporting Oklahoma’s public education system, federal agencies are provided greater transparency and accountability for those funds.<sup>88</sup>

Most federal education funding comes with reporting requirements, including collecting specific data on how funds are spent and any resulting outcomes. All school districts receiving federal funds are monitored, and their expenditures are accounted for through rigorous coding and reporting.

### Examples of Federal Education Programs and Funding



- **Title I:** Economically Disadvantaged
- **IDEA:** Special Education Services
- **Head Start:** Early Education
- **Title II:** Professional Development for Educators
- **Title III:** English Language Learners
- **Title IV:** Student Support and Academic Achievement
- **Nutrition & Safety**
- **E-Rate Technology**

Source: Legislative Office of Fiscal Transparency’s creation based on Oklahoma State Department of Education’s Public Records and provided funding information.



### 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

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

**\$2.9 Billion**

State Appropriations for Common Education

This is in sharp contrast to Oklahoma’s minimal reporting requirements to the State Legislature beyond standard reporting for budgeting request purposes.

Of the State funds appropriated for common education, OSDE is required to report data to the State Legislature on just 18 percent.<sup>89</sup> The majority of reported data is expenditures for school personnel salary and benefits. The only academic outcome data required to be reported directly to the Legislature is for reading sufficiency rates (RSAs) and gifted and talented.

88. Appendix AE provides all federal funding by specific program and agency in which funds are distributed from to support Oklahoma schools.

89. Based on FY21 budget data.

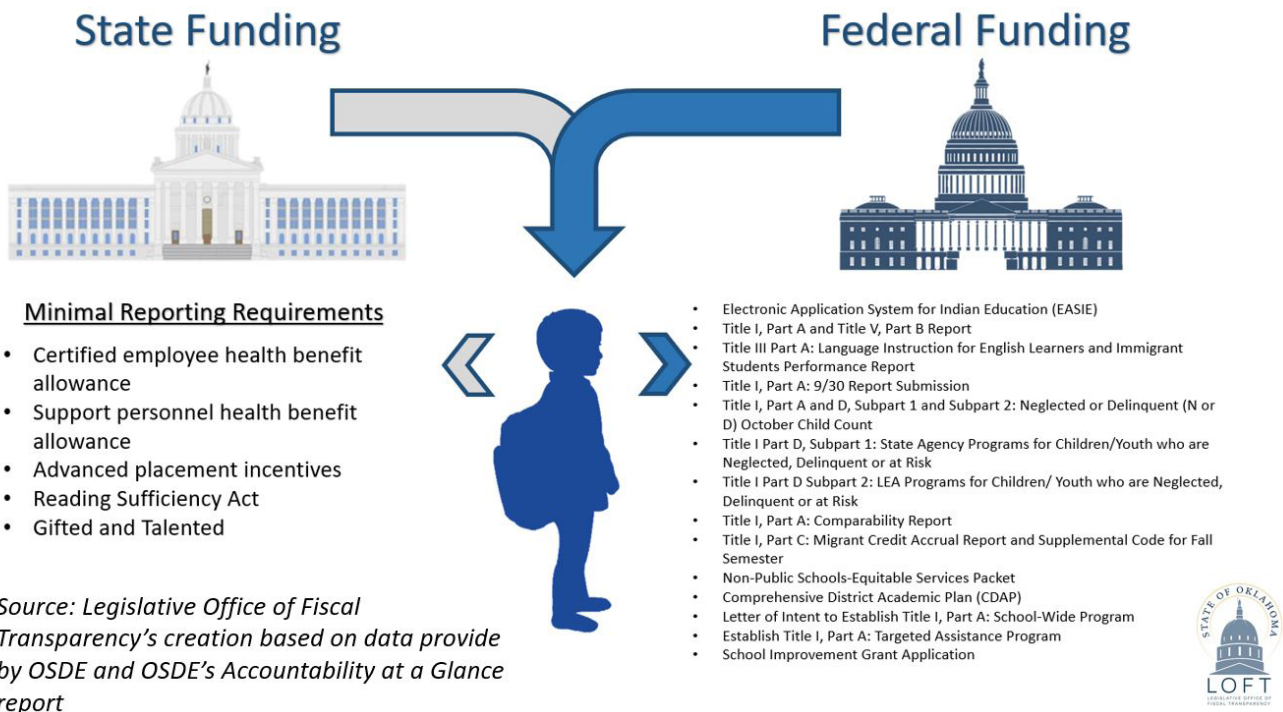


Reported data required by the federal government includes student outcomes in areas such as quantifying the percentage of students “who demonstrate acquisition and use of knowledge and skills” for early language and literacy and proficiency assessments for students with limited English proficiency.<sup>90</sup>

As illustrated in Exhibit 31, Oklahoma’s school finance reporting leans heavily towards meeting federal reporting and compliance requirements.

**Exhibit 31: Oklahoma School Finance Reporting Requirements Comparison.** (This infographic provides a comparison of the level of school financing reporting requirements for both federal and State funding. As reflected in the infographic, federal reporting requirements significantly outweigh the reporting requirements to the State Legislature.)

## Oklahoma School Finance Reporting Requirements Comparison



Oklahoma requires only limited reporting of expenditures and outcomes, and therefore does not receive the level of detail provided to federal agencies as a condition of funding. As demonstrated in Finding 4 of this report, there are opportunities for Oklahoma policymakers to receive the type of actionable information provided to other State legislatures in order to determine the effectiveness of outcomes and to prioritize investments.

90. IDEA Part B and C, Special education intervention, and Title III Limited English Proficiency Assessment Data, respectively.

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

The investments made in Oklahoma’s K-12 schools over the past 20 years have not led to improved academic outcomes, based on key performance measures such as reading sufficiency rates and college readiness.<sup>91</sup> After significant learning loss attributable to the Coronavirus disease (COVID-19) as previously reported by LOFT, the Legislature requires accessible and comprehensive data to target investments to help students’ academically recovery.<sup>92</sup>

As established earlier in this report, the lack of reported outcome data has limited policymakers’ ability to determine the impact of investments. Pairing information about areas of need with data demonstrating program effectiveness will enable strategic investments of public funds.

This finding outlines a broader vision for student and school success, details a governance structure for legislative oversight that fosters systems-level accountability, and provides a framework for ensuring relevant student outcomes data and metrics are used to guide legislative investments.

### **Policymakers Lack Comprehensive Data Required to Assess K-12 Investments and Performance Outcomes.**

Timely, accessible, and accurate data on academic indicators and student progress is critical to the development of evidence-based policy and targeted investments. Under the Every Student Succeeds Act (ESSA), the Oklahoma State Department of Education (OSDE) must publicly and annually report on the academic standing and progress of students. However, the data is currently compartmentalized across various websites and reports, which limits a comprehensive assessment of how the State’s common education system is serving Oklahoma families and students.

On average, every legislative district contains seven school districts, with approximately 9,200 Oklahoma students.<sup>93</sup> It is not a realistic expectation that legislators would collect and synthesize data for schools within their district.

91. On average, 37 percent of first-time freshmen are enrolled in remedial courses upon transitioning from high school to post-secondary education. See Appendix AF for data on remedial courses taken by high-school graduates.

92. Joint Interim Study #21-089: The Impact of COVID-19 Pandemic on Student’s Learning.

93. On average, Representatives represent five school districts and Senators represent 11 school districts.

**The lack of reported outcome data has limited policymakers’ ability to determine the impact of investments.**

**Pairing information about areas of need with data demonstrating program effectiveness will enable strategic investments of public funds.**

**The lack of reported outcome data has limited policymakers' ability to determine the impact of investments. Pairing information about areas of need with data demonstrating program effectiveness would enable strategic investments of public funds.**

While the State provides public-facing information through the Oklahoma Cost Accounting System (OCAS), Data Matrix, and the school report card website (commonly referred to as A-F), the information is not geared toward policymaking.<sup>94 95</sup> The data provided by OSDE and available on their websites provides accessibility and transparency of academic outcomes on a district-by-district basis. However, the available data is not contained in an easily accessible location and does not provide guidance to allow policymakers to make targeted investments in common education.

The majority of academic performance measures collected and reported by OSDE are centered more on compliance for federal funding than on measuring long-term outcomes for the State's K-12 student population.<sup>96</sup> As reported in Finding 3, reading sufficiency rates (RSA) for kindergarten through third grade students is the only academic performance measure reported to the Legislature.<sup>97</sup> Despite significant investments in common education, the Legislature receives very little information to assist them in targeting funding to programs producing the best outcomes.

#### **Comprehensive Data is Required to Assess Student Outcomes and Target Investments**

Oklahoma's educational outcomes are hindered by a lack of meaningful contextualized data being presented to policymakers for use in strategic decision making. Longitudinal academic performance metrics for specific student populations, grades and academic subjects are not reported to the Legislature. Additionally, a systematic review of the most urgent needs is absent in the current reporting requirements. Tracking investments to academic outputs can provide the critical intelligence to help legislators anticipate and diagnose problems before they evolve into systemic challenges.

In 2015, Congress passed ESSA to replace the No Child Left Behind Act (NCLB) as the nation's major K-12 education law. Under ESSA, States must publicly and annually report on the academic standing and progress of their public school students on various academic measures. However, these measures are just a snapshot of academic performance and progress. The type of information that would be more useful to policymakers would include longitudinal academic measures across the State's common education system.

The most comprehensive report of Oklahoma's public education system is done through the Commission for Educational Quality and Accountability and Office of Educational Quality and Accountability (OEQA). Under statute, the Commission is directed to produce a report on the performance of public schools and school districts by providing school, district, State,

94. <https://oklaschools.com/>

95. Additional reports are produced by the Oklahoma Office of Educational Quality and Accountability.

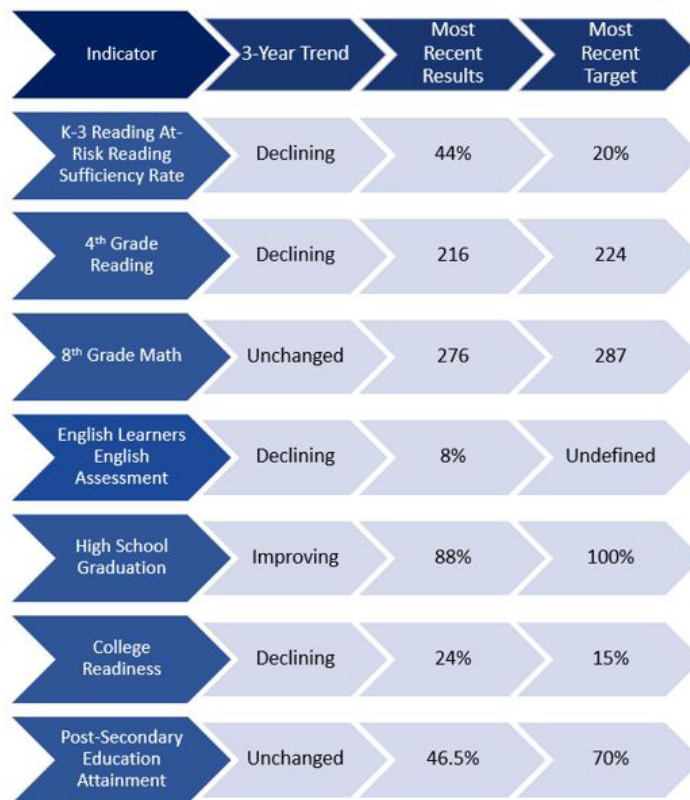
96. LOFT Report, "Early Childhood Priority Evaluation," #21-265-02, Aug. 2021.

97. LOFT's review of OSDE's FY23 budget request to the Legislature.

and national educational statistics for the Legislature to assess the status of Oklahoma’s education system.<sup>98 99</sup>

The earliest academic measure currently captured by Oklahoma State Department of Education (OSDE) is the Reading Sufficiency Rates (RSAs), which is first measured in kindergarten. As illustrated in Exhibit 32, varied academic measures should be collected and reported across grade levels to provide the Legislature a real-time assessment of how students are performing as they matriculate through the State’s common education system.

### 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)

**Exhibit 32: Oklahoma Academic Performance Indicators Progression.** (This infographic provides key academic performance measures for determining areas of progress or decline across an education system. This exhibit is based on Washington’s 2020 Statewide Indicators of Education System Health report.)

The academic indicators shown in Exhibit 32 provide key

metrics from early childhood through post-secondary educational attainment. These are examples of key metrics that should be reported to the Legislature annually as a part of OSDE’s annual budget request. Additional or alternative metrics can be reported as required by both the State Superintendent and the Legislature. Exhibit 33, on page 54, presents key academic indicators from New Mexico’s common education system. These types of measures indicate how well the public education system is doing in reaching targeted goals and objectives. With access to similar academic metrics reported annually, Oklahoma’s Legislature would be able to assess progress toward academic benchmarks, assess gaps in early learning, and determine if investments need to be redirected or adjusted to address critical challenges.

98. [Profiles 2019 - State Report \(ok.gov\)](https://ok.gov)

99. §70-1210.531



**Exhibit 33: New Mexico’s Early Childhood Accountability Report (2019).** (This table provides an example of the key academic indicators reported by New Mexico’s Legislative Finance Committee.)

Numerous state legislatures require regular in-depth reporting on performance metrics and outcomes for State education systems. Of those, LOFT found 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. The metrics established in statute vary depending on the challenges facing a school system and the philosophy of the State’s approach to public education. 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.<sup>100</sup>


READY TO LEARN BY KINDERGARTEN	Kindergarten Students Proficient in Reading on Istation Beginning of Year Test	Rate of Children Under 5 in Poverty	Kids Funded to Participate in Early Childhood Programs	Low Income 4-Year-Olds in Day Services
	FY19	2017	FY19	FY18/FY19
	18%	33%	78,201 children	77% 19,779 children
Baseline*	Better	Better	Better	
Source: PED	2016 34% Census	FY18 73,871 LFC Vol. 3	FY17/18 73% CYFD, ACF, & LFC	

EDUCATED 3 <sup>rd</sup> Grade	Reading – All Kids	Reading – Low-Income Kids	Math – All Kids	Math – Low-Income Kids
	2019	2019	2019	2019
	27%	22%	32%	26%
Worse**	Worse**	Same**	Worse**	
2018 28.5%	2018 25%	2018 32%	2018 27%	
Source: PED	PED	PED	PED	PED

Source: New Mexico Legislative Finance Committee’s Early Childhood Accountability Report (2019)

These states are also better at getting relevant information to legislators. Texas statute requires a biennial report from its State education agency (SEA) containing information on, among other things, performance indicators, performance on skills assessments, dropout rates, and correlation between student grades and performance on skills assessments.<sup>101</sup> Likewise, Washington requires its SEA to “report indicators of the State’s educational system health every two years. In 2013, Washington’s Legislature directed the SBE to recommend evidence-based reforms to improve the outcomes if one or more indicators are not performing to the desired level.”<sup>102</sup>



**State Example – New Mexico**

Created in 1965 as a permanent bipartisan, bicameral interim committee of the New Mexico Legislature, the Legislative Education Study Committee (LESC):

- conducts a continuing study of all education in New Mexico, the laws governing such education and the policies and costs of the New Mexico educational system, including the training of certified teaching personnel in postsecondary institutions;
- recommends funding levels for public education;
- recommends changes in laws relating to education; and
- makes a full report of its findings and recommendations.

Each year, the LESL provides the Legislature with a report of its activities, summarizing the findings of interim studies and the recommendations of the committee for action during the upcoming legislative session.

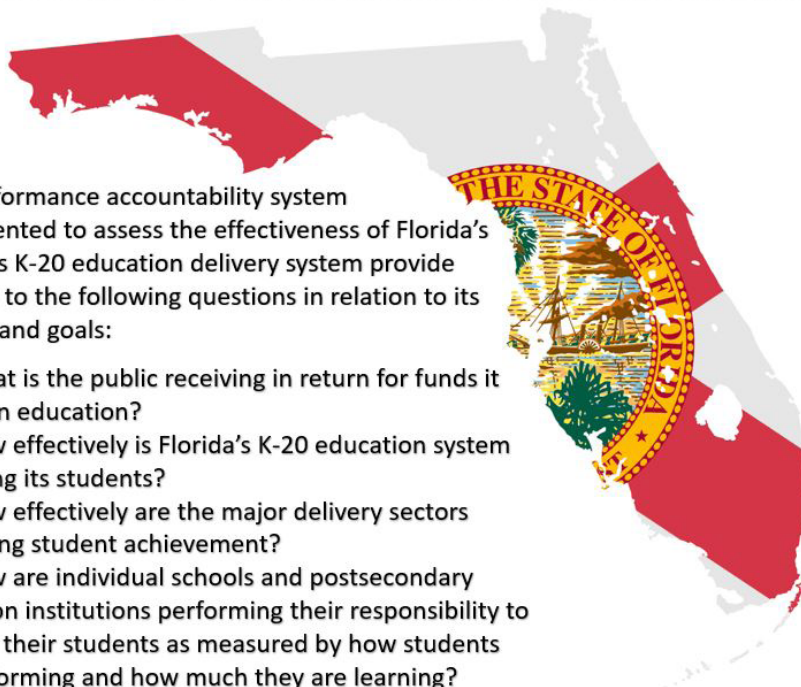
Source: Legislative Office of Fiscal Transparency’s analysis based on information from the New Mexico State Legislature and New Mexico Legislative Finance Committee

100. Washington’s SB5491 (2013) required establishment of goals for the State’s education system, which is the basis for continued performance evaluation of the State’s education system.

101. [Texas Statutes Title 2, Chapter 39, Section 39.053](#). The Texas legislature meets biennially.

102. STATEWIDE INDICATORS OF EDUCATION SYSTEM HEALTH, Washington State Board of Education, 2020. Enabling legislation located at RCW 28A.150.550.

## Florida’s K-20 Performance Accountability



The performance accountability system implemented to assess the effectiveness of Florida’s seamless K-20 education delivery system provide answers to the following questions in relation to its mission and goals:

1. What is the public receiving in return for funds it invests in education?
2. How effectively is Florida’s K-20 education system educating its students?
3. How effectively are the major delivery sectors promoting student achievement?
4. How are individual schools and postsecondary education institutions performing their responsibility to educate their students as measured by how students are performing and how much they are learning?

### Exhibit 34: Florida’s educational accountability system.

State statute and administrative rules for OSDE outlines responsibilities for the Board of Education to collect and publish a data inventory of various student data and metrics.<sup>103</sup> While OSDE collects data on a number of the categories reported on by New Mexico, Texas and Washington, neither the Board nor SDE is required to produce any reports for the Legislature’s use. Exhibits 35 and 36, below, compare the level of information provided by the three identified best practice States to the data received by the Oklahoma State Legislature.<sup>104</sup>

Source: Legislative Office of Fiscal Transparency’s creation based on XLVIII FLA. STAT. § 1008.31

### Exhibit 35: State Comparison of Statutory Education Reporting Requirements (This table is a comparison of the educational performance reporting requirements in Texas, Washington, and New Mexico’s State statutes.)

