

**An Analysis of the Potential Effects of Additional Discretionary Levies on the Fiscal Equity
of Oklahoma Education Funding**

Full Report

ISEF – 003FR

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June 2019



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An Analysis of the Potential Effects of Additional Discretionary Levies on the Fiscal Equity of Oklahoma Education Funding

The funding system used to support public P-12 education in Oklahoma includes multi-tiered distribution formulae intended to address fiscal equity. These formulas are designed to provide more resource poor local districts a greater share of state formula funding to alleviate the naturally occurring effects of varying levels of wealth across local communities. Previous studies have demonstrated a relatively high degree of fiscal equity in general education funding in Oklahoma (Maiden and Stearns, 2007; Deering and Maiden, 1999; Maiden, 1998), though conversely low levels of equity in capital outlay funding (Hime and Maiden, 2017; Maiden and Stearns, 2007).

However, studies of the equity of the Oklahoma education funding system are a bit outdated. In the years since Maiden and Stearns published their examination of both current and capital funding for Oklahoma (Maiden & Stearns, 2007), increasing numbers of Oklahoma school districts have not qualified for state aid because of relatively high levels of local wealth. One explanation for the increase in these ‘out of formula’ districts is that funding from the state has been constricted and, in some years, even reduced because of the Great Recession beginning in the late 2000s. In fact, state cuts to local school districts have been more pronounced in Oklahoma than in any other state. There is a need to reexamine fiscal equity in Oklahoma over the past decade.

Additionally, none of the Oklahoma equity studies have examined the potential effects of discretionary tax levies on the fiscal equity of the system. As a result of the state gubernatorial election of 2018, a new administration has as one of its education goals providing more opportunities for local districts to raise funds, specifically to support increased teacher salaries, without being ‘constrained’ by state funding.¹ Clearly, implementation of such a plan might have substantial effects of the equity of the overall state funding system.

¹ Refer to <https://newsok.com/article/5622426/oklahoma-scissorsales-caution-needed-with-school-funding-formula> for an editorial discussion of the Governor’s plan.

The purpose of this study is to provide a multiyear equity assessment of the Oklahoma education funding system over the past decade, coupled with a systematic analysis of potential effects of the implementation of a funding plan that provides additional discretionary local levies for school districts. Specifically, the study focuses on three elements:

1. An analysis of the equity of Oklahoma education funding over the decade (fiscal years 2010 to 2018). The analysis provides an understanding the fiscal equity effects of cuts in state aid borne of the Great Recession, provides an update to earlier studies, and provides a baseline for the second part of the study.
2. A simulated analysis of the equity effects of additional discretionary levies, based on the most recent fiscal year (2018). Two models were simulated. First, the addition of five additional local mills added to the 2018 funding formula, at varying chargeable levels, with no additional state support beyond the formula included. The first analysis will be similar to the current county four mill levy, which operates inside the formula and is chargeable at the 75% level. The second simulation includes five supplementary (discretionary) mills outside the funding formula, similar to the current five mill building fund. The second simulation includes an estimate of the equity effects of additional state dollars, using a rough estimate of percentages of state aid concomitant to current state aid per district.
3. Recommendations to policy makers given the results of these analyses.

DESIGN

Sources of Data

All data included validated data made available by the Oklahoma State Department of Education. The average daily membership (ADM), weighted average daily membership (WADM), assessed valuation and percentages of state aid per district were part of the Oklahoma State Aid data sources. Revenue and expenditure data were extracted from Oklahoma Cost Accounting System (OCAS) data. The revenue and expenditures were limited to the General Fund (Fund 11), to provide consistency across both revenues and expenditures.

Procedures

The first part of the analysis included a comprehensive analysis of the fiscal equity of both across all districts (including charter schools) for the past nine fiscal years, to establish a baseline for the discretionary levy analysis. To provide a fully comprehensive analysis, both revenues per pupil and expenditures per pupil were used. Additionally, the per pupil element of the analyses included both unweighted ADM and WADM. These analyses (and the analyses for the second part of the study) employed standard equity assessments.

The second part of the current study was intended to estimate effects of additional discretionary levies if additive to the current Oklahoma formula-based education funding mechanism. Because the funding formulae are revenue based, these additive estimates were based on revenue derived from fiscal year 2018, the most recent year with fully available data. The estimates were based on a simulated additional five mills applied to the assessed valuation of property as used in the 2018 funding formula.

The analyses included the application of standard equity assessments first to 2018 state and local revenue generated through the formula to establish a baseline for comparisons to revenues if the five-mill discretionary levy were added. The charter schools were not included in these analyses because discretionary levies would only be applicable to school districts. Charters do not raise revenue through property tax, and therefore not used in these analyses. Should discretionary levies be codified into Oklahoma Statutes, one might presume a mechanism for funding charters would likely be developed. It should be noted that for the univariate statistical measures results generated will differ somewhat from those generated for 2018 in the previous analyses because charter schools were included in the yearly equity results. The bivariate statistics are equivalent because charters were not included in any of the bivariate analyses.

The additional discretionary levels were simulated first by including the additional five mill levies within the 2018 Oklahoma funding formula, akin to the current county four mill levy. For purposes of equity comparisons, the model was simulated at 100%, 75% (equivalent to the county four mill levy), 50%, 25% and 00%. The first simulation included estimates based on all state districts levying the maximum level based on five additional mills, and with no additional simulated state aid.

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