

A Primer for Understanding Oklahoma's School Funding System - Summary*

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The full version of this paper explains the Oklahoma common schools formula funding system. It begins with an overview of school funding and spending. Then it provides an overview of the state's formula funding. Formula funding is broken down and five basic calculations that determine how much funding a school district will receive from the state are explained in detail.

- Formula funding refers to yearly state-guaranteed minimum revenues to school districts, which are determined by a formula based on state-defined student and district characteristics. The formula takes account of certain local revenues and determines the amount of state formula money, if any, each district will receive.=
- At its most basic level, school formula funding in Oklahoma consists of the following five calculations applied to each school district:
 1. Number of students, or "weighted average daily membership" (WADM). This calculation depends on grade level, student characteristics, district characteristics, and teacher experience.
 2. The state's foundation aid. The state makes sure every district has a minimum amount of money to spend considering the district's WADM and after taking account of several dedicated tax collections that accrue to districts.
 3. The "Transportation Supplement." The amount computed accounts for how many students live at least 1.5 miles from their school (average daily haul - ADH) and their population density in a district. School districts' actual spending on transportation bears little resemblance to their transportation supplement funding.
 4. "Salary Incentive Aid." Under this part of the formula, the state makes sure school districts achieve a minimum funding level given their potential property tax collections as well as WADM count.
 5. The computation of the minimum level of funding guaranteed per WADM to districts under the foundation aid and salary incentive aid calculations.
- During the 2013-2014 academic year, approximately 41 percent of school district revenues came from local sources, 48 percent from the state, and 12 percent from the federal government (error due to rounding). Of the \$5.9 billion in total revenue, \$1.84 billion (or 31 percent) was in the form of state formula aid to districts. Another \$427 million in state dedicated funds (7.2 percent of the total) counted toward the formula. District and county taxes effectively

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This paper, in its entirety, can be found at www.1889institute.org/ed-finance.html.

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• This is a summary of: Byron Schломach, *A Primer for Understanding Oklahoma's School Funding System* (Oklahoma City, OK: 1889 Institute, July 2015), available at: <http://www.1889institute.org/ed-finance.html>.

appropriated by the state provided almost \$1.1 billion (19 percent of the total) of their formula funding. Put differently, over 57 percent of the \$1.9 billion in local property taxes collected in 2014 for schools was controlled by the state. It is no wonder that the allocation of state aid is controversial.

Some Conclusions from the Paper

- The variation of student-count weights among states is good evidence that student funding weights are quite arbitrary.
- The student weights under the WADM calculation are old, having been devised at least 20 years ago.
- The small school and isolation weights together contribute only 1.5 percent of the state's total Weighted Average Daily Membership. The teacher index weight is also very small, contributing less than 1 percent to total WADM.
- Surprisingly, the special education weight, which combines a number of the higher-value student category weights, amounted to less than 10 percent of the state's total WADM.
- Over 12 percent of the student population was classified as gifted in 2014.
- The percentage of student population classified as economically disadvantaged was 63 percent. This number appears to deserve further scrutiny given that a relatively small 17 percent of Oklahoma's population is in families that earn less than the official poverty level of income. To be counted as economically disadvantaged, a child must qualify for the federal free and reduced-price lunch program. A student is eligible when the family income is 185 percent of the poverty level or less.
- School districts can have state aid reduced under certain circumstances that are often but not always out of the direct control of the districts. In 2014, the statewide detailed calculation sheet shows that \$214,158 in penalties (0.02 percent of total net state aid) were assessed.
- Small school districts are favored in the funding formulas. They receive a higher allocation under the transportation allotment and greater allowances for the administrative cost penalty.
- While there is a maintenance of effort penalty for spending on special education and another for gifted education, there is otherwise no requirement that the money that flows to a district because of a specific student be spent on that student.
- In 2014, there were 61 districts that received no foundation aid and 28 that received no incentive aid. All 28 of the districts that received no incentive aid also received no foundation aid.
- Transportation aid is low enough that it is almost irrelevant. This is also especially so for the teacher experience/degree weight.
- An oddity Oklahoma's school funding system is that key factors that determine minimum formula funding for school districts are backward-engineered by the state's education department using methods not explicitly spelled out in statute.
- Despite the state constitutional prohibition of a statewide property tax, the state has effectively appropriated 35 mills of local property tax entirely to the state's defined purposes.

Anyone interested in gaining a better understanding of Oklahoma's school formula funding system are encouraged to read the full version of this publication. The complexity of the current funding system will hopefully serve as an inspiration to make the system simpler and more rational. A review is needed of the funding formulas which are operating on autopilot. Hardly anyone has a clue how they work and their implications. They are badly outdated as explained in further detail in the publication.