	Texas	Washington	New Mexico
How often is the comprehensive report required?	Every 2 years	Every 2 years	Every 2 years*
Who develops the report	Texas Education Agency, Division of Research and Analysis	State Board of Education, Office of the Superintendent of Public Instruction, Workforce Training and Education Coordinating Board, Educational Opportunity Gap Oversight and Accountability Committee, Student Achievement Council	Legislative Education Study Committee, a permanent bipartisan, bicameral interim committee of the New Mexico Legislature
Who receives the report?	Governor, Lieutenant Governor, Speaker of the House of Representatives, each Legislator, Legislative Budget Board, clerks of standing legislative committees related to public education.	Education Committees of the Legislature	All Legislators
What is reported?	Indicators of Academic Performance required by statute.	Indicators of Academic Performance required by statute.	"a continuing study of all education in New Mexico, the laws governing such education and the policies and costs of the New Mexico educational system"
How many reports does the legislature get annually?	FY21 - 23 Reports	2020 & 2021 - 8 reports combined	2017-2022 - 1 report annually
Number of FTE in Agency	1,027.5 FTE	400+ FTE	452 FTE

Source: Information from Washington, New Mexico, and Texas Statutes and respective state agency websites

\*although statute only requires a report on each odd-number year, New Mexico Legislative Education Study Committee has provided a report annually since 2017

103. Oklahoma Administrative Code (OAC) 210:1-3-8.1 and § 70-3-168.

104. [Oklahoma State Department of Education Public Records](#)



**Exhibit 36: Evidence-based Data for Common Education Funding Provided to Model States' Legislatures.** (This table is a comparison of the educational outcome data received by the New Mexico, Oklahoma, Texas, and Washington State Legislatures. Oklahoma reports listed are from the State Department of Education. The Office of Educational Quality and Accountability also provides an annual State Profiles report that compiles point-in-time statistics for Statewide educational indicators.)

**Statutorily Mandated Reporting of Evidence-based Data Directly to Legislatures**

**New Mexico**

- Deliver Annual Comprehensive Education Outcomes Report to the Legislature
- Academic Achievement Indicators (Student Proficiency, State Assessment, ACT, etc.)
- College and Career Readiness Benchmarks
- Summary Compilation of Overall Student Performance on Academic Skills Assessment
- High School Dropout Rate
- Cohort Graduation Rates (4 and 5-year rates)
- List of Underperforming District with List and Outcomes of Remedial Actions
- Description of all Funds Received and each Activity and Expenditure of the Agency
- Summary of District Instructional Expenditure Ratios and Instructional Employees Ratios
- Longitudinal Academic Progress Disaggregated by Bilingual Education and Special Language Program
- Data on districts using performance-based budgeting
- Data on expenditures for central office administration

**Texas**

- Deliver Annual Comprehensive Education Outcomes Report to the Legislature
- Academic Achievement Indicators (Student Proficiency, State Assessment, ACT, etc.)
- College and Career Readiness Benchmarks
- Special Education Outcomes
- Summary Compilation of Overall Student Performance on Academic Skills Assessment
- Correlation between Student Grades and Student Performance on Academic Skills Assessment
- High School Dropout Rate
- Cohort Graduation Rates (4, 5 and 6-year rates)
- List of Underperforming District with List and Outcomes of Remedial Actions
- Curriculum evaluation and recommendations
- Description of all Funds Received and each Activity and Expenditure of the Agency
- Summary of District Instructional Expenditure Ratios and Instructional Employees Ratios
- Summary of the Effect of Deregulation, Exemptions and Waivers
- Comparison of the Performance of Open-enrollment Charter Schools and School Districts
- Longitudinal Academic Progress Disaggregated by Bilingual Education and Special Language Program
- Data on expenditures for central office administration

**Washington**

- Deliver Annual Comprehensive Education Outcomes Report to the Legislature
- Academic Achievement Indicators (Student Proficiency, State Assessment, ACT, etc.)
- College and Career Readiness Benchmarks
- Special Education Outcomes
- Summary Compilation of Overall Student Performance on Academic Skills Assessment
- Comparison of the Performance of Open-enrollment Charter Schools and School Districts
- Academic Progress Disaggregated by Bilingual Education and Special Language Program
- Curriculum evaluation and recommendations

**Oklahoma**

- Reading Sufficiency Rates
- Gifted and Talented
- Annual Budget Request

Source: Legislative Office of Fiscal Transparency's creation based on extensive statutory review from Texas EDUC 39.332; Oklahoma Title 70; Revised Code of Washington Title 28, NM Stat § 22, Article 2C

### K-12 Governance and Accountability Models

State common education governance structures can be categorized into one of four standard models (illustrated in Exhibit 37). Each model depicts how the Chief State School Officer (CSSO) is appointed or elected and by whom, and how the State Board of Education (SBE) is constituted.<sup>105</sup>

<sup>106</sup>

In Oklahoma, the CSSO is the State Superintendent of Public Instruction, which is a constitutionally established position that is independently elected.<sup>107</sup> Under statute, the Governor, with the advice and consent of the Senate, appoints the Oklahoma State Board of Education.<sup>108</sup> Together, these stakeholders provide strategic oversight, direction, and management to the State’s K-12 public education system.

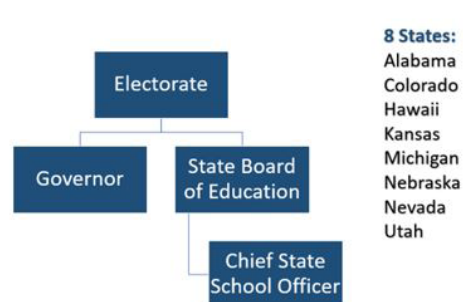
**Exhibit 37: Common Education Governance Structures.** (This infographic illustrates the four common models of governance structures for both State boards of education and chief State school officers. The infographic categorizes States based on their governance structures.)

### Common Education Governance Structures

Governance 1: Governor Appoints Board, Board Appoints Chief



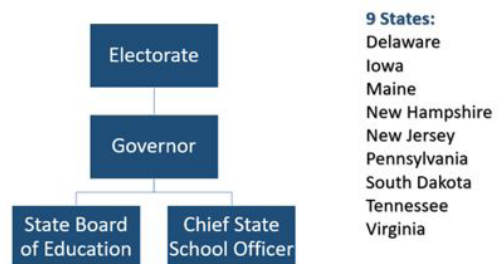
Governance 2: Elected Board, Board Appoints Chief



Governance 3: Appointed Board, Elected Chief



Governance 4: Appointed Board, Appointed Chief



Source: Legislative Office of Fiscal Transparency’s creation based on data from Education Commission of the States and the National Association of State Boards of Education

Note: Louisiana, Minnesota, Mississippi, New Mexico, New York, Ohio, South Carolina, Texas, Washington and Wisconsin function under modified versions of the four standard governance models.



105. Appendix AG details common education governance structures.

106. Louisiana, Minnesota, Mississippi, New Mexico, New York, Ohio, South Carolina, Texas, Washington, and Wisconsin function under modified versions of the four standard governance models.

107. Only 12 States independently elect their CSSO; the majority of States (20) give the authority to appoint the CSSO through their respective State board of education.

108. 70 O.S. §3-101



**Oklahoma must build an accountability system that exceeds ESSA's requirements, one that communicates the needs and best practices of local districts to the Legislature.**

The various education governance structures offer different lines of communication, collaboration and accountability across State government and branches of government.

States have the flexibility to design and adapt their education governance structures to manage policies, determine each State's success in achieving academic goals, and strengthen the K-12 education system. States identified in the first governance structure shown in Exhibit 37 regularly perform the highest on academic assessments.<sup>109</sup>

#### **Implementing Effective Coordination Between OSDE and the Legislature**

Oklahoma's current governance structure limits the Legislature's role in accountability and oversight of the State's public education system. Beyond the Senate providing advice and consent of SBE members, the Legislature is not involved in the selection or appointment process of either SBE members or the CSSO.<sup>110</sup> The appointment process for Oklahoma's Board of Education members is outlined in statute – with the Governor having sole appointment power. Given the depth of policy issues and State funding for common education, the Legislature could take a more active accountability and oversight role by amending statute to share appointment authority with the executive branch.<sup>111</sup>

Accountability systems should drive continuous improvement in overall student development and academic progress across the State. The system should allow the Legislature, through OSDE, to identify the best programs for replication Statewide. Under ESSA requirements, school districts are collecting more data than ever before. However, collecting information is not enough; it must also be interpreted and effectively used. To do so, Oklahoma must build an accountability system that exceeds ESSA's requirements, one that communicates the needs and best practices of local districts to the Legislature. OSDE should be charged with collecting and compiling data to inform the Legislature about successful programs.

109. LOFT's analysis based on longitudinal analysis of NAEP test scores.

110. Most SBEs follow this appointment process, but other States have granted their respective legislative branches to serve a more direct role in the selection and appointment of SBE members. Indiana, Mississippi, Nevada, and South Carolina legislatures have a statutory role in appointing SBE members.

111. Indiana, Mississippi, Nevada, and South Carolina legislatures have a statutory role in appointing SBE members.

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## About the Legislative Office of Fiscal Transparency

### Mission

To assist the Oklahoma Legislature in making informed, data-driven decisions that will serve the citizens of Oklahoma by ensuring accountability in state government, efficient use of resources, and effective programs and services.

### Vision

LOFT will provide timely, objective, factual, non-partisan, and easily understood information to facilitate informed decision-making and to ensure government spending is efficient and transparent, adds value, and delivers intended outcomes. LOFT will analyze performance outcomes, identify programmatic and operational improvements, identify duplications of services across state entities, and examine the efficacy of expenditures to an entity's mission. LOFT strives to become a foundational resource to assist the State Legislature's work, serving as a partner to both state governmental entities and lawmakers, with a shared goal of improving state government.

### Authority

With the passage of SB 1 during the 2019 legislative session, LOFT has statutory authority to examine and evaluate the finances and operations of all departments, agencies, and institutions of Oklahoma and all of its political subdivisions. Created to assist the Legislature in performing its duties, LOFT's operations are overseen by a legislative committee. The 14-member Legislative Oversight Committee (LOC) is appointed by the Speaker of the House and Senate Pro Tempore, and receives LOFT's reports of findings. The LOC may identify specific agency programs, activities, or functions for LOFT to evaluate. LOFT may further submit recommendations for statutory changes identified as having the ability to improve government effectiveness and efficiency.

## **Appendix A. Methodology**

### **Oklahoma Constitution, Statutes and Agency Policies**

LOFT incorporated legal research methodology for a detailed analysis of State laws and governing policies found in various sources (constitution, statutes, and administrative rules) to assist with the legislative history of school finance, State Aid funding formula, revenue sources and policy considerations.

### **Critical Scope Considerations**

Federal pandemic relief funds to Oklahoma public schools were included in the federal funding analysis but were not isolated throughout the report. Further information on pandemic relief funds can be found at the Oklahoma State Department of Education.

Time to survey, collect and aggregate national school-level finance data requires extensive time and research; so complete and accessible data required for accurate comparisons is generally two years behind. At the time of this report, the latest data available from the National Center for Education Statistics (NCES) is from 2019.

### **School Funding Formula Comparative Analysis**

LOFT spoke with a variety of stakeholders (detailed in Appendix B) to discuss the broad range of policy implications and school finance mechanics of common education funding formulas. Comparative school funding formula technical information was found from extensive statutory review, interviews with stakeholders, State government reports and EdBuild.

### **National and Regional Comparison of Instructional Funding and Funding per Pupil**

LOFT researched and collected school financial data from the Common Core of Data system from the U.S. Department of Education's National Center for Education Statistics (NCES). This comprehensive dataset provides financial information on public elementary and secondary schools, local education agencies (LEAs) and State education agencies (SEAs).

### **Enrollment and Funding per Pupil Comparisons**

LOFT researched and collected school enrollment and financial data from the National Education Resource Database on Schools (NERDS) from Georgetown University. NERDS collected federal mandated, as required by Every Student Succeeds Act (ESSA), school finance information.

### **OCAS Expenditures**

LOFT met with school finance representatives at both the Oklahoma State Department of Education (OSDE) and local school districts to learn how the Oklahoma Cost Accounting System (OCAS) is used to categorize, code and report school revenue and expenditures. In total, LOFT spent 16 hours in the OCAS system reviewing and identifying random function and object codes across school districts to verify the consistency of reporting.

### **Education Revenue and Expenditures**

LOFT spoke with the education finance staff from the House of Representatives to gain an understanding of school finance framework and historical funding. A draft of this report was also reviewed with a member of State Senate's fiscal staff. LOFT analyzed 10 years of historical revenue and expenditures from the Oklahoma Cost Accounting System (OCAS) and sent the spreadsheet to OSDE for verification. LOFT also drafted a policy brief on school finance and funding framework and reviewed with OSDE's chief financial officer and school finance team. All tables and analysis from OCAS were provided in advance and confirmed for accuracy by OSDE.

*The contents of this report were discussed with the State Superintendent and the Oklahoma State Department of Education throughout the evaluation process. Additionally, sections of this report were shared with the various agencies and stakeholders for purposes of confirming accuracy.*

*It is the purpose of LOFT to provide both accurate and objective information: this report and methodology has been reviewed by LOFT staff outside of the project team to ensure accuracy, neutrality, and significance.*



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## Appendix B: Stakeholder Interviews

This evaluation report summarizes and utilizes collected information from key stakeholders working within common education system regarding school finance.

Interviews were conducted with stakeholders from:

Oklahoma State Department of Education

Oklahoma State Legislature

House Fiscal Staff, Oklahoma Legislature

Senate Policy Staff, Oklahoma Legislature

National Conference of State Legislatures

Education Commission of the States

Economics Lab at Georgetown University's McCourt School of Public Policy

Oklahoma State Regents for Higher Education

Office of the State Auditor & Inspector

Massachusetts Department of Education

Oklahoma State School Boards Association

Office of the Legislative Auditor, Minnesota Legislature

Oklahoma Health Care Authority

American Enterprise Institute

## Appendix C: Glossary of Terms

### **Average Daily Attendance (ADA):**

Total days of student attendance divided by total days of instruction.

### **Average Daily Membership (ADM):**

An average number of students taken twice a year to arrive at a student population. This is calculated by dividing the sum of enrolled students' total days present and days absent by the number of days taught. The First-Quarter Statistical Report (FQSR) is completed after the first nine weeks, and the Annual Statistical Report (ASR) is completed after the school year.

### **Economically Disadvantaged Student:**

Any student eligible for federally funded free and reduced-price meal programs.

### **Enrollment:**

A count of students enrolled in a school on October 1.

### **Weighted Average Daily Membership (WADM):**

The ADM adjusted to reflect the weights of individual students. Students are assigned a greater weight if they belong to a student group that requires additional educational services, such as students with disabilities. WADM determines funding allocations to the district.

## **Appendix D: Distinctions Between State Auditor Audit of OSDE and LOFT Evaluation**

In conducting preliminary research, LOFT found the Office of the Auditor & Inspector was actively engaged in an audit of K-12's OCAS expenditures. As LOFT strives to not duplicate work, our office met with the State Auditor to coordinate efforts and ensure both offices were using the same set of figures regarding the expenditure sources.

While both LOFT's and the State Auditor's projects involve an assessment of educational funds and expenditures, the scope and the report objectives are very different. The Auditor's work is focused on appropriateness of expenditures, while LOFT's report focuses on the transparency and accountability of expenditures as related to providing data about outcomes as well as the processes used by the Department to ensure accountability and transparency.

## Appendix E: Policy Brief: Modifying the State Aid Funding Formula

Currently, calculating State funding through the State Aid funding formula involves a complex methodology of eight separate steps to calculate the amount aid directed to school districts. In its current form, the State Aid funding formula’s calculation process involves numerous variables, statutory references, and complexities which present critical challenges for policymakers in understanding the basics in how the State’s school finance system works to support the public common education system. In speaking with stakeholders and researching the methodology of the State Aid funding formula, LOFT finds the calculation process can be streamlined by converting the two tiers (Foundation and Salary Incentive Aid) into one equation.

The Salary Incentive Aid, the lower tier of the funding formula, ensures that every district has a minimum level of revenue for every mill of property tax per unit of weighted average daily membership (WADM). The Salary Incentive Aid adds the remaining 20 mills of general fund ad valorem revenue to the total of 35 mills for school districts.

**Historically, the Salary Incentive Aid was designed to incentivize local taxes to generate revenue for salaries by raising local funding levels to 20 mills; currently all school districts are at the 20 mills cap.** Currently, Salary Incentive Aid does not fully account for wealth at the school district because it only includes 20 local mills and doesn’t include all chargeables as the Foundational Aid does.

*Exhibit 38: Enhanced State aid Calculation. (This Exhibit outlines the enhanced methodology for incorporating all 35 mills into one formula and converting the current eight-step process into three simple steps for calculating State Aid.)*

### Enhanced State Aid Calculation

$$\text{WADM} \quad \underline{\quad} \times \text{State Aid Factor} \quad \underline{\quad} = \underline{\quad} \quad (1)$$

(Salary Incentive Aid Factor X 20) + Foundation Aid Factor)

#### Chargeable Revenue

Adjusted Valuation $\underline{\quad}$ X 0.35	=	$\underline{\quad}$
75% of County 4-Mill Levy		$\underline{\quad}$
School Land		$\underline{\quad}$
Gross Production		$\underline{\quad}$
Motor Vehicle Collections		$\underline{\quad}$
R.E.A. Taxes		$\underline{\quad}$
<b>Total Chargeables</b>	=	$\underline{\quad} \quad (2)$
<b>Total State Aid (Line 1 – Line 2)</b>	=	$\underline{\quad} \quad (3)$

Source: Legislative Office of Fiscal Transparency’s analysis

Incorporating the 20 mills of Salary Incentive Aid into Foundational Aid would eliminate an unnecessary series of calculations, resulting in a more efficient and transparent funding system. The simplified calculation would combine all school districts’ 35 mills into one calculation, creating a more efficient process for calculating State Aid. Placing all 35 mills and chargeables into one calculation for school districts would streamline data and provide for a more efficient process of calculating State Aid for school districts. The 2018 State Aid Task Force recommended enhancing the methodology to simplify the process for calculating State Aid for school districts. Exhibit 38 outlines

the simplified methodology for incorporating all 35 mills into one formula and converting the current five-step process into three simple steps for calculating State Aid.



## Appendix F: Policy Brief: State Revenue Sources for Common Education

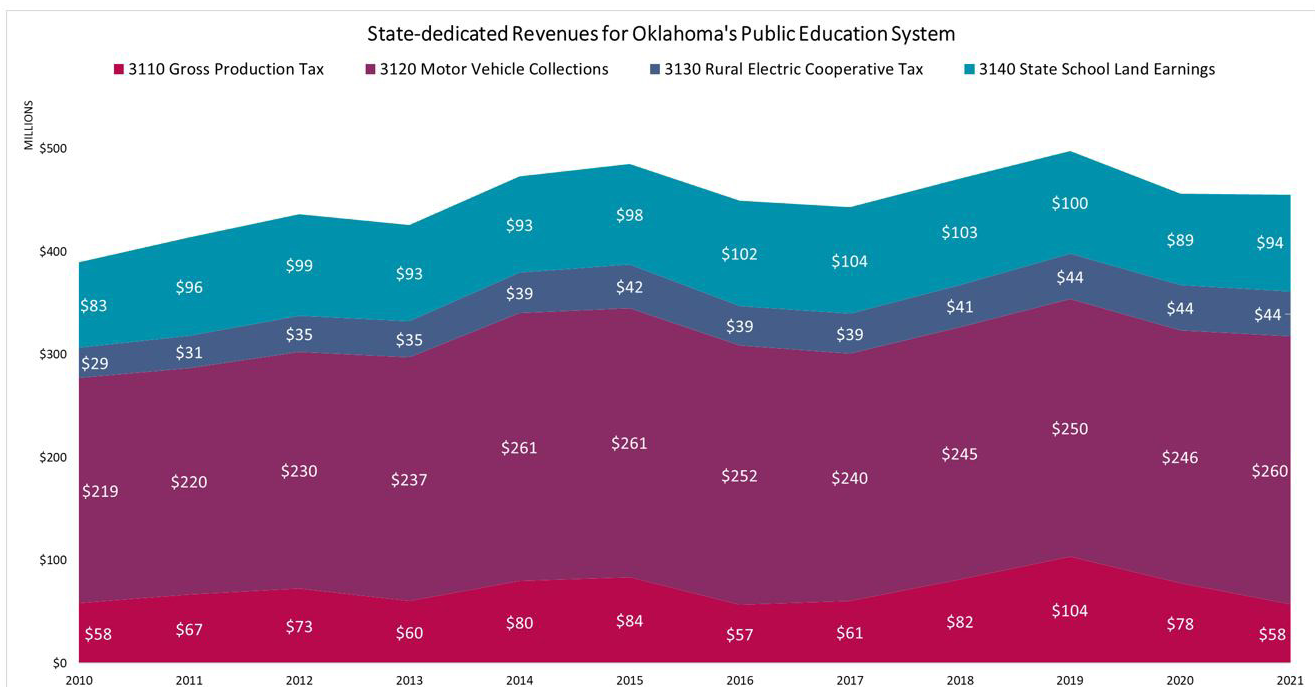
### State Sources of Revenue for School Districts

Most school districts in Oklahoma receive more money from the State for the support of their schools than from any other source. However, State funding is collected and distributed in several different ways. The two major categories of State money are monies that are collected from dedicated tax collections (State-dedicated revenue) and those that are directly appropriated by the State Legislature (State-appropriated revenue).

### State-dedicated Revenue

The principal sources of state-dedicated revenues are established and detailed in State statutes, these revenue sources are: (1) gross production tax, (2) motor vehicle collections, (3) rural electrification association (REA) tax, and (4) State school land earnings. Both motor vehicle collections (\$259 million in 2021) and school land earnings (\$93 million in 2021) are the two largest State-dedicated revenue streams accounting for 77 percent of all State-dedicated revenue for Oklahoma schools in 2021. Gross production tax, the tax on oil, gas and other minerals as they are produced, (\$57 million in 2021) tends to be more volatile than all other State-dedicated revenue streams. Volatility with gross production is significantly correlated with the State’s economic performance and the business cycle. While gross production tax collections sway based on the State economic performance, gross production, on average, accounts for 16 percent of State-dedicated revenue for Oklahoma’s public education system year-to-year. LOFT’s analysis, shown in Exhibit 39, reflects the composition and trend of State-dedicated revenues for Oklahoma’s public education system over the last eleven years.

**Exhibit 39: State-dedicated Revenues for Oklahoma’s Public Education System.** (This area Exhibit illustrates the composition and trend of State-dedicated revenues for Oklahoma’s public education system over the last ten years. As reflected by the purple area, motor vehicle collections are the largest source of State-dedicated revenue for Oklahoma schools.)



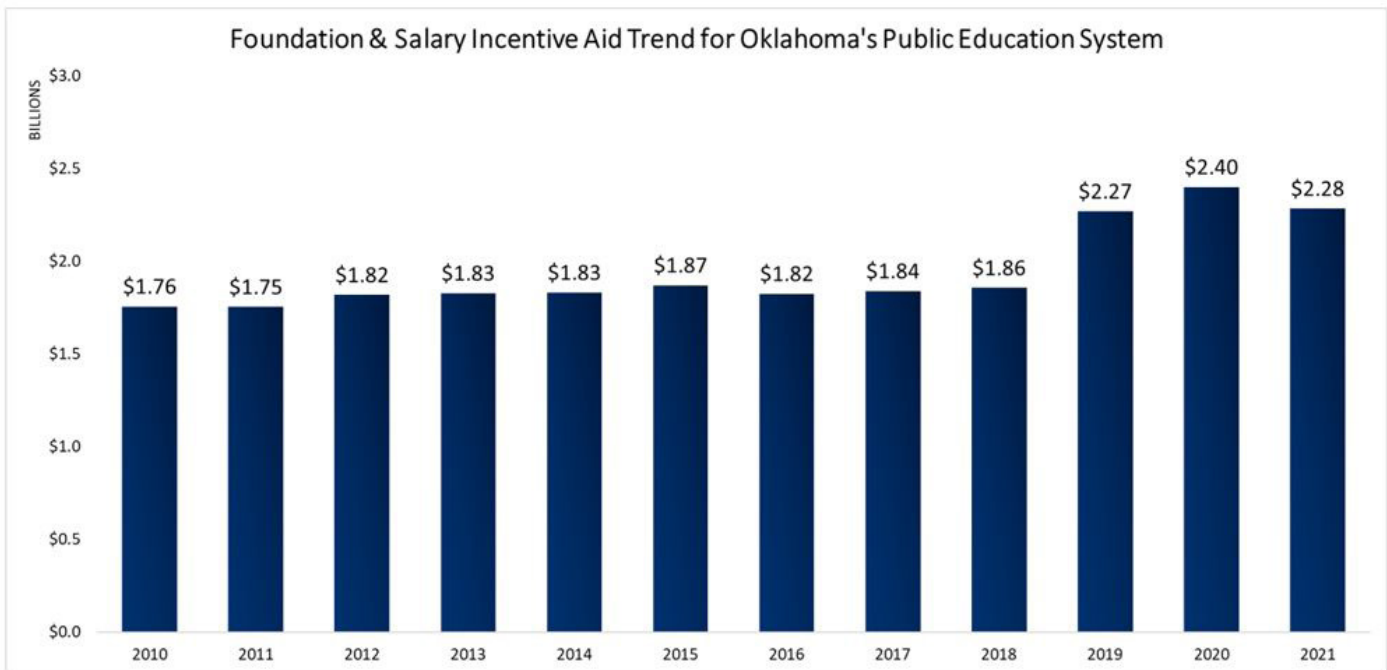
Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma Cost Accounting System

### State-appropriated Revenues

State-appropriations are the largest single revenue source for almost all public schools and by far the largest single appropriation within the State budget. For the budget year beginning July 1, 2021 (FY 2022), the State Legislature appropriated more than \$3 billion for elementary and secondary schools of Oklahoma. The State Legislature increased the budget for common education (prekindergarten through 12th grade) by \$171.6 million (5.7 percent) to \$3.16 billion – accounting for 36 percent of all appropriated funds.<sup>112</sup>

The Foundation and Salary Incentive, distributed through the State Aid funding formula as administered by the Oklahoma State Board of Education (OSBE), is the primary funding provided to Oklahoma school districts.

**Exhibit 40: Foundation and Salary Incentive Aid Trend for Oklahoma’s Public Education System.** (This Exhibit shows the historical trend of the Foundation and Salary Incentive Aid revenue dedicated to Oklahoma school districts. In 2021, over \$2.2 billion was distributed through the State Aid funding formula for Oklahoma schools districts.)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from OCAS

### Redbud School Funding

In 2021, the Legislature enacted Senate Bill 229 – the Redbud School Funding Act. This bill directs an apportionment of medical marijuana excise tax revenue to be deposited in the State Public Common School Building Equalization Fund for annual distribution to eligible charter schools and public school districts for acquiring and improving school buildings.<sup>113</sup>

112. <https://okpolicy.org/fy-2022-budget-highlights/>

113. 70 O.S. § 3-104[B]

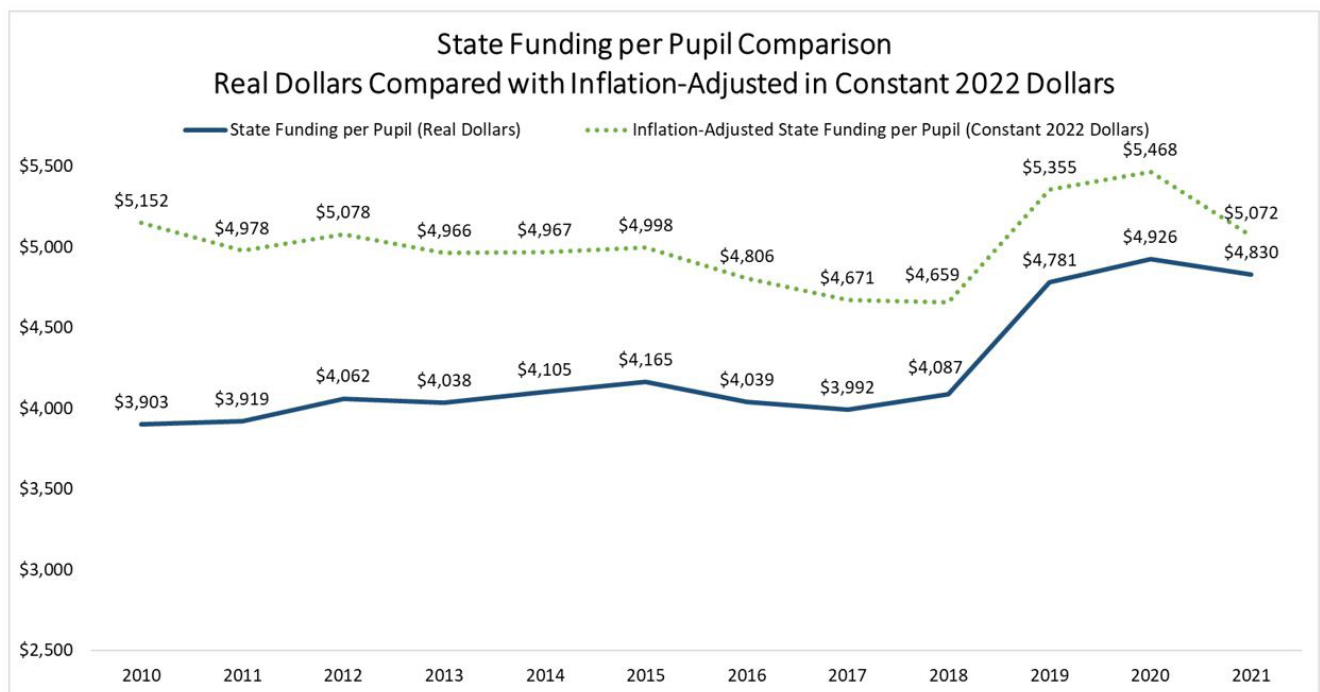
As discussed in LOFT’s previous report on medical marijuana, of the first \$65 million in collections, 59.23 percent is directed to the State Public Common School Building Equalization Fund to support disadvantaged schools.<sup>114</sup> For FY22, \$38.5 million was apportioned to be used for these grants.

### State Funding Per Pupil

In 2021 alone, the State contributed 44 percent of all revenues supporting the State’s public education system. LOFT’s analysis confirms that the State funding per pupil has significantly increased over time.

LOFT’s analysis, illustrated in Exhibit 41, depicts State funding per pupil has increased by 24 percent since 2010. When adjusting for inflation, State funding per pupil has declined by two percent during the same period.

**Exhibit 41: State Funding per Pupil Comparison Real Dollars Compared with Inflation-Adjusted in Constant 2022 Dollars.** (This chart compares the funding per pupil based on the real State-appropriated dollars with the adjusted for inflation in constant 2022 dollars.)



Source: Legislative Office of Fiscal Transparency’s creation based on data from the Oklahoma Cost Accounting System and the Oklahoma State Department of Education

Note: LOFT’s methodology used the Consumer Price Index (CPI) calculator from the U.S. Bureau of Labor Statistics to adjust for inflation.

114. LOFT Report , “Regulation of Oklahoma’s Medical Marijuana Industry,” #22-268-01, Feb. 2022.


## Appendix G: Policy Brief Concurrent Enrollment

### Concurrent Enrollment

Concurrent enrollment allows high school juniors and seniors, who meet specific admission and course placement requirements, to earn college credit in at Oklahoma colleges and universities while also enrolled in high school.

As part of Oklahoma State Regents for Higher Education’s (OSRHE) annual appropriation, the State Legislature provides funding for reimbursing the cost of tuition for high school juniors and seniors. As directed by State statute, the OSRHE and State Board of Education establish

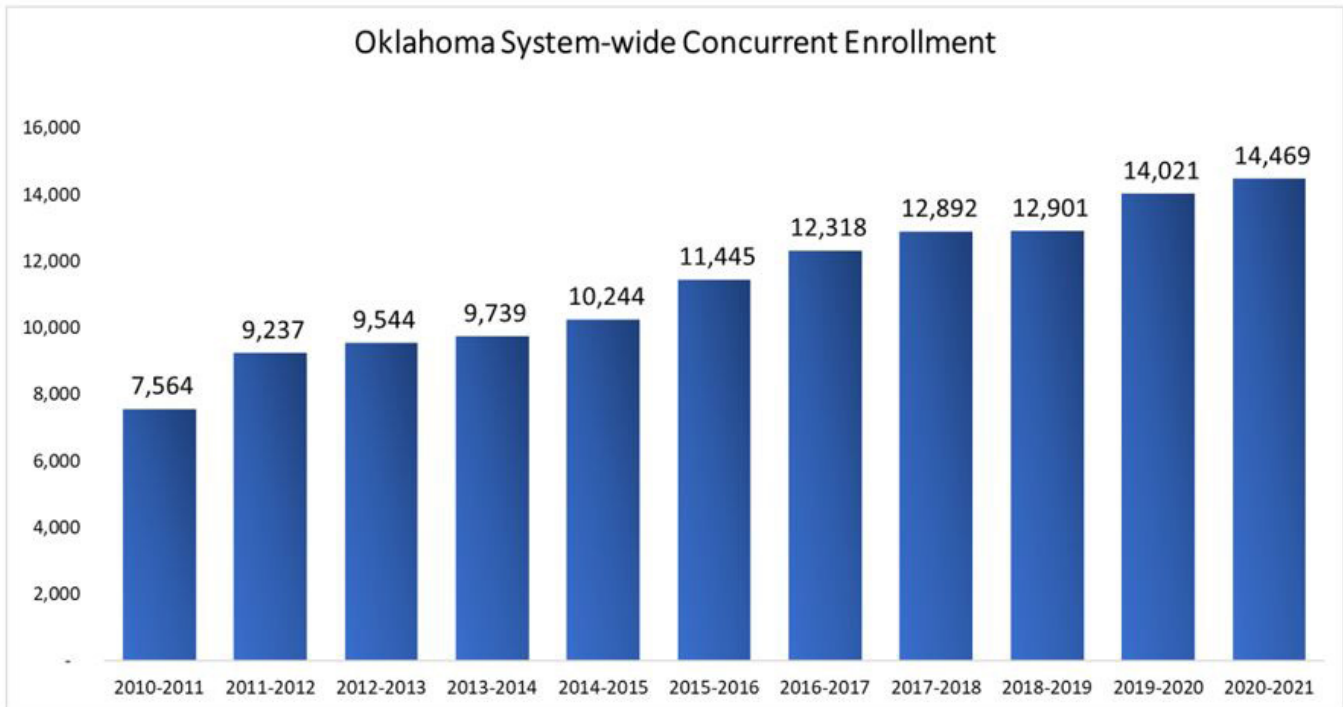
**On average, 11,307 high school students participate in the State’s concurrent enrollment tuition waiver program every year.**



Source: Legislative Office of Fiscal Transparency’s analysis based on data from OSRHE

concurrent enrollment requirements and ensure the availability of concurrent enrollment opportunities to students in all Oklahoma high schools.<sup>115</sup> Eligible high school seniors receive a tuition waiver for up to 18 credit hours of concurrent coursework and eligible high school juniors can earn up to nine credit hours.<sup>116</sup> **As illustrated in Exhibit 42, the number of high school students receiving concurrent enrollment tuition waivers at Oklahoma public colleges and universities has increased by 91 percent over the last 10 years.** On average, 11,307 high school students participate in the State’s concurrent enrollment tuition waiver program every year.

**Exhibit 42: Oklahoma System-wide Concurrent Enrollment.** (This exhibit shows the 10-year trend of high school students receiving concurrent enrollment tuition waivers to earn college credit at an Oklahoma Public College of University.)



Source: Legislative Office of Fiscal Transparency’s creation based on data from OSRHE

115. [70 OK Stat § 70-628.13 \(2020\)](#)

116. Through the concurrent enrollment tuition waiver program.



LOFT finds an average of 94 percent of students concurrently enrolled earn college credits. In the 2020-21 academic school year, 13,326 students concurrently enrolled at Oklahoma colleges and universities earned a collective 128,448 college credit hours; equating to an estimated 42,816 college courses subsidized.<sup>117</sup> **LOFT finds, on average, 92 percent of the total credit hours attempted by students are awarded – indicating a high return on investment for the State.**

**Exhibit 43: OSRHE Concurrent Enrollment Outcomes.** (This Exhibit provides a comprehensive listing of concurrent enrollment classes with the number of students attempting and earning college credit hours by academic school year.)

Academic Year	System-wide Concurrent Enrollment (N)	Students Earning College Credit (N)	Students Earning College Credit (%)	Total Credit Hours Attempted (N)	Total Credit Hours Awarded (N)
2010-2011	7,564	7,191	95.07%	58,929	53,557
2011-2012	9,237	8,325	90.13%	75,391	64,747
2012-2013	9,544	9,105	95.40%	77,511	71,673
2013-2014	9,739	9,255	95.03%	81,511	75,121
2014-2015	10,244	9,717	94.86%	86,298	79,975
2015-2016	11,445	10,851	94.81%	99,004	91,428
2016-2017	12,318	11,612	94.27%	109,296	101,361
2017-2018	12,892	12,161	94.33%	117,365	108,193
2018-2019	12,901	12,165	94.30%	120,935	111,719
2019-2020	14,021	13,182	94.02%	132,774	122,041
2020-2021	14,469	13,326	92.10%	141,362	128,448
2021-2022	Not Yet Available	Not Yet Available	Not Yet Available	Not Yet Available	Not Yet Available

**Source:** Oklahoma State Regents for Higher Education, Unitized Data System

**Methodology Note:** A "Student Earning College Credit" is defined a student who passed at least one course with a grade of 'A', 'B', 'C', 'D', or 'Passed/Satisfactory' during the indicated academic year.

117. LOFT divided the number of total credit hours attempted by the standard 3 credit hours per class to estimate the number of college courses undertaken by concurrently enrolled students.

As shown in Exhibit 44 below, funding for current enrollment increased by 441% between 2007 and 2022. In 2022, \$13.5 million was allocated for tuition reimbursement for concurrent enrollment.

**Exhibit 44: OSRHE History of Concurrent Enrollment Funding and Waivers.** (This Exhibit provides a comprehensive review of the historical funding and waivers provided under the State's concurrent enrollment program for high school juniors and seniors.)

Fiscal Year	Academic Year	Allocation	Change in Allocation (\$)	Change in Allocation (%)	Type of Waiver	Tuition Waived	Institutional Reimbursement	% Reimbursed
2006	2005-2006	Pilot	N/A	N/A	High School Senior	\$1,890,065	\$1,890,065	100.0%
2007	2006-2007	\$2,500,000	\$2,500,000	100%	High School Senior	\$2,825,884	\$2,825,884	100.0%
2008	2007-2008	\$2,500,000	\$0	0%	High School Senior	\$3,113,829	\$3,113,829	100.0%
2009	2008-2009	\$2,500,000	\$0	0%	High School Senior	\$3,402,024	\$3,402,024	100.0%
2010	2009-2010	\$2,500,000	\$0	0%	High School Senior	\$3,794,269	\$2,921,208	77.0%
2011	2010-2011	\$2,455,710	-\$44,290	-1.80%	High School Senior	\$4,047,993	\$2,855,710	70.5%
2012	2011-2012	\$2,455,710	\$0	0.00%	High School Senior	\$4,874,021	\$3,539,784	72.6%
2013	2012-2013	\$2,678,560	\$222,850	8.32%	High School Senior	\$5,473,917	\$3,975,706	72.6%
2014	2013-2014	\$2,674,101	-\$4,459	-0.17%	High School Senior	\$6,198,927	\$4,502,281	72.6%
2015	2014-2015*	\$3,462,424	\$788,323	22.77%	High School Senior	\$7,107,446	\$5,162,138	72.6%
2016	2015-2016*	\$3,215,217	-\$247,207	-7.69%	High School Senior	\$8,272,114	\$2,910,001	35.2%
2017	2016-2017	\$2,910,001	-\$305,216	-10.49%	High School Senior	\$10,583,014	\$2,837,472	26.8%
2018	2017-2018	\$2,716,349	-\$193,652	-7.13%	High School Senior	\$11,760,637	\$10,216,349	86.9%
2019	2018-2019**	\$10,216,349	\$7,500,000	73.41%	High School Senior	\$12,491,938	\$12,491,938	100.0%
2020	2019-2020	\$13,516,349	\$3,300,000	24.41%	High School Senior	\$13,684,299	\$13,007,850	95.1%
					High School Junior	\$1,426,347	\$1,074,308	75.3%
2021	2020-2021	\$12,982,900	-\$533,449	-4.11%	High School Senior	\$13,492,599	\$13,492,599	100.0%
					High School Junior	\$3,620,812	\$433,719	11.98%
2022	2021-2022	\$13,516,350	\$533,450	3.95%	High School Senior	TBD	TBD	TBD
					High School Junior	TBD	TBD	TBD

Source: Data provided by OSRHE in February 2022

\*In 2016, the State experienced a reduction in state appropriations as well as two mid-year general revenue failures and several oil/gross production funding failures. As a result, higher education received revenue reductions totaling 9.22%. As a result of the budget cuts experienced in 2016 and 2017, institutions were only reimbursed for actual waivers awarded at the percentages listed in table we previously provided (35% and 27%, respectively).

\*\*The Legislature provided additional appropriations that were targeted for concurrent enrollment tuition waivers (SB1600)

## Appendix H: Oklahoma Public Education System Sources of Revenue

*Exhibit 45: Oklahoma Public Education System Sources of Revenue. (This Exhibit provides the sources of revenue for the State's public education system with both a brief explanation and examples.)*

Source of Revenue	Brief Explanation	Examples of Revenue
District Sources of Revenue	Revenue from local sources is the money generated from within the boundaries of the district and available to the district for its use.	Ad Valorem Tax Levy, Tuition and Fees, Athletic Programs, School Activities
Intermediate Sources of Revenue	Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.	County Four Mill Ad Valorem Tax, County Sales Tax, Resale of Property Fund Distribution
State Sources of Revenue	Revenue from state sources provided to LEAs in the form of grants or other types of allocations. State appropriations from Oklahoma State Legislature.	Gross Production Tax, Motor Vehicle Collections, Rural Electric Cooperative Tax, Foundation and Salary Incentive Aid
Federal Sources of Revenue	Revenue collected by the federal government and distributed to state and local educational agencies for the purpose of providing financial support for programs, projects, services, and activities which enhance educational opportunities for citizens.	Title I, IDEA Part B & C, Title III, Head Start

Source: Legislative Office of Fiscal Transparency's analysis based on information from OSDE and OCAS



## Appendix I: K-12 Education Funding Formula Student Need Adjustments (2021)

**Exhibit 46: K-12 Education Funding Formula Student Need Adjustments (2021).** (This exhibit categorizes states by the type of funding formula adjustments for specific student needs.)

Student Need Adjustments	Formula Adjustments						
	Total Number of States Applying Adjustments	Single Weight/Dollar Amount	Multiple Weights	Resource-based Allocation	Cost Reimbursement	Capitated	Categorical Grant
Students with Disabilities	50	11	16	8	6	5	2
		(AK, LA, MD, MO, NV, NH, NY, NC, ND, OR, WA)	(AZ, CO, FL, GA, IN, IA, KY, ME, MN, NM, OH, OK, PA, SC, SD, TX)	(DE, HI, IL, MS, TN, VT, VA, WV)	(MI, NE, RI, VT, WI, WY)	(AL, CA, ID, MA, NJ)	(MT, UT)
Economically Disadvantaged/At-Risk Students	47	30	9	4			4
		(AL, AZ, CA, CT, HI, IN, IA, KY, LA, ME, MO, MI, MN, MS, MO, NH, NM, NV, NY, ND, OH, OK, OR, RI, SC, TX, VT, WA, WV, WY)	(AR, CO, IL, KS, MA, NE, NJ, PA, VA)	(GA, ID, NC, TN)			(FL, MT, UT, WI)
English Language Learners	48	25	10	5	2		6
		(AK, AZ, AR, CA, FL, GA, IS, KS, KY, LA, MD, MO, NE, NH, NJ, NM, OK, OR, PA, RI, SC, SD, TX, VT, WY)	(CO, HI, IN, ME, MA, MI, MN, NY, ND, OH)	(DE, NC, TN, VA, WA)	(IL, WI)		(AL, CT, ID, NV, UT, WV)
Gifted and Talented Students	35	10	2	5	3	4	11
		(AK, GA, IA, LA, MN, NV, OK, SC, TX, WY)	(KY, NM)	(DE, MS, OH, TN, VA)	(CT, ND, PA)	(AZ, HI, NC, WA)	(ARK, COL, FL, ID, IN, ME, MT, NE, OR, UT, WI)

Source: Legislative Office of Fiscal Transparency's analysis based on information from Augenblick, Palaich & Associates (2018); EdBuild (n.d.); Education Commission of the States (2019).



## Appendix J: Cost Adjustments for Scale, Sparsity, and Transportation, 50-State Summary (2021)

*Exhibit 47: Cost Adjustments for Scale, Sparsity, and Transportation, 50-State Summary (2021). (This Exhibit categorizes States by the type of funding formula adjustments for scale, sparsity and transportation)*

Cost Adjustment	Total Number of States Applying Adjustments	Adjustments to Base Amount				Discretionary Grant Program or Appropriation
		Single Weight	Multiple Weights	Resource-based Allocation	Flat Grant per Pupil	
Geographic Isolation or Population Density	13	4	4	2	1	2
		(AR, FL, ND, NE)	(AK, AZ, NY, SD)	(ID, WV)	(FL)	(MI, TX)
District or School Enrollment	26	4	8	5	4	5
		(IA, OK, PA, WV)	(AK, AR, AZ, KS, LA, ND, NM, TX)	(NC, SD, UT, WA, WY)	(MN, MO, OR, WI)	(CA, GA, ID, MI, VT)
Adjustments for Formula is Applied Only to Districts/Schools that are also Geographically Isolated	13	AR, AZ, CA, FL, ME, MI, MN, NC, OR, PA, UT, WI, WV				
Operates Transportation Grant/Aid Program	43	AK, AL, AR, AZ, CA, CO, DE, FL, GA, HI, ID, IA, IL, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, NC, ND, NE, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, TN, TX, UT, VT, WA, WI, WY				

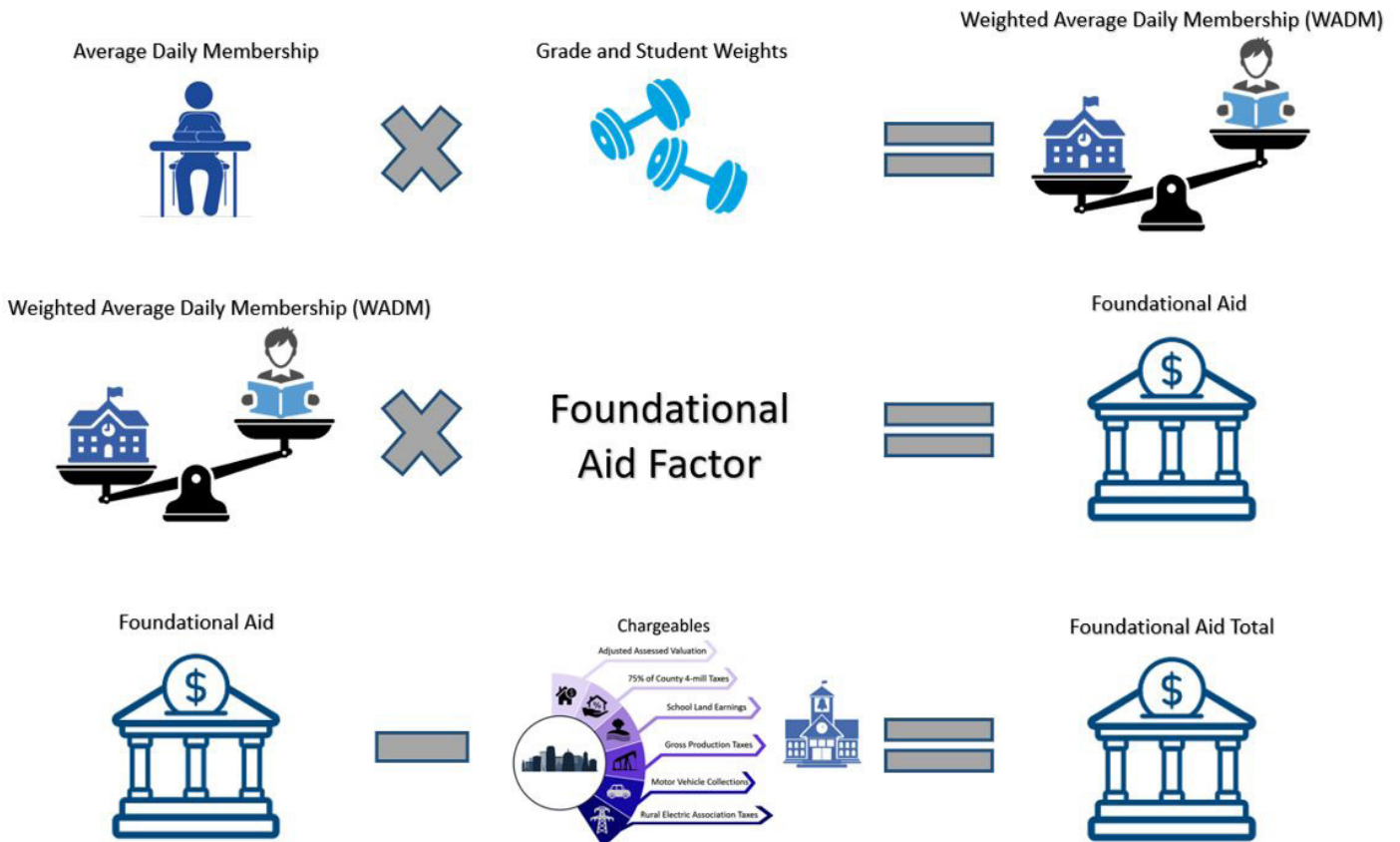
Source: Legislative Office of Fiscal Transparency's analysis based on information from American Institutes of Research and EdBuild

\*Note: Discretionary grant program or appropriation refers to states that do not have an explicit formula for allocating money for geographically isolated or small schools or districts but have a pot of money set aside for the given purpose. Each year, the state then decides how to allocate the money set aside for the given purpose.

## Appendix K: State Aid Foundation Aid Calculation Process

*Exhibit 48: State Aid Foundation Aid Calculation Process. (This infographic illustrates the methodology for calculating the Foundation Aid for school districts within the State Aid Funding Formula.)*

# Foundation Aid Calculation Process

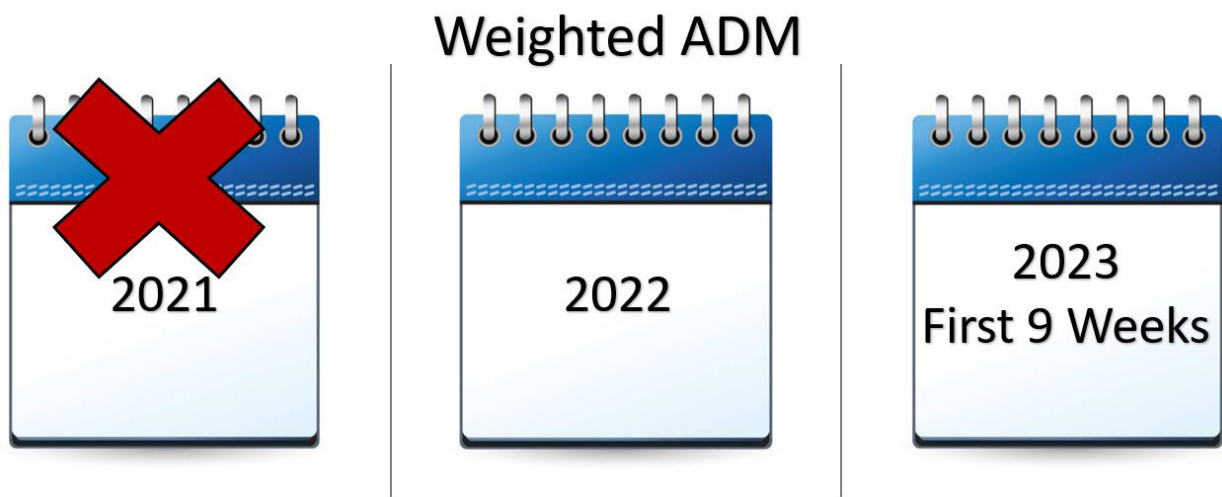


Source: Legislative Office of Fiscal Transparency's creation based on extensive statutory research

## Appendix L: State Aid Foundation Aid Calculation Modification under HB2078

*Exhibit 49: State Aid Foundation Aid Calculation Modification under HB2078. (This infographic illustrates the revisions from HB2078 in determining a school districts weighted average daily membership (WADM) for calculating the Foundation Aid within the State Aid Funding Formula.)*

### Foundation Aid Calculation Modification under HB2078



*Source: Legislative Office of Fiscal Transparency's creation based on language of HB2078*

*\*Note: HB2078 changes to State Aid funding formula will take effect beginning in the 2022-23 academic school year*

Beginning in the 2022-2023 academic school year, HB2078 alters the calculation of the Foundational Aid within the State Aid Funding Formula. Under HB2078, school districts will no longer be able to use their 2-year high weighted average daily membership (WADM) for their Foundation Aid. Instead, the Foundation Aid **shall be a district's higher weighted average daily membership based on the first nine (9) weeks of the current school year or the preceding school year of a school district.**

## Appendix M: Salary Incentive Aid Calculation Process

*Exhibit 50: Salary Incentive Aid Calculation Process. (This infographic illustrates the methodology for calculating the Salary Incentive Aid for school districts within the State Aid Funding Formula.)*

# Salary Incentive Aid Calculation Process

Weighted Average Daily Membership (WADM)

Incentive Factor  $\times$    $=$  A

Adjusted District Assessed Evaluation  $\div$  1,000  $=$  B

$(A - B) = C$

$(C \times \text{20-mill property tax}) = \text{Salary Incentive Aid}$

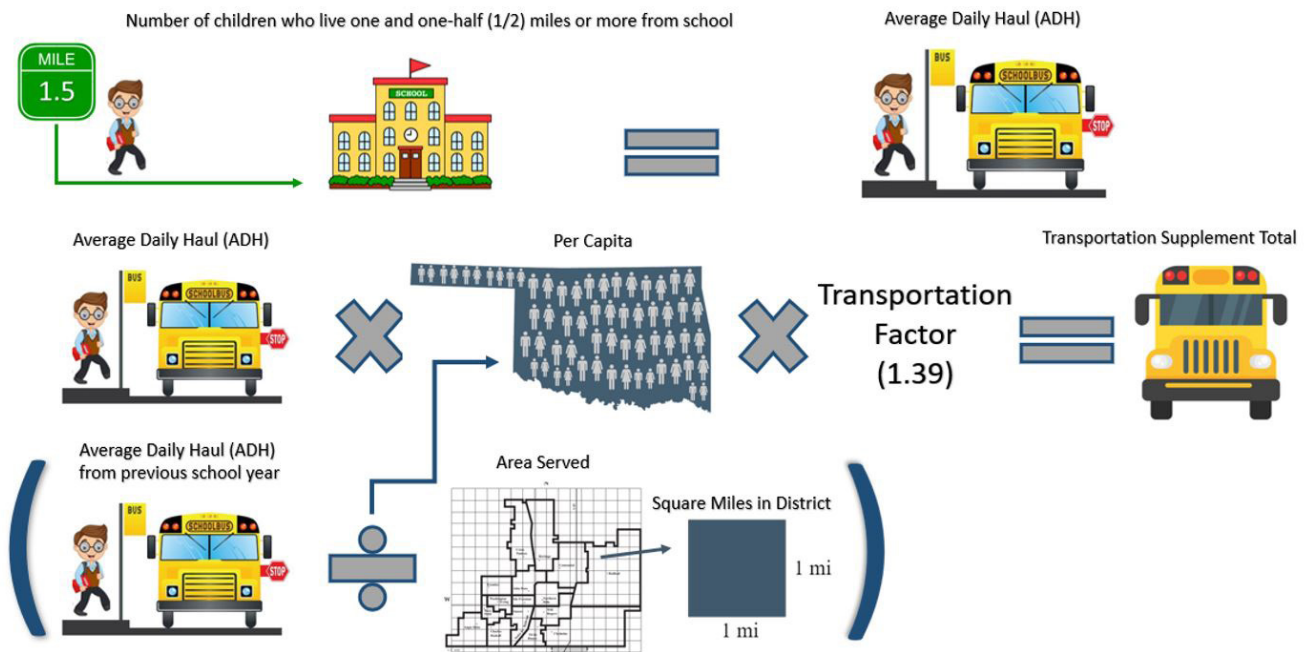
Source: Legislative Office of Fiscal Transparency's creation based on extensive statutory research



## Appendix N: State Aid Transportation Supplement Calculation Process

**Exhibit 51: Transportation Supplement Calculation Process.** (This infographic illustrates the methodology for calculating the Transportation Supplement for school districts within the State Aid Funding Formula.)

### Transportation Supplement Calculation Process

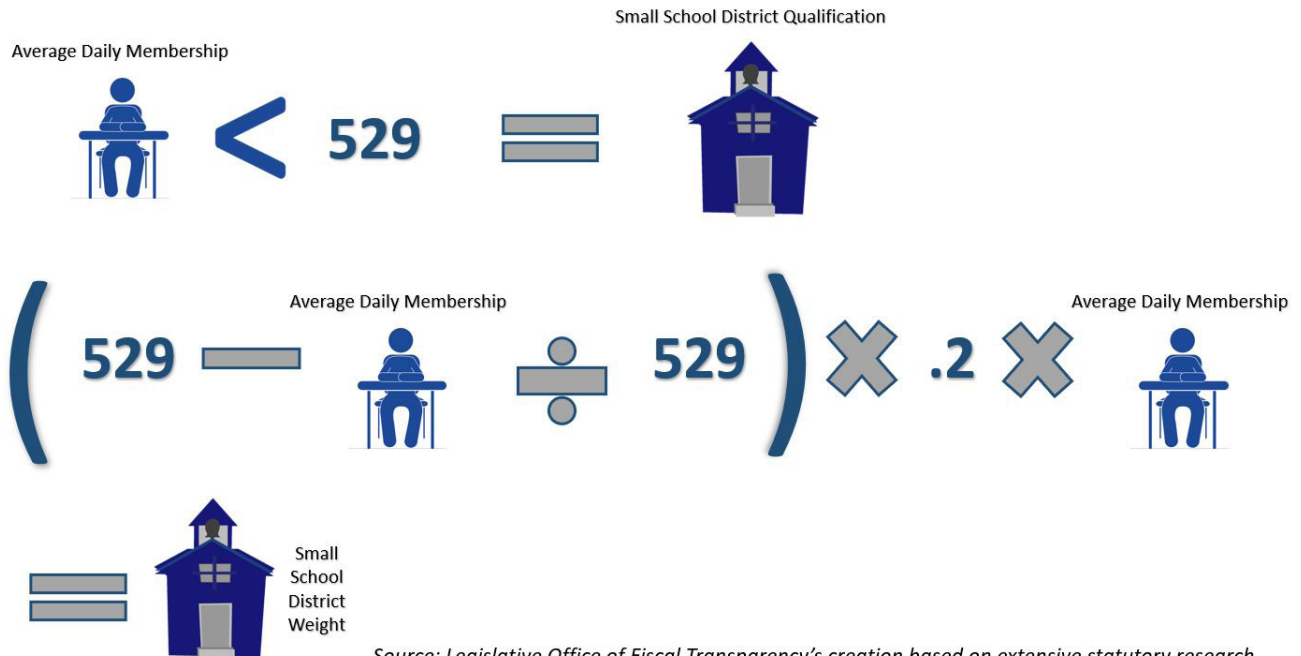


Source: Legislative Office of Fiscal Transparency's creation based on extensive statutory research

## Appendix O: Small School District Weight Calculation Process

**Exhibit 52: Small School District Weight Calculation Process.** (This infographic illustrates the methodology for calculating the Small School District Weight for school districts with an average daily membership (ADM) less than 529.)

### Small School District Weight Calculation Process



Source: Legislative Office of Fiscal Transparency's creation based on extensive statutory research

## Appendix P: Definitions of Chargeables

**Exhibit 53: Definitions of Chargeables.** (This table provides the sources of revenue and descriptions of chargeables within the State Aid funding formula used to calculate and account for local school districts’ ability to raise local revenue.)

Source of Revenue	Brief Explanation
Adjusted Assessed Valuation	"Beginning with the 1990-91 school year, the real property portion of the valuations for those school districts in counties having an assessment ratio in excess of eleven percent (11%) shall be computed at an eleven percent (11%) assessment ratio to determine chargeable valuations. Beginning with the 1991-92 school year, the commercial personal and agricultural personal property portion of the valuations for those school districts in counties having an assessment ratio in excess of eleven percent (11%) shall be computed at an eleven percent (11%) assessment ratio to determine chargeable valuations"
County 4-Mil	id-fifties, this 4-mill levy became a countywide source to be divided among the school districts within the county. This is the only school support levy that is a countywide and is divided among the school districts in each county based on each district’s average daily attendance
School Land Earnings	When Oklahoma came into the union, a substantial amount of federal lands were granted to Oklahoma from the federal government. The federal requirement was that the revenue from those lands must be used for the benefit of the public schools. The land is administered by the Commissioners of the Land Office and the revenue derived from it, whether it be interest or rent, for example, is distributed to school districts across the state based on average daily attendance. The money derived from the selling of this property must go into what is called the “Permanent School Fund.” Only interest from the investment of that money can be distributed to the schools. The principal must be permanently maintained.
Gross Production	The tax on oil, gas and other minerals as they are produced. A portion of the tax generated from production in each county is allocated back to the county for distribution on an average daily attendance basis among the county’s independent school districts (68 O.S. § 1004).
Motor Vehicle Collections	Thirty-six and twenty-one hundredths percent (36.20%) of fees, taxes and penalties collected pursuant to the Oklahoma Vehicle License and Registration Act shall be apportioned and distributed monthly by the Oklahoma Tax Commission. Funds are apportioned to eligible school districts based upon the proportion of each district’s average daily attendance bears to the total average daily attendance of districts entitled to receive funds as certified by the State Department of Education
Rural Electric Association	A tax is levied on rural electric cooperatives in accordance with property valuation and distributed in proportion to the number of miles of transmission lines within each district served. Such money is considered in lieu of property tax and goes to the schools in the respective counties.

Source: Legislative Office of Fiscal Transparency’s creation based on 70 O.S. § 18-109.1(1) and OSDE Oklahoma School Finance Technical Assistance Document (September 2021)

## Appendix Q: School Districts That Received No State Aid in 2021.

**Exhibit 54: School Districts Which Received No State Aid in 2021.** (This Exhibit provides a list of Oklahoma school districts which received no Foundational or Salary Incentive Aid through the State Aid funding formula in the 2020-21 academic school year.)

County	District	ADM	County	District	ADM
ALFALFA	BURLINGTON	133.86	KAY	KILDARE	99.85
BEAVER	BALKO	136.14	KINGFISHER	DOVER	154.9
BLAINE	GEARY	298.60	KINGFISHER	LOMEGA	211.5
BLAINE	CANTON	314.04	KINGFISHER	CASHION	622.1
CANADIAN	RIVERSIDE	153.18	KINGFISHER	OKARCHE	387.8
CANADIAN	BANNER	263.07	LINCOLN	STROUD	794.1
CANADIAN	MAPLE	189.52	MAJOR	ALINE-CLEO	113.2
CANADIAN	CALUMET	287.1	MAYES	PRYOR	2539
CARTER	SPRINGER	193.17	NOBLE	BILLINGS	71.85
COAL	COALGATE	620.66	NOBLE	FRONTIER	371.8
CRAIG	WHITE OAK	24.94	OKLAHOMA	OAKDALE	646.6
DELAWARE	CLEORA	137.87	PAYNE	CUSHING	1477
DEWEY	SEILING	423.63	PITTSBURG	KIOWA	274.1
DEWEY	TALOGA	93.11	PUSHMATAHA	NASHOBA	50.72
ELLIS	ARNETT	162.46	ROGER MILLS	REYDON	116.7
GARFIELD	PIONEER-PLEASANT VALE	470.27	ROGER MILLS	SWEETWATER	133.6
GARFIELD	COVINGTON-DOUGLAS	276.16	ROGER MILLS	HAMMON	231.6
GRADY	MIDDLEBERG	203.03	STEPHENS	BRAY-DOYLE	266.4
GRADY	ALEX	290.25	TEXAS	STRAIGHT	38.88
GRANT	MEDFORD	280.77	WOODS	WAYNOKA	201.7
GRANT	DEER CREEK-LAMONT	137.98	WOODS	FREEDOM	40.39
HUGHES	CALVIN	165.76	WOODWARD	FORT SUPPLY	143.9
KAY	PECKHAM	100.66			

Source: Legislative Office of Fiscal Transparency's analysis based on data from OSDE



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## **Appendix R: Statutory Formula Changes to the State Aid Funding Formula**

1990: Grade Weights – Only 3 in 1983 but HB1017 added the additional grade weights, inserted a weight for PK/Early Childhood at 0.5, and extended the categorical weights.

1995: Ad Valorem Reimbursement Fund

1997: Tax Protest and Tax Release

1998: PK Grade Weights – Half day 0.7 and full day 1.3

1999: Out of Home Placement (OHP)

2001: Out of Home Placement (OHP) Weight change

2003: Finance Shortfall – Reduce factors instead of prorate

2003: Part-time students – Dropout students

2004: KG Grade Weight – Half day 1.3 and full day 1.5

2005: Full-time Virtual Charters

2007: Mandated to offer full-day KG

2010: General Funding Balance Allowable Amount Increased

2018: Special Education Weights – Statutory name change

2021: Full-time Virtual Charters build a high year weighted average daily membership (WADM)

## Appendix S: Oklahoma State Totals Average Daily Membership Breakdown by Student Weight (2020-2021)

*Exhibit 55: Oklahoma State Totals Average Daily Membership Breakdown by Student Weight (2020-2021). (This Exhibit provides a detailed weight breakdown of the total average daily membership for Oklahoma students in the 2020-2021 academic school year.)*

<b>State Totals Average Daily Membership Breakdown (2020-2021)</b>	
<b>Weights</b>	<b>Total</b>
<b>Average Daily Membership (ADM)</b>	<b>687,009.85</b>
<b>Grade</b>	<b>132,367.03</b>
<b>Special Education</b>	<b>128,483.75</b>
<b>Gifted</b>	<b>26,060.66</b>
<b>Bilingual</b>	<b>22,516.75</b>
<b>Economically Disadvantaged</b>	<b>101,254.50</b>
<b>Small School</b>	<b>6,243.21</b>
<b>Isolation</b>	<b>13,089.39</b>
<b>Teacher Index</b>	<b>10,049.21</b>
<b>Total Weighted ADM</b>	<b>1,124,837.85</b>

*Source: Legislative Office of Fiscal Transparency's analysis based on data from OSDE*

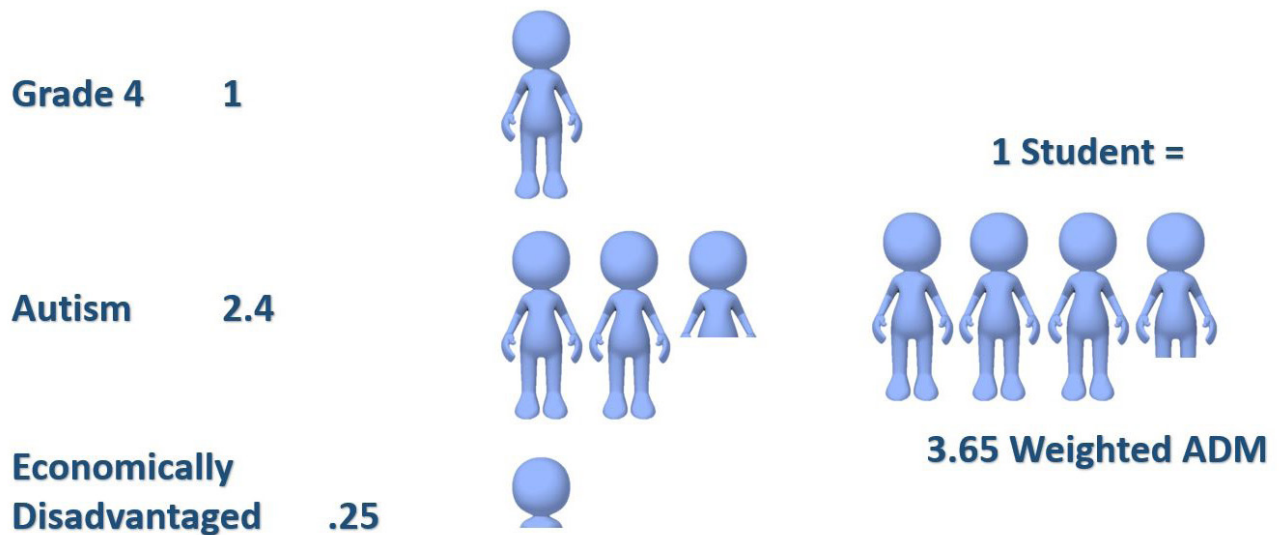
*\*Note: Total Weighted ADM listed does not equate from weights because both Small School and Isolation must be accounted for and then districts who qualify for both select the greater weight.*

*Title 70 O.S., Section 18-201.1(B)(3) will provide the calculation for both of these weights.*

## Appendix T: Weighted Average Daily Membership (WADM) Calculation Process

*Exhibit 56: Weighted Average Daily Membership (WADM) Calculation Process. (This infographic provides a detailed example of how specific grade and categorical weights are applied to a student for the purpose of developing the weighted average daily membership used for the Foundational Aid calculation process within the State Aid funding formula.)*

### Weighted Average Daily Membership (WADM) Calculation Process



Source: Legislative Office of Fiscal Transparency's creation based on extensive statutory research

### Appendix U: Student Categorical Grade Weights Comparison

*Exhibit 57: Student Categorical Grade Weights Comparison. (This table provides the student weights for respective grades for States which uses grade weights in their respective funding formulas.)*

Grade Level	Arizona	California	District of Columbia	Florida	Georgia	Hawaii	Maine	Minnesota	New Jersey	New Mexico	Oklahoma	Texas	Utah	Vermont	Average
Pre-K										0	0.7 - 1.3				0.00
Kindergarten	1.218	1.104	1.3	1.124	1.6719	1.15	1.1	1	1	1.44	1.3 - 1.5	1.1			1.20
1	1.218	1.104	1	1.124	1.2945	1.15	1.1	1	1	1.2	1.351	1.1	0.9		1.12
2	1.218	1.104	1	1.124	1.2945	1.15	1.1	1	1	1.18	1.351	1.1	0.9		1.12
3	1.218	1.104	1	1.124	1.2945	1	1	1	1	1.18	1.051		0.9		1.07
4	1.158		1	1	1.0389	1	1	1	1	1.045	1		0.9		1.01
5	1.158		1	1	1.0389	1	1	1	1	1.045	1		0.9		1.01
6	1.158		1.08	1	1.0315	1.033	1	1	1.04	1.045	1		0.9		1.03
7	1.158		1.08	1	1.0315	1.033	1	1.2	1.04	1.25	1.2		0.99		1.09
8	1.158		1.08	1	1.0315	1.033	1	1.2	1.04	1.25	1.2		0.99		1.09
9	1.268	1.026	1.22	1.012	1	1	1	1.2	1.16	1.25	1.2		1.2	1.13	1.13
10	1.268	1.026	1.22	1.012	1	1	1	1.2	1.16	1.25	1.2		1.2	1.13	1.13
11	1.268	1.026	1.22	1.012	1	1	1	1.2	1.16	1.25	1.2		1.2	1.13	1.13
12	1.268	1.026	1.22	1.012	1	1	1	1.2	1.16	1.25	1.2		1.2	1.13	1.13

Source: Legislative Office of Fiscal Transparency's analysis based on data from Edbuild and OSDE

Note: Utah's categorical grade weights are only applied to students enrolled at charter schools.



## Appendix V: English-Language Learner Weights by State

*Exhibit 58: English-Language Learner Weights by State. (This table provides the student weight for English-Language Learner (EL) by State within their respective funding formulas.)*

State	English-Language Learner Weight	State	English-Language Learner Weight
Alaska	1.2	Missouri	1.6
Arizona	1.115	Nevada	1.24
California	1.2	New Jersey	1.5
Colorado	1.08	New Mexico	1.5
Connecticut	1.25	North Dakota	1.07 - 1.4
District of Columbia	1.49	Ohio	1.1053
Florida	1.184	Oklahoma	1.25
Georgia	2.588	Oregon	1.5
Hawaii	1.065 - 1.389*	Pennsylvania	1.6
Iowa	1.21 - 1.26*	Rhode Island	1.1
Kansas	1.185 - 1.395*	South Carolina	1.2
Kentucky	1.096	South Dakota	1.25
Louisiana	1.22	Texas	1.1 - 1.15*
Maine	1.5 - 1.7*	Utah	1.025
Maryland	2	Vermont	1.2

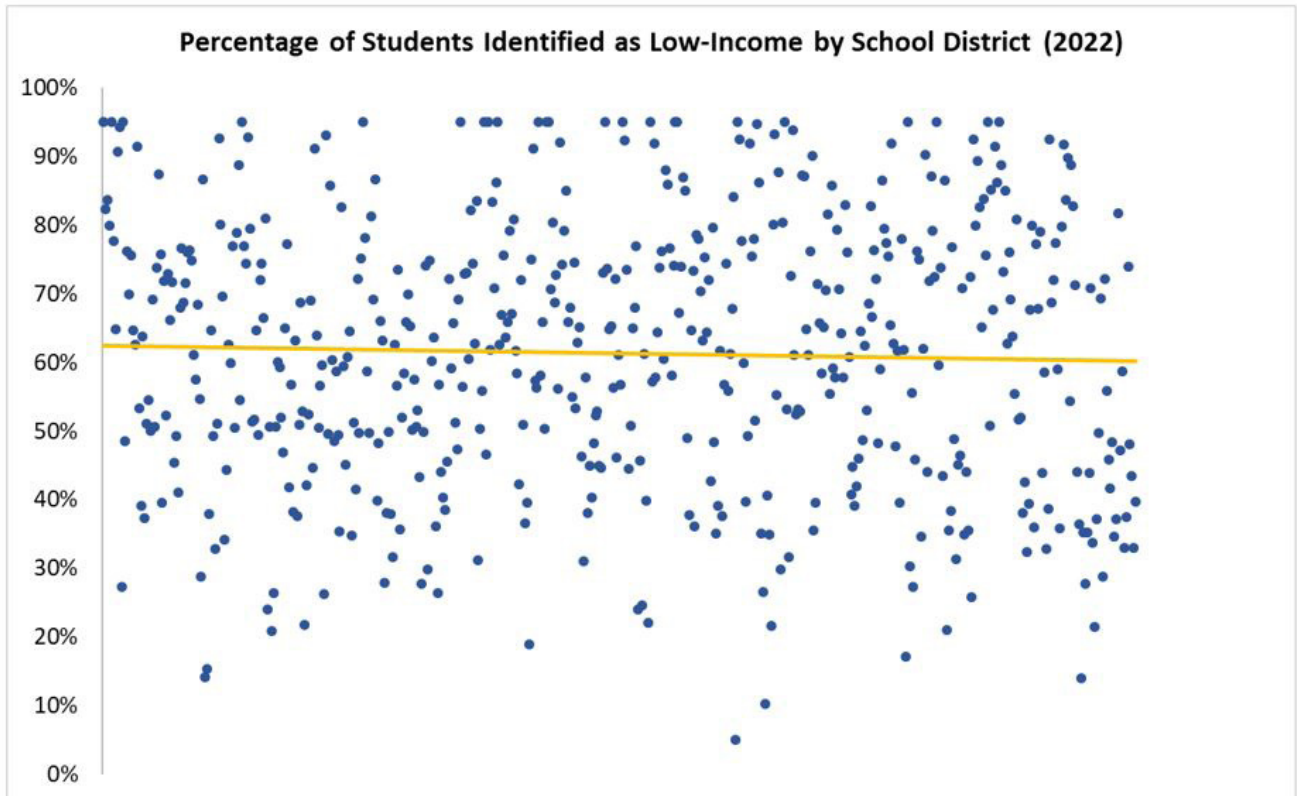
Source: Legislative Office of Fiscal Transparency's analysis based on data from EdBuild

Note: \*Indicates weights are provided to students on range based on language proficiency level or student need.

Oklahoma's weight is for bilingual students, not English Learners

## Appendix W: Percentage of Low-Income Students Enrolled at Oklahoma School Districts (2022)

*Exhibit 59: Percentage of Low-Income Students Enrolled at Oklahoma School Districts (2022).* (This scatterplot maps all Oklahoma school districts by their percentage of enrolled students classified as low-income in the 2021-22 academic school year.)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from OSDE’s 2022 Low-Income Report

Note: Yellow line represents the trendline of 61 percent of students across Oklahoma school districts identified as low-income in 2022.

## Appendix X: Economically Disadvantaged Weights by State

*Exhibit 60: Economically Disadvantaged Weights by State. (This table provides the student weight for economically disadvantaged students by state within their respective funding formulas.)*

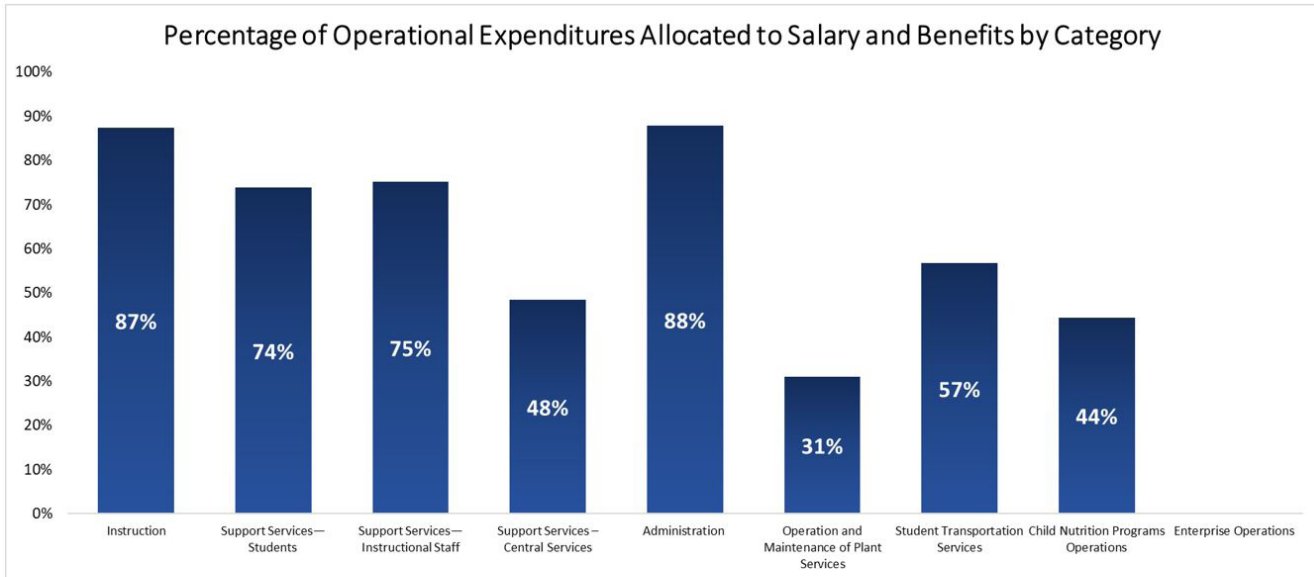
State	Economically Disadvantaged Student Weight	State	Economically Disadvantaged Student Weight
California	1.2	Nevada	1.03
Colorado	1.12	New Jersey	1.47 - 1.57*
Connecticut	1.3	North Dakota	1.025
District of Columbia	1.2256	Oklahoma	1.25
Hawaii	1.1	Oregon	1.25
Iowa	1.0048	Pennsylvania	1.3 - 1.6*
Kansas	1.484	Rhode Island	1.4
Kentucky	1.15	South Carolina	1.2
Louisiana	1.22	Texas	1.225 - 1.275*
Maine	1.15 and 1.05*	Utah	1.05
Maryland	1.91	Vermont	1.25
Michigan	1.115	Virginia	1.01 - 1.26*
Mississippi	1.05		

Source: Legislative Office of Fiscal Transparency's analysis based on data from EdBuild

Note: \*Indicates weight is provided on a range based on level of poverty.

## Appendix Y: Percentage of Operational Expenditures Allocated to Salary and Benefits by Category

**Exhibit 61: Percentage of Operational Expenditures Allocated to Salary and Benefits by Category.** (This bar chart depicts the percentage of expenditures allocated to salary and benefits of school personnel within each major operational area of school expenditures in the 2020-21 academic school year.)



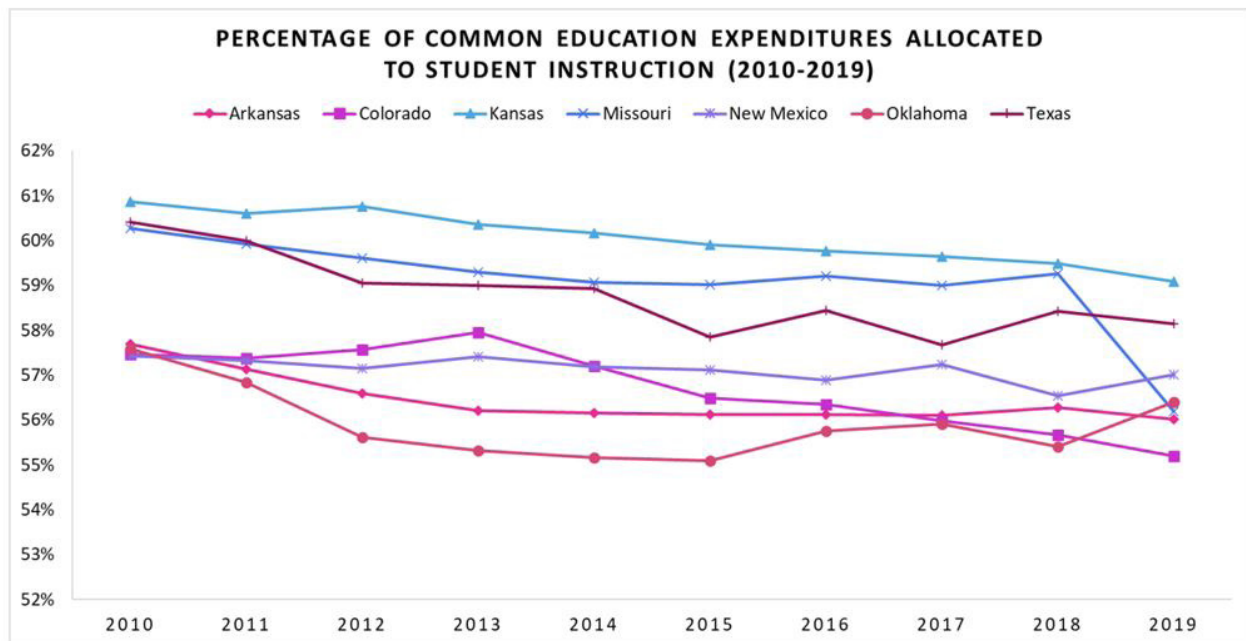
Source: Legislative Office of Fiscal Transparency’s analysis based on data from OCAS

Note: Administration category is inclusive of both school and general administration.



## Appendix Z: Percentage of Common Education Expenditures Allocated to Student Instruction

**Exhibit 62: Percentage of Common Education Expenditures Allocated to Student Instruction (2010-2019).** (This line chart illustrates a regional comparison of the total operational education expenditures directed to student instruction over the last 10 years.)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the National Center for Education Statistics’ Common Core of Data National Public Education Financial Survey (NPEFS), School Year 2018–19

## Appendix AA: OCAS Expenditure Function Dimension Definitions and Descriptions

*Exhibit 63: OCAS Expenditure Function Dimension Definitions and Descriptions. (This table provides a comprehensive breakdown of the primary expenditure categories used by school districts to code expenditures within OCAS.)*

Function Code	Function Dimension	Brief Description
1000	Instruction	Instruction includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process.
2000	Support Services	Support services provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction.
2100	Support Services - Students	Activities designed to assess and improve the well-being of students and to supplement the teaching process.
2200	Support Services - Instructional Staff	Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.
2300	Support Services - General Administration	Activities involving the establishment and administration of policy in connection with operating the entire school district.
2400	Support Services - School Administration	Activities concerned with overall administrative responsibility for a single school or a group of schools.
2500	Support Services - Central Services	Activities that support other administrative and instructional functions, fiscal services, human resources, planning, and administrative information technology.

2600	Operation and Maintenance of Plant Services	Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in an effective working condition and state of repair. Activities which maintain safety in buildings, on the grounds, and in the vicinity of schools are included.
2700	Student Transportation Services	Activities concerned with the conveyance of students to and from school as provided by state law. Included are trips between home and school, and trips to school activities.
3100	Child Nutrition Programs Operations	Activities concerned with providing food to students and staff in a school or LEA. This service area includes the preparation and service of regular and incidental meals, including breakfasts, lunches, or supplements in connection with school activities, and the delivery of food.
3200	Enterprise Operations	Activities that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs are financed or recovered primarily through user charges.
4000	Facilities Acquisition and Construction Services	Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

5000 Other Uses

A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as other outlays. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another. T

*Source: Legislative Office of Fiscal Transparency's creation based on information from OCAS Manual*



### Appendix AB: Oklahoma School Expenditures History (2010-2021)

*Exhibit 64: Oklahoma School Expenditure History (2010-2021). (This Exhibit provides a comprehensive breakdown of Oklahoma's public education system's expenditures by major function since 2010.)*

Year	Instruction	Support Services Students	Support Services Instructional Staff	Support Services General Administration	Support Services School Administration	Support Services Central Services	Operation and Maintenance of Plant Services	Student Transportation Services	Child Nutrition Programs Operations	Enterprise Operations	Total Expenditures
2010	\$2,989,501,696	\$352,222,688	\$198,732,960	\$163,069,748	\$273,300,747	\$144,157,461	\$558,406,208	\$159,174,702	\$307,509,825	\$46,047,872	\$5,192,123,907
2011	\$2,862,054,053	\$341,622,645	\$205,512,330	\$165,478,450	\$266,368,378	\$154,291,581	\$531,204,490	\$165,214,755	\$295,573,274	\$48,711,153	\$5,036,031,109
2012	\$2,876,209,223	\$352,443,026	\$213,456,799	\$165,840,928	\$275,678,968	\$159,467,861	\$571,119,853	\$179,111,409	\$326,066,013	\$51,583,446	\$5,170,977,526
2013	\$2,948,305,566	\$356,191,900	\$231,363,727	\$175,503,881	\$290,314,589	\$170,659,831	\$576,282,613	\$183,121,838	\$343,580,319	\$54,570,981	\$5,329,895,245
2014	\$3,006,770,551	\$368,046,375	\$234,788,100	\$168,780,677	\$300,258,705	\$191,221,895	\$600,247,123	\$184,364,387	\$340,790,033	\$55,779,886	\$5,451,047,732
2015	\$3,063,208,051	\$377,997,651	\$232,161,016	\$164,593,397	\$307,410,496	\$228,804,293	\$595,637,988	\$181,652,461	\$351,627,544	\$56,954,149	\$5,560,047,046
2016	\$3,125,438,011	\$387,297,821	\$236,414,826	\$164,842,696	\$313,641,006	\$194,520,767	\$597,342,166	\$173,861,499	\$355,211,975	\$57,473,350	\$5,606,044,117
2017	\$3,072,796,900	\$374,210,754	\$221,747,922	\$164,623,150	\$306,275,418	\$187,758,928	\$576,295,666	\$173,226,058	\$363,633,614	\$55,833,133	\$5,496,401,543
2018	\$3,147,603,171	\$394,083,069	\$234,061,063	\$175,174,483	\$317,756,116	\$205,093,884	\$608,370,849	\$178,689,462	\$367,197,334	\$53,394,918	\$5,681,424,349
2019	\$3,627,722,151	\$445,401,067	\$261,900,707	\$198,898,121	\$357,593,568	\$247,985,657	\$666,524,098	\$193,606,265	\$378,831,040	\$53,694,793	\$6,432,157,467
2020	\$3,782,179,782	\$457,632,955	\$249,157,471	\$200,151,573	\$370,904,998	\$256,051,597	\$689,240,210	\$182,807,235	\$378,120,383	\$45,410,831	\$6,611,657,035
2021	\$4,033,797,336	\$488,643,914	\$291,703,709	\$216,874,413	\$393,841,310	\$289,985,982	\$741,336,397	\$168,117,423	\$338,089,759	\$36,854,877	\$6,999,245,120
<b>12-Year Percent Change</b>	<b>35%</b>	<b>39%</b>	<b>47%</b>	<b>33%</b>	<b>44%</b>	<b>101%</b>	<b>33%</b>	<b>6%</b>	<b>10%</b>	<b>-20%</b>	<b>35%</b>

Source: Legislative Office of Fiscal Transparency's analysis based on data from OSDE

## Appendix AC: Oklahoma School Districts Exceeding Administrative Spending in 2020

*Exhibit 65: Oklahoma School Districts Exceeding Administrative Spending in 2020. (This Exhibit lists the school districts who were penalized and withheld State funding through the State Aid funding formula for exceeding the statutory administrative spending limits in 2020.)*

District	Districts exceeding Administrative Cost for 2020
EPIC ONE ON ONE CHARTER SCHOOL	\$6,961,119.80
EPIC BLENDED LEARNING CHARTER	\$3,263,927.10
ROCK CREEK	\$61,365.06
SKIATOOK	\$50,150.29
KENWOOD	\$26,954.07
RYAN	\$22,782.96
PAWHUSKA	\$21,908.39
HANNA	\$12,294.34
STRAIGHT	\$6,292.76
CARLTON LANDING ACADEMY	\$6,074.33
OAK GROVE	\$3,929.23
GLOVER	\$2,006.34
BOWRING	\$1,738.23
BILLINGS	\$200.10

*Source: Legislative Office of Fiscal Transparency's analysis based on data from OCAS*

## Appendix AD: Change in Oklahoma Student and School Personnel

**Exhibit 66: Change in Oklahoma Student and School Personnel.** (This Exhibit provides a comprehensive trend of Oklahoma's public education system's student enrollment and school personnel growth since 2011.)

School Year	Student Enrollment (October 1)	Percent Change	# of Administrative Personnel	Percent Change	Administrative Personnel Average Salary	Percent Change	# of Teachers	Percent Change	Teacher Average Salary	Percent Change
2011	659615		3451.969		\$69,463		41380.8		\$44,343	
2012	665841	1%	3410.845	-1%	\$77,121	11%	41370.54	0%	\$44,391	0%
2013	673190	1%	3525.60	3%	\$76,822	0%	41820.5	1%	\$44,373	0%
2014	681578	1%	3583.476	2%	\$78,247	2%	41946.02	0%	\$44,547	0%
2015	688300	1%	3604.747	1%	\$79,772	2%	42170.22	1%	\$45,317	2%
2016	692670	1%	3637.087	1%	\$81,095	2%	42410.2	1%	\$45,276	0%
2017	693710	0%	3491.60	-4%	\$81,189	0%	41068.51	-3%	\$45,292	0%
2018	694816	0%	3610.856	3%	\$83,310	3%	41303.7	1%	\$46,300	2%
2019	698586	1%	3678.163	2%	\$91,058	9%	42238.18	2%	\$52,397	13%
2020	703456	1%	3841.576	4%	\$93,132	2%	43278.29	2%	\$54,099	3%
2021	693924	-1%	3917.887	2%	\$92,995	0%	42926.53	-1%	\$54,764	1%

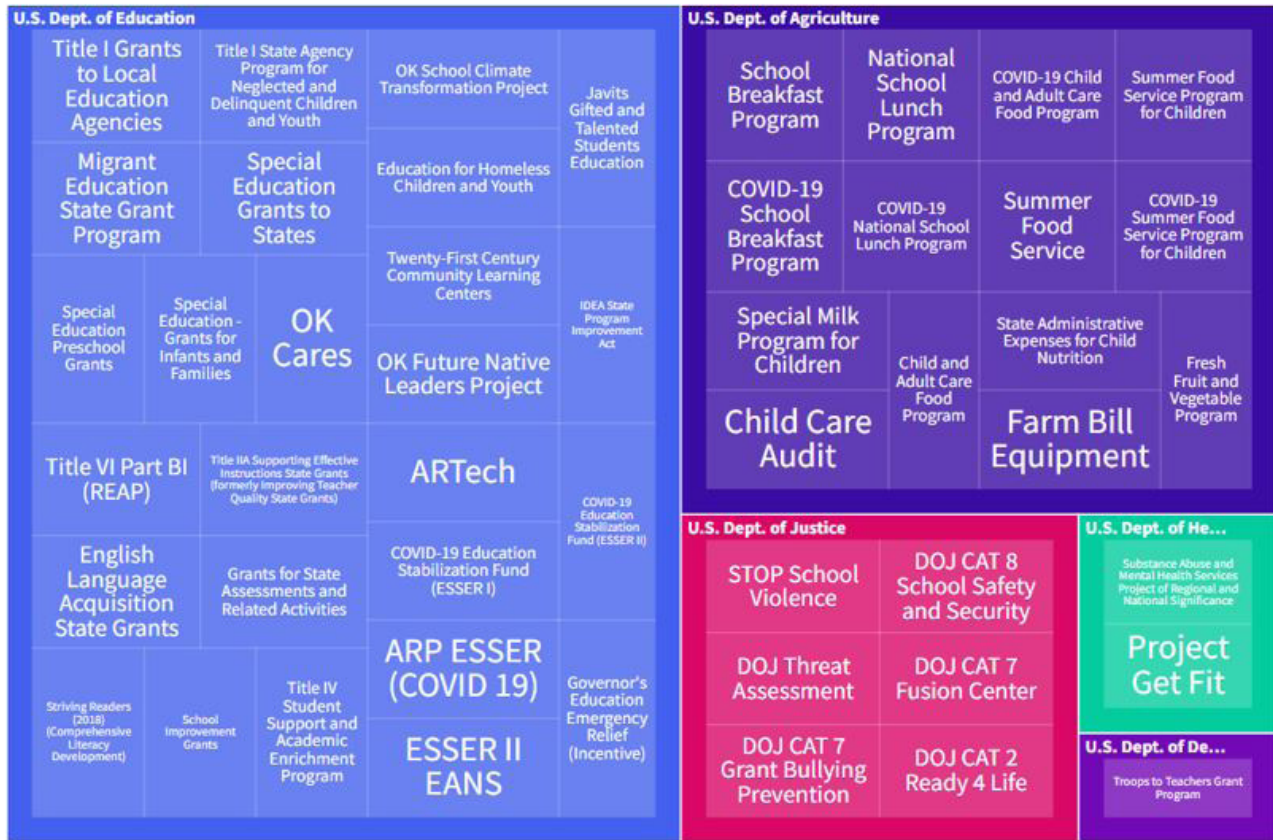
Source: Legislative Office of Fiscal Transparency's analysis based on data from OSDE



## Appendix AE: Federal Funding Supporting Oklahoma Schools

**Exhibit 67: Federal Funding Supporting Oklahoma Schools.** (This tree map chart organizes all federal funding by specific program and agency in which funds are distributed from to support Oklahoma schools. As seen from the chart, the U.S. Dept. of Education accounts for the majority of federal funding.)

### Federal Funding Supporting Oklahoma Schools

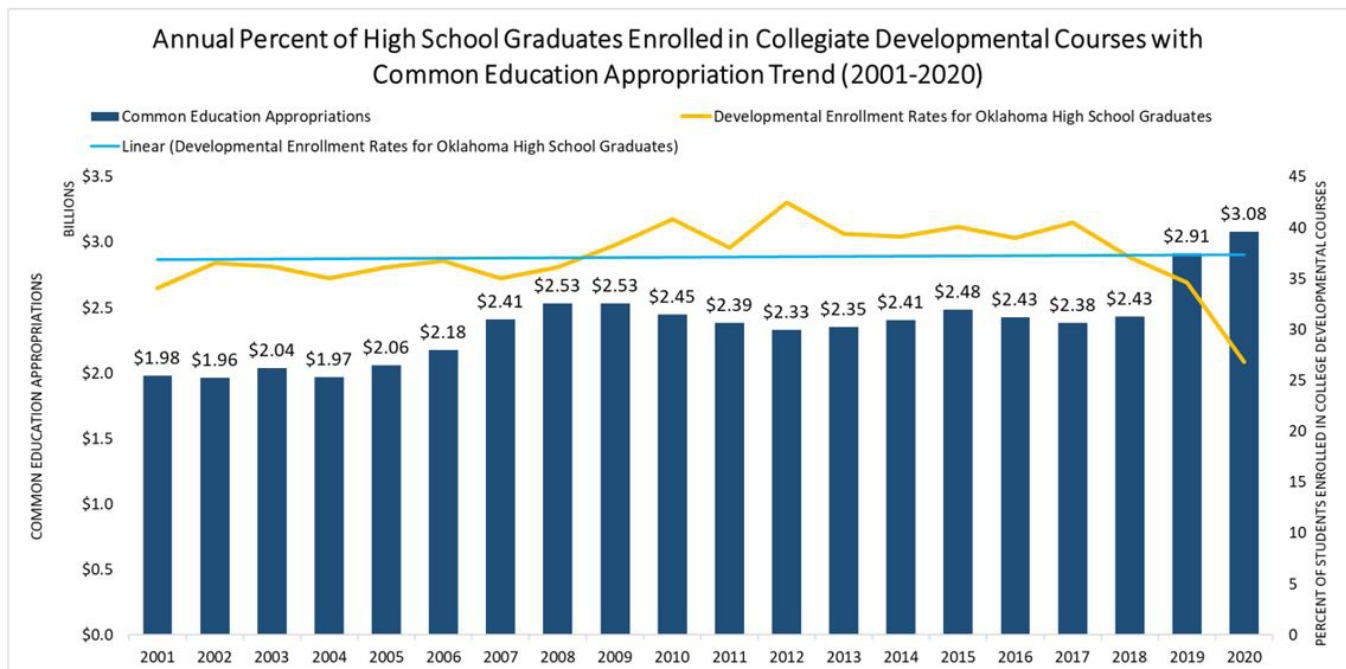


Source: Legislative Office of Fiscal Transparency's analysis based on data from Oklahoma State Department of Education's Public Records and provided funding information



## Appendix AF: Annual Percentage of High School Graduates Enrolled in Developmental Courses with Common Education Appropriation Trend (2001-2020).

**Exhibit 68:** (This chart compares the trend of State appropriations for the State’s public education system to the percent of first-time college freshmen taking developmental courses due to poor academics. As reflected, the percentage of students enrolled in remedial courses fell eight percent between 2019 and 2020; the Oklahoma State Regents for Higher Education (OSRHE) attributed this drop to administrative policies from the State Regents rather than a shift in academic progress.)



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma State Senate’s Annual Appropriations Report and the Oklahoma State Regents for Higher Education (OSRHE)

Note: OSRHE attributed recent decline in percentage of students enrolled in developmental courses to new administrative policies from the Regents rather than a shift in academic progress.

**Appendix AG: State Education Governance Matrix (2021)**

*Exhibit 69: State Education Governance Matrix (2021).* (This table provides a comprehensive breakdown of the composition and appointment process of common education governance structures by state. This data is accurate as of June 2021.)

STATE EDUCATION GOVERNANCE MATRIX ( June 2021)						
STATE	SELECTION OF STATE BOARD MEMBERS	SELECTION OF CHIEF STATE SCHOOL OFFICER	SELECTION OF STATE BOARD CHAIR/PRESIDENT	NUMBER OF VOTING STATE BOARD MEMBERS	LENGTH OF TERM FOR STATE BOARD MEMBERS	STATE BOARD ESTABLISHED IN STATUTE OR CONSTITUTION
Alabama	Partisan ballot	SBE appoints	Governor serves as president	8 plus governor	4	Constitution
Alaska	Governor appoints; legislature confirms	SBE appoints with approval by governor	SBE elects	7 plus 2 nonvoting members, including 1 student	5	Statute
Arizona	Governor appoints with consent of Senate, except CSSO	Partisan ballot	SBE elects	11, including 1 teacher	4	Constitution
Arkansas	Governor appoints; Senate confirms	SBE appoints	SBE elects	9	7	Statute

California	Governor appoints with advice and consent of Senate	Nonpartisan ballot	SBE elects	11, including 1 voting student	4	Constitution
Colorado	Partisan ballot	SBE appoints	SBE elects	7	6	Constitution
Connecticut	Governor appoints with advice and consent of General Assembly	SBE makes recommendation; governor appoints	Governor appoints	11 voting members plus 2 nonvoting students	4	Statute
Delaware	Governor appoints; Senate confirms	Governor appoints	Governor appoints	7 voting members plus 1 nonvoting student and former teacher of the year	6	Statute
Florida	Governor appoints; Senate confirms	SBE appoints	SBE elects	7	4	Constitution
Georgia	Governor appoints, with consent of Senate	Partisan ballot	SBE elects	14	7	Constitution

Hawaii	Governor appoints with advice and consent of Senate	SBE appoints	Governor appoints chair; SBE elects vice chair	9 plus 2 nonvoting members, including 1 student	3	Constitution
Idaho	Governor appoints 7 with consent of Senate; CSSO also serves	Partisan ballot	SBE appoints	8	5	Constitution
Illinois	Governor appoints with consent of Senate	SBE appoints	Governor appoints chair; SBE elects vice chair	9	4	Constitution
Indiana	Governor appoints 8; speaker of the House 1; president pro tempore 1; CSSO also serves	Governor appoints	CSSO serves as chair	11	4	Statute
Iowa	Governor appoints; Senate confirms	Governor appoints	SBE elects (2 year term)	9 plus 1 nonvoting student	6	Statute
Kansas	Elected	SBE appoints	SBE elects	10	4	Constitution



Kentucky	Governor appoints; Senate confirms	SBE appoints	SBE elects	11 plus 4 non-voting members, including student and teacher	4	Statute
Louisiana	8 elected by non-partisan ballot; governor appoints 3; Senate confirms	SBE appoints	SBE elects	11	4	Constitution
Maine	Governor appoints	Governor appoints	SBE elects	9 plus 2 nonvoting students	5	Statute
Maryland	Governor appoints 13 with advice and consent of Senate; teachers elect 1 teacher	SBE appoints	SBE elects	14, including 1 teacher, parent, and student	4	Statute
Massachusetts	Governor appoints 6; 4 voting ex officio members, 1 student	SBE appoints, with approval from secretary	Governor appoints	11, including 1 voting student	5	Statute
Michigan	Partisan ballot	SBE appoints	SBE elects	8	8	Constitution

State	None	Governor appoints	NA	NA	NA	NA	None
Minnesota	None						
Mississippi	Governor appoints 5; lt. speaker of the house appoints 2	SBE appoints	SBE elects	9, including 1 teacher, plus 2 nonvoting students	9		Constitution
Missouri	Governor appoints; Senate confirms	SBE appoints	SBE elects	8	8		Constitution
Montana	Governor appoints; Senate confirms	Partisan ballot	SBE elects	7 plus 4 nonvoting members including 1 student	7		Constitution
Nebraska	Nonpartisan ballot	SBE appoints	SBE elects	8	4		Constitution
Nevada	4 elected; governor appoints 3, 2 of whom the legislature nominates; governor appoints 4 nonvoting members	Governor appoints from 3 nominees SBE provides	SBE elects	7, including 1 teacher, plus 4 nonvoting members, including 1 student	4		Statute

New Hampshire	Governor and executive council appoints	Governor appoints after consulting SBE; council confirms	Governor appoints	7	5	Statute
New Jersey	Governor appoints, with advice and consent of Senate	Governor appoints, with advice and consent of Senate	SBE elects	13 plus 1 non-voting student	6	Statute
New Mexico	None	Governor appoints	NA	NA	NA	None
New York	Legislature appoints	SBE appoints	SBE elects	17	5	Constitution and Statute
North Carolina	Governor appoints and legislature confirms 11; 2 voting ex-officio members: state treasurer and lt. gov.	Partisan ballot	SBE elects	13 plus 2 non-voting students and a teacher	8	Constitution
North Dakota	None	Nonpartisan ballot	NA	NA	NA	NA
Ohio	11 elected by nonpartisan ballot; governor appoints 8 with advice and consent of Senate	SBE appoints	SBE elects (2 year term)	19	4	Constitution

Oklahoma	Governor appoints, with advice and consent of Senate	Partisan ballot	CSSO serves as chair	7	4	Constitution
Oregon	Governor appoints; Senate confirms; SBE appoints student	Governor serves as superintendent of education; appoints deputy	SBE elects	7 plus 6 nonvoting members including 2 students	4	Statute
Pennsylvania	Governor appoints 17, Senate confirms; General Assembly appoints 4	Governor appoints	Governor appoints	21 plus 4 nonvoting students	6	Statute
Rhode Island	Governor appoints with advice and consent of Senate	Council appoints, with advice and consent of SBE	Governor appoints	17 plus 1 nonvoting student	3	Statute
South Carolina	Legislature appoints 16, governor appoints 1	Partisan ballot	SBE elects	17	4	Constitution
South Dakota	Governor appoints with consent of the Senate	Governor appoints	SBE elects	7	4	Statute



Tennessee	Governor appoints; General Assembly confirms	Governor appoints	SBE elects (4 year term)	10, including 1 student and 1 teacher	5	Statute
Texas	Partisan ballot	Governor appoints	Governor appoints (2 year term)	15	4	Constitution
Utah	Partisan ballot	SBE appoints	SBE elects	15, including a teacher	4	Constitution
Vermont	Governor appoints 9 voting members and 2 nonvoting members with consent of Senate	Governor appoints from 3 nominees SBE provides	SBE elects (2 year term)	9 voting members, including 1 voting student, plus 1 nonvoting student and the CSSO	6	Statute
Virginia	Governor appoints; General Assembly confirms	Governor appoints	SBE elects	9	4	Constitution

	Local school board members elect 5; governor appoints and Senate confirms 7; private schools elect 1; CSSO also serves	Nonpartisan ballot	SBE elects	14 plus 2 students recorded w/o weight) selected by student group	4	Statute
Washington						
West Virginia	Governor appoints 9, with consent of Senate; 3 non-voting ex-officio members	SBE appoints	SBE elects	9	9	Constitution
Wisconsin	None	Nonpartisan ballot	NA	NA	NA	None
Wyoming	Governor appoints; Senate approves	Partisan ballot	SBE elects	12	6	Statute
District of Columbia	Nonpartisan ballot	Mayor appoints chancellor and CSSO	SBE elects	9 plus 2 students recorded w/o weight)	4	Statute

Source: Legislative Office of Fiscal Transparency's creation based on data from the Education Commission of the States and the National Association of State Boards of Education

NOTE: SBE = state board of education; SEA = state education agency; CSSO = chief state school officer; PSC = professional standards commission

## Appendix AH: 5-Year Percent Change in School Operation Expenditures for the Top 7 Charter School Districts by Student Enrollment (FY16-FY21)

### Exhibit 70: 5-Year Percent Change in School Operation Expenditures for the Top 7 Charter School Districts by Student Enrollment (FY16-FY21)

(This table compares the percent growth between instruction and administration expenditures via the top 7 charter school districts on student enrollment. School districts shaded in light blue reflect a higher percent increase in administration expenditures over instruction.)

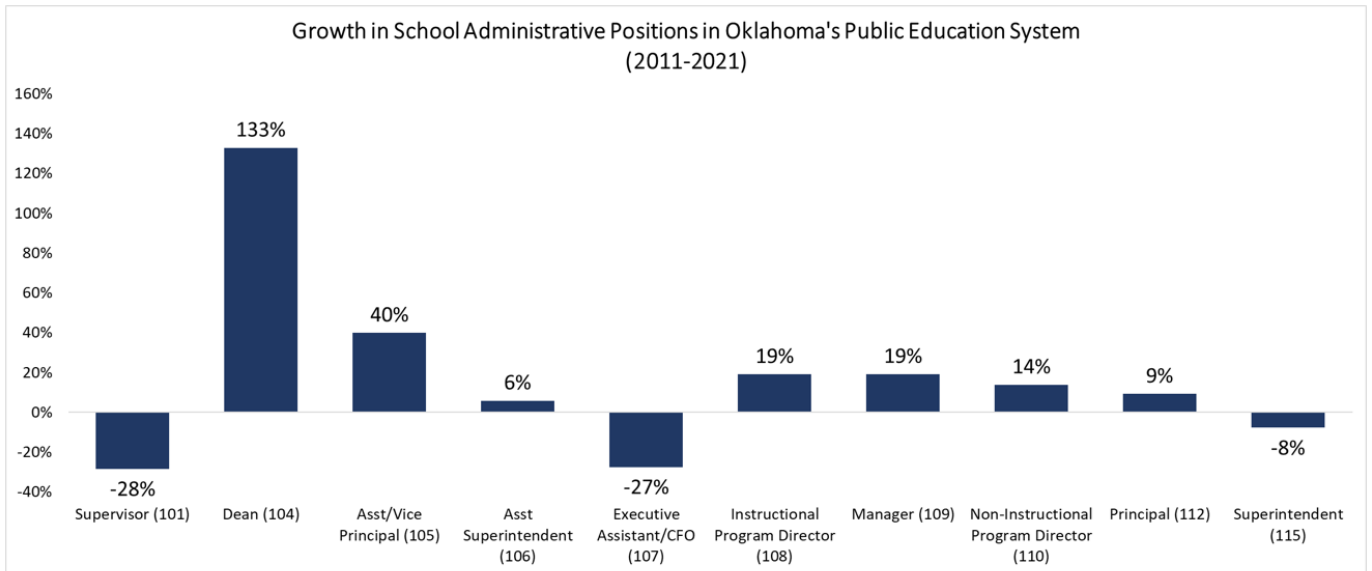
5-Year Percent Change in School Operation Expenditures for the Top 7 Charter School Districts by Student Enrollment (FY16-FY21)			
District	Budget Percent Increase		Student Enrollment Percent Change
	Instruction	Administration	
EPIC ONE ON ONE CHARTER SCHOOL	827%	335%	293%
OKLAHOMA VIRTUAL CHARTER ACAD	94%	164%	67%
ASTEC CHARTERS	-35%	-9%	39%
INSIGHT SCHOOL OF OKLAHOMA	227%	276%	131%
DEBORAH BROWN (CHARTER)	17%	96%	-8%
CHEROKEE IMMERSION CHARTER SCH	39%	-63%	8%
SANKOFA MIDDLE SCHL (CHARTER)	3%	-1%	-31%

Source: Legislative Office of Fiscal Transparency's analysis based on data from the Oklahoma State Department of Education and the Oklahoma Cost Accounting System

Note: LOFT analyzed the change in operational expenditures categorized under instruction and administration between FY16 and FY21. The percent change in operational expenditures for the five-year period was then analyzed. Top 7 school districts were selected based on student enrollment size; FY 20-21 (national collection date October 1, 2020) student enrollment (head count) from the Wave Student Information System (SIS). Continuity of enrollment data hindered LOFT from including additional charter schools.

## Appendix A1: Growth in School Administrative Positions in Oklahoma’s Public Education System(2011-2021)

*Exhibit 71: Growth in School Administrative Positions in Oklahoma’s Public Education System (2011-2021). (This column chart depicts the percent change in the number of administrative positions in Oklahoma’s public education system since 2011.)*



Source: Legislative Office of Fiscal Transparency’s analysis based on data from the Oklahoma Cost Accounting System  
Note: Seven out of 10 administrative positions experienced greater growth than certified teachers.



## **Appendix AJ: 2018 State Aid Funding Formula Task Force Recommendations**

Please see the following pages for the recommendations of the 2018 State Aid funding Formula Task Force.

# STATE AID FUNDING FORMULA TASK FORCE

## RECOMMENDATIONS

October 29, 2018

**Recommendation 1:** Simplify the State Aid Funding Formula by collapsing the Salary Incentive Aid portion of the formula into the Foundation Aid portion of the formula. This would increase the transparency of the formula by capturing all 35 mills of the adjusted valuation in one place in the formula (15 mills under Foundation Aid and 20 mills under Salary Incentive Aid). An appropriation of an additional \$40 million (the State Department of Education will get the exact number) may be needed to “hold harmless” districts impacted by this change. See: 70 O.S. § 18-200.1

**Recommendation 2:** Update the pupil grade level weights as shown below.

Grade Level	Current Weight	New Weight
Three-year olds with IEP	1.2	No change
Half-day early childhood	.7	.6
Full-day early childhood	1.3	1.2
Half-day kindergarten	1.3	.6
Full-day kindergarten	1.5	1.0
First and second grade	1.351	1.0
Third grade	1.051	1.0
Fourth through sixth grades	1.0	1.0
Seventh through twelfth grades	1.2	1.0 for seventh and eighth grades
		1.2 for ninth through twelfth grades
Out-of-home placement	1.5	No change

See: 70 O.S. § 18-201.1

**Recommendation 3:** Change the definition of Bilingual students to match the definition of English Learners. See: 70 O.S. § 18-109.5

**Recommendation 4:** Update the pupil category weights as shown below. All other pupil category weights leave unchanged. The Task Force understands that the changes may need to be phased in over three years.

Category	Current Weight	New Weight
Speech or Language Impairment	.05	.15
Bilingual	.25	.50
Economically Disadvantaged	.25	.50

See: 70 O.S. § 18-201.1

**Recommendation 5:** The task force believes the Transportation Supplement needs to be modernized, however, additional research needs to occur before making any changes. A few possible changes could be to increase the Transportation Factor from its current 1.39, or possibly collapse the Transportation Supplement into the Foundation Aid portion of the funding formula but only if the Small Schools and Sparsity - Isolation weights are adjusted as well. See: 70 O.S. § 18-200.1

**Recommendation 6:** The task force recommends further research concerning the Small School District and District Sparsity – Isolation calculations using a chart similar to that used for the Transportation Supplement. See: 70 O.S. § 18-200.1 and 70 O.S. § 18-201.1

**Recommendation 7:** Simplify and update the weighted Teacher Experience-Degree Index portion of the State Aid Funding Formula. The number of years of experience should be expanded from over 15 years of experience to 25 years of experience. An example of the weights could be: teachers with 1-9 years of experience would receive a weight of 1.0, 10-20 years of experience receive a weight of 1.10, and teachers with more than 20 years of experience receive a weight of 1.20. The exact weights could be determined with the assistance of the State Department of Education. See: 70 O.S. § 18-201.1

**Recommendation 8:** Update the Alternative Education funding process. Determine the differences between Alternative Education and credit recovery. Determine the true costs of providing Alternative Education services. Update the cost data by using data from the State Department of Education rather than using data from 1994. Determine whether funding should come from a line item, a pupil category weight, or grants. See: 70 O.S. § 1210.568

**Recommendation 9:** Change the language in the current law to fund virtual charter schools on their actual student population and weights after their first year in existence by striking the words, "and each year thereafter" in 70 O.S. § 3-142(B)(2).

**Recommendation 10:** Research the feasibility of allowing local school districts to raise an additional 5 mills of revenue for school operations through local elections. See: 70 O.S. § 18-200.1

## **Agency Response**

- *LOFT Response, July 12, 2022*
- *OSDE Response, July 11, 2022*



July 12, 2022



## **LOFT’s comments on the response from the Oklahoma Department of Education**

As part of LOFT’s protocol, agencies are granted the opportunity to respond to the evaluation report and findings. For this priority program evaluation, LOFT conducted a review of the distribution of State funds dedicated to public schools, including identifying sources of revenue, how funds are distributed to schools, and the level of transparency and accountability of expenditures.

To complete this work, LOFT engaged with the Oklahoma Department of Education (OSDE), which sets policy, provides oversight, and directs the administration of the public school system. OSDE is also 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. Portions of OSDE’s response warrant further clarification and correction, which will be addressed. With this response LOFT seeks to address questions of fact, and not differences of opinion.

### **Scope of Project and Evaluation Process**

During the months-long assessment of funds dedicated to the State’s K-12 school system, LOFT analyzed 10 years of revenue and expenditure data from the Oklahoma Cost Accounting System (OCAS) and provided tables and data analysis in advance to OSDE’s chief financial officer and school finance staff to ensure accuracy of data presentation. Additionally, LOFT engaged a variety of stakeholders to confirm understanding of the application of school finance and the opportunities for enhanced data collection and reporting.

In its response, OSDE describes the Oklahoma Cost Accounting System as primarily a data collection tool. LOFT maintains the accountability functions of the system can be improved.

### **LOFT’s response to claims of inaccuracy within report:**

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

- 1) OSDE questions the accuracy of LOFT figures for expenditures coded as “instructional” and “non-instructional.” OSDE contends that “instruction-related expenditures” should be included under instructional expenses. LOFT used the OCAS definition for “instruction” in determining expenses, which is: “Instruction includes the activities dealing directly with the interaction between teachers and students.” OCAS does not provide a category description or function code for “instruction-related” costs. Additionally, OSDE cites the salaries and benefits of teachers and teaching assistants as being “instruction-related,” implying that LOFT did not include this significant cost category in instructional expenses. LOFT’s methodology included the salaries and benefits of those involved in delivering instruction to students. As described on page 33 of the report, “School personnel salary and benefits accounted for 88 percent of all instructional expenditures in the 2020-2021 academic school year...”
- 2) In its response, OSDE provides context regarding the cost category for “Support Services – Central Services,” noting that a function code within this category was unavailable prior to Fiscal Year 2011. OSDE cites the creation of this code for “administrative technology services”

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as partial explanation for the percent increase in expenditures. However, it is unclear how items under this category were coded prior to the addition of the new function.

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

- 1) In its response, OSDE claims LOFT implied that the agency should audit all school expenditures individually. No such implication was made in the report. LOFT's review identified weaknesses in the system. As stated on page 38 of the report, automated system flags should be accompanied by human review. Broader sampling of expenditures could accomplish this work.
- 2) OSDE contends that some of the expenditures identified by LOFT as being questionable for coding under "instruction" may not be miscoded and could possibly be for instruction. The lack of available detail for the expenditures is the reason LOFT describes the items as "questionable." The expenditures may or may not be appropriately categorized, but the limited transparency of the system does not provide for that determination.
- 3) OSDE states concerns over applying a similar review process to state funds that is required for federal funds received by schools. LOFT did not suggest OSDE replicate the federal reimbursement process, but rather asserted the State should receive comparable reporting on outcomes as what is provided to the federal government. However, a reimbursement process may be worth consideration for certain expenditures.

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

- 1) OSDE challenges LOFT's conclusion that limited data is provided to the Legislature, citing the "School Report Card" as an example of user-friendly and transparent data. While LOFT recognizes the value of the report card data, it is school district level (not a statewide assessment) and geared to parents, not policymakers.
- 2) Additionally, OSDE cites data that is required to be published on its website and in other reports. LOFT specifically addresses the lack of comprehensive data reported to the Legislature. Providing multiple data points across various documents and websites is not consistent with best practices observed by LOFT in other states that present data about educational needs and outcomes.
- 3) Last, OSDE challenges LOFT's assessment that the Office of Educational Quality and Accountability (OEQA) publishes the most comprehensive assessment of Oklahoma's public education system. While OSDE makes data publicly available, it is not presented in a way that is useable or useful to the Legislature. LOFT does not compare OSDE and OEQA, but reports its observation that OEQA has more information available in one place to allow for policymakers to assess educational needs.



JOY HOFMEISTER

STATE SUPERINTENDENT *of* PUBLIC INSTRUCTION  
OKLAHOMA STATE DEPARTMENT *of* EDUCATION

**TO:** Legislative Office of Fiscal Transparency (LOFT)

**FROM:** Superintendent Joy Hofmeister

**DATE:** July 11, 2022

**SUBJECT:** Agency response to the Priority Evaluation of Distribution of State Funds for K-12 Public Education

The Oklahoma State Department of Education (OSDE) would like to thank LOFT for its thorough work in reviewing Oklahoma's funding formula and distribution of funds for common education.

Oklahoma's funding formula is one of the oldest in the country, and for good reason. It prioritizes the needs of students while providing equity for local wealth. While it has stood the test of time, improvements are necessary to ensure that it meets the needs of today's students. Past attempts to make changes have resulted in stalemate due to the fiscal impact resulting from these changes. Most legislators are likely familiar with the common refrain of "winners and losers." OSDE hopes the Legislature will take up recommendations made by the most recent review of the formula by the State Aid Task Force as well as recommendations by LOFT and, in so doing, provide the funding necessary to offset any district losses.

In its report, LOFT highlights "major" changes to the state aid funding formula in Exhibit 9, but there are many other important changes that have been made since 1981. OSDE respectfully offers a supplemental timeline as an attachment.

While the funding formula is complicated and often inscrutable to the average person, perhaps even more misunderstood is the purpose of the Oklahoma Cost Accounting System (OCAS). In recent years, expectations of OSDE's role in district expenditures seem to have changed significantly; however, the statutory charge for the system has not. OSDE maintains that it has and will continue to fully execute its responsibility in the oversight of public funds within the bounds of the law.

More specifically, OCAS is not a mechanism for forensic or investigative auditing. It is, as was initially intended, a data collection tool. School districts report funds received and expended through a series of codes aligned with federal reporting requirements. Ultimately, local school boards and district superintendents are responsible for the use of taxpayer funds. In fact, this is clearly spelled out in state law. Regardless, in response to recently changing expectations, OSDE has hired a financial services auditor and investigator within OCAS as well as an investigator in

the legal office. While these positions have expanded OSDE's investigative capacity, they cannot and should not replace the role of law enforcement. OSDE has also changed administrative rules and created new processes to identify financial risks that could lead to mismanagement of public funds. Many enhancements have also been made to the system, including adding new codes, (i.e., management organization codes as required by recent legislation), and creating reports to benefit both districts as they code expenditures and OSDE as it reviews them, which that has increased both accountability and transparency.

OSDE is hopeful that this report can further the conversation of roles and responsibilities of the state agency versus those of the locally elected school board.

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

### **Does the agency agree with the facts as presented?**

OSDE agrees with the facts as presented.

### **Agency Comments and Clarifications**

- OSDE agrees with LOFT’s conclusion that the state aid funding formula is a student-based formula, which supports a *free* system of education for *all* of Oklahoma’s students. and while it has held the test of time, OSDE also agrees that the formula does not fully account for the needs of students. Oklahoma’s students have greater and more diverse needs than ever before. As such, OSDE advocated for changes to the funding formula to better address these needs. Specifically, OSDE supported the recommendations of the State Aid Task Force as presented in its report and the resulting Legislation to implement them in SB 362 from 2019. OSDE also requested and supported efforts to change the bilingual weight to an English Learner weight, including HB 1963 of 2020.
- The intention of bilingual student funding is to provide additional financial support for students who face challenges speaking and learning English. As currently formulated, though, many students who are proficient in English continue to generate such funding – and the complicated nature of the identification process makes tracking and verification difficult. It is our opinion that this system should be overhauled, directing funds to identified English Learners. Such additional funding would then end when the students reach English language proficiency. Ideally, there would also be a mechanism for ensuring that such funding is actually spent on supporting English Learners (there are no such mechanisms with the current bilingual funding) and that specific supports be in place to assist English Learners in becoming proficient in English. Oklahoma’s own data bears this out – once English Learners reach proficiency, they typically exceed their peers in academic achievement in other subject areas.

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

### **Does the agency agree with the facts as presented?**

OSDE agrees with the facts as presented.

### **Agency Comments and Clarifications**

- While OSDE agrees with the data as presented in the report regarding instructional expenditures, additional context is needed to understand the full scope of school expenditures. Data shared with LOFT, but not included in the report, show that when combining instructional expenditures with instruction-related expenditures, 67.74% of FY 21 expenditures were for instruction. Instruction-related expenditures are directly



related to providing instruction and for activities that assist with classroom instruction. These include salaries and benefits for teachers, teaching assistants, librarians and library aides, in-service teacher trainers, curriculum development, student assessment, technology (for students but outside the classroom), and supplies and purchased services related to these activities.

- Additional context is necessary to understand the seemingly significant increase in Support Services-Central Services displayed in Exhibit 22. This category includes expenditures such as activities that support other administrative and instructional functions, fiscal services, human resources, planning and administrative information technology. Included in Central Services would be expenditures for health services, in-service training for non-instructional staff, and administrative technology services. An increase of \$8 million was recorded under in-service training, and \$500,000 in health services, which coincides with the onset of the COVID-19 pandemic. Additionally, in FY 10 a Function Code for administrative technology services (2580) was not available for district use. This Function Code was added in FY 11. In other words, \$0 were reported as administrative technology services (2580) in FY 10, while \$101,416,647.38 in expenditures were recorded in FY 21 – a 100% increase. The percent-increase calculation in Exhibit 22 fails to account for the addition of this code, resulting in a skewed view over the time period used. After removing these expenditures, the percent increase in Central Services is only 24.91%, making its increase well below that of instruction at 35%.
- Additional context is also helpful as it relates to the increase in administrative expenditures from 2018 to 2019 as displayed in Exhibit 23. While LOFT notes the impact of the teacher pay raise on instructional expenditures during the same time period, it fails to note the pay raises for support staff. In FY 19, the Legislature appropriated approximately \$52 million to provide \$1,250 pay raises to more than 34,000 support staff. Many of these individuals are included in administrative expenditures.

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

#### **Does the agency agree with the facts as presented?**

OSDE partially agrees with the facts as presented.

- LOFT asserts that there is not “true accountability” for educational funding. While no accounting system can be all things to all people and there is always room for improvement, OSDE wholly believes it has implemented the OCAS system fully in compliance with existing law, which achieves its original intended purpose.
- All public schools are required to use the Oklahoma Cost Accounting System (OCAS) as the basis for financial reporting and accountability. Under this statutory system, school districts annually report all income and expenditures, according to appropriate codes associated with the revenue and expenditure. To fulfill requirements in statute and

administrative regulations that public schools report the information to OSDE and to assist schools in utilizing the coding structure for consistency in financial coding, the OCAS Manual was created. With the submission of the yearly report, the school district certifies that the information is correct. Similar to the IRS when tax returns are filed, the OSDE relies on certifications from the chief executive of the school district that the information submitted is true and correct – under penalty of laws and regulations if it is determined that the information is not correct. In April 2020, OSDE proposed administrative rule changes to allow additional time to review information that is certified, re-open the data if it believes the certified information is incorrect and to assert additional penalties for non-compliance due to inaccurate certified data. In light of the efforts, it bears remembering that OSDE is not an investigative agency and does not have subpoena power to compel compliance. Regularly, and depending on the factual scenario presented, OSDE works with law enforcement agencies if information certified is determined to be false and/or a misrepresentation.

- In addition to these state provisions, federal law requires that in order to receive such funds, school districts must report financial expenditure information to OSDE, who in turn must submit the information to the federal government by March of each year.
- While LOFT notes that OSDE’s oversight role is to ensure proper standardized accounting, reporting and compliance, it also implies that OSDE should audit all school expenditures individually. As noted in the State Auditor’s report on Epic, all public school districts are required to have an independent annual audit of the district’s funds and expenditures. *See* 70 O.S. § 22-103. Even so, these independent audits are not investigative audits. Annual school district audits are financial audits, involving performing procedures to obtain audit evidence about the amounts and disclosures in annual financial statements. *See* 70 O.S. § 22-103. In contrast, an investigative audit is a process of identifying whether the results of transactional information are correct, conforming to specified norms, and that operations comply with statutes, also using discovery of financial irregularities or improper financial transactions. If the desire and recommendation is for a significantly increased level of auditing oversight, there first must be substantial changes to the current structure of laws, regulations and systems, as well as investment and diversion of resources.
- In order to expand the review capability of OCAS, in December of 2020, OSDE implemented a new risk-assessment tool as an integral part of the OCAS review of revenues and expenditures to ensure a more effective monitoring and review of certified OCAS data. All district reports are reviewed after December 1 and given a score based on meeting financial accounting deadlines, revenue and expenditure data review, State and Federal Project Code reporting, exceeding Administrative Cost, meeting Maintenance of Effort, etc. From this assessment, the top scoring districts are then subject to Phase II where they are asked to submit encumbrance registers, staff rosters, and activity fund information, along with other supporting documents. With the additional documentation, OSDE can view purchase orders, invoices and payment amounts to vendors for coding accuracy. OSDE also conducts site visits if the desk audit does not sufficiently address any concerns.

## Agency Comments and Clarifications

- Exhibit 29 highlights \$257, 425 that were mistakenly coded by districts to firearms and ammunitions. Upon being presented with this information, OSDE contacted the districts that reported these expenditures. In doing so, OSDE learned that the vendor used by these districts mistakenly mapped firearms and ammunition to incorrect object codes such that districts were unaware that funds were being coded in this way. In each case, the district confirmed that the coding was not accurate. To be clear, it was the coding and *not* the expenditure of funds that was questionable. In this instance, these were not the result of carelessness on the part of district personnel, but rather a flaw in the accounting system used by the district.
- Exhibit 30 highlights \$5.8 million in expenditures coded to instruction that are “questionable.” Several of these expenditures may in fact be for instruction and not be miscoded, which could only be verified by going on-site to the district to examine purchase orders and receipts. For example, many districts coded the purchase of masks, gloves and hand sanitizer used in the classroom in response to COVID to Health, First-Aid & Hygiene Supplies (Object Code 616) or Cleaning, Maintenance Supplies and Chemicals (618) for instruction. Additionally, codes for Automotive and Bus Supplies (612), Other Equipment & Vehicle Services (439), Fleet Insurance (521), Student Transportation Vehicle Insurance (524), Other Insurance Services (529) would all be legitimate Object Codes for Drivers Education or Vocational Agriculture vehicles for instruction. Lastly, Firearms and Ammunition (659) could be a legitimate code for ROTC expenditures for instruction.
- LOFT highlights the extensive review process for disbursing federal funds to school districts. In fact, all federal funds are paid on a reimbursement basis, requiring districts to expend money upfront and submit a claim to OSDE, which is then reviewed to be in line with the district’s budget and applicable laws and regulations before being paid. Districts use their state and local funds to “front” the money for expenditures later to be reimbursed by federal funds. This unfortunately can create cash-flow issues for some districts. Any such requirements at the state level would significantly expand the state’s role over that of the locally elected school board and require a significant investment in personnel at the agency.

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

### **Does the agency agree with the facts as presented?**

OSDE partially agrees with the facts as presented.

## Agency Comments and Clarifications

- Exhibit 36 highlights a seeming lack of data provided by OSDE directly to the Legislature. However, the Legislature, in state statute, already directs much of this data to

be collected and how it is to be published. Granted, Oklahoma statutes do not require all data points to be in one place (an unruly task to undertake), still this data is published in a transparent manner.

- The Legislature directs annual reports for the state assessment system, which include the following measures highlighted for New Mexico, Texas and Washington, but not Oklahoma. *See* 70 O.S. 1210.545. Oklahoma's School Report Card ([oklaschools.com](http://oklaschools.com)) has been touted nationally as one of the most user-friendly and transparent report cards of any state.
  - Student achievement data (% at each level, includes comparisons to district and state)
  - English Language Proficiency (# proficient)
  - Performance on Academic Progress
  - High school grad rates (4-year and extended)
  - Performance on School Quality and Student Success (SQSS) indicator
  - Percentages of students assessed (participation rate)
  - Postsecondary enrollment rates for public and private/out-of-state institutions (where available)
  - Civil Rights Data Collection (CRDC) data on school climate (in-school and out-of-school suspensions, expulsions, school-related arrests, referral to law enforcement, chronic absenteeism, incidents of violence)
  - Other CRDC indicators (#/% enrolled in preschool, #/% in accelerated coursework)
  - Educator Qualifications (inexperienced, with emergency/provisional credentials, out-of-field)
  - Per-pupil expenditures (aggregate, disaggregated for federal and state/local, expenditures not allocated to public schools, web address to the procedures for calculation)
  - State performance on NAEP
  - Additional information to best convey progress (i.e., CareerTech enrollment/certs)
- The Legislature also directs annual financial reports to be published on a separate website according to the School District Transparency Act. *See* 70 O.S. § 5-135.4.
  - Per Pupil Expenditures (state, district and site level)
  - Salary and benefits of the superintendent
  - Calculation of administrative costs
  - Description of all funds received and expended
- Separately, OSDE annually publishes reports for high school dropout rate, underperforming districts, charter schools, Indian Education, Alternative Education, advanced placement, gifted and talented, state aid and other funding allocations and school personnel salary, to name a few.

***Does the agency agree with the recommendations related to this evaluation?***

- OSDE supports LOFT’s recommendations to change the bilingual weight to be exclusively for English Learners as well as increasing the weight for economically disadvantaged students. OSDE is also a willing partner to discuss how additional funding can be targeted to districts with high concentrations of poverty.
- LOFT recommends OSDE be required to produce and publicly deliver a comprehensive annual report on school financing, expenditures and progress on targeted academic indicators. This information is already publicly available at [oklaschools.com](http://oklaschools.com) and OSDE’s [financial transparency website](#). Regurgitating this information in a different format is an unnecessary duplication of government.
- OSDE does not necessarily disagree with the recommendation to expand the review capacity of OCAS; to do so, however, state statute should outline how and to what extent this review is to be conducted, and resources should be provided to successfully execute this expanded responsibility. This must all be done while ensuring the agency is able to meet federal reporting requirements as all districts must have complete data before the state can submit its report.
- OSDE disagrees with LOFT’s recommendation to collaborate with OEQA in publishing outcome data. While LOFT asserts that OEQA provides the “most comprehensive assessment of Oklahoma’s public education system,” LOFT fails to recognize that most, if not all, of the data for these reports is provided by OSDE and is already reported in OSDE’s annual report and accountability system pursuant to federal and state law. Additionally, by the time OEQA publishes its reports, the data are two years old and only cover a handful of districts. This propping up is already an added burden for OSDE, requiring staff to spend time to package and transfer thousands of data points to another agency. Instead, this time could be invested in OSDE’s own reporting capabilities. In fact, the existing requirement represents an unnecessary duplication of government services and is a waste of state taxpayer dollars.



<b>Fiscal Year</b>	<b>Formula Change</b>
1990	Grade Weights - Only 3 in 1982. HB 1017 added additional grade weights, inserted a weight for PK/Early Childhood at 0.5 and extended the categorical weights.
1995	Ad Valorem Reimbursement Fund
1996	Effective July 1, 1996, FY 97 ADM definition dropped pupils absent w/o excuse for 10 days instead of 20 days. (70 § 18-107). Midterm growth of 1.5% in ADM, with remaining districts receiving the balance of midterm funding divided by ADM (70 § 18-200).
	FY 98 – Initial allocation based on highest WADM of the previous two years; retain not less than 1.5% of total funding; WADM for each individual previous two years and first nine weeks of current year. Calculation to use Adjusted Valuation in current school year and County 4-Mill, motor vehicle, gross production, school land and REA tax from prior year.
1997	Use state dedicated revenue from preceding year; add 300% penalty; account for Tax Protest; develop Student Identification System (70 § 18-200.1).
1998	Reduce the previous years tax protest from adjusted valuation in formula calculation (70 § 18-200.1).
1998	Formula major overhaul
1998	PK Grade Weights - Half day 0.7 and Full day 1.3
1999	Out of Home Placement (OHP)
2001	Out of Home Placement (OHP) - Weight Change
2003	In case of revenue shortfall, reduce formula factors instead of prorating allocation.
2003	Part-time Students - 5th-year senior student recovery, additional funding in formula
2004	FY 05 KG Grade Weight Change - Half day 1.3 and Full day 1.5
2005	Funding for Full-time Virtual Charters
2007	Compulsory full-day Kindergarten
2010	General Fund Balance - Allowable Amount Increased
2010	Allows districts to include WADM from nonresident, transferred pupils including for Special Ed services and online instruction.

2018	Special Ed Weights - Statutory Name Change
2020	FY21 Full-time Virtual Charters build a high year Weighted Average Daily Membership (WADM)
2021	Initial Allocation on prior year WADM and Midyear adjustment using the high WADM for prior year or first nine weeks.