

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

SENATE BILL 963

By: Montgomery

AS INTRODUCED

An Act relating to school funding; amending 70 O.S. 2021, Section 18-200.1, as last amended by Section 2, Chapter 488, O.S.L. 2021, which relates to the allocation of State Aid; modifying calculation of Foundation Program Income and Salary Incentive Aid beginning in certain school year; directing the State Department of Education to include in its budget request certain protested ad valorem tax revenue amount; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 70 O.S. 2021, Section 18-200.1, as last amended by Section 2, Chapter 488, O.S.L. 2021, is amended to read as follows:

Section 18-200.1. A. Beginning with the ~~2022-2023~~ 2024-2025 school year, and each school year thereafter, each school district shall have its initial allocation of State Aid calculated based on the state dedicated revenues actually collected during the preceding fiscal year, the adjusted assessed valuation of the preceding year, and the weighted average daily membership for the school district of the preceding school year. Each school district shall submit the

1 following data based on the first nine (9) weeks, to be used in the  
2 calculation of the average daily membership of the school district:

- 3 1. Student enrollment by grade level;
- 4 2. Pupil category counts; and
- 5 3. Transportation supplement data.

6 On or before December 30, the State Department of Education  
7 shall determine each school district's current year allocation  
8 pursuant to subsection D of this section. The State Department of  
9 Education shall complete an audit, using procedures established by  
10 the Department, of the student enrollment by grade level data, pupil  
11 category counts, and transportation supplement data to be used in  
12 the State Aid Formula pursuant to subsection D of this section by  
13 December 1 and by January 15 shall notify each school district of  
14 the district's final State Aid allocation for the current school  
15 year. The January payment of State Aid and each subsequent payment  
16 for the remainder of the school year shall be based on the final  
17 State Aid allocation as calculated in subsection D of this section.  
18 Except for reductions made due to the assessment of penalties by the  
19 State Department of Education according to law, the January payment  
20 of State Aid and each subsequent payment for the remainder of the  
21 school year shall not decrease by an amount more than the amount  
22 that the current chargeable revenue increases for that district.

23 B. The State Department of Education shall retain not less than  
24 one and one-half percent (1 1/2%) of the total funds appropriated

1 for financial support of schools, to be used to make midyear  
2 adjustments in State Aid and which shall be reflected in the final  
3 allocations. If the amount of appropriated funds, including the one  
4 and one-half percent (1 1/2%) retained, remaining after January 1 of  
5 each year is not sufficient to fully fund the final allocations, the  
6 Department shall recalculate each school district's remaining  
7 allocation pursuant to subsection D of this section using the  
8 reduced amount of appropriated funds.

9 C. On and after July 1, 1997, the amount of State Aid each  
10 district shall receive shall be the sum of the Foundation Aid, the  
11 Salary Incentive Aid, and the Transportation Supplement, as adjusted  
12 pursuant to the provisions of subsection G of this section and  
13 Section 18-112.2 of this title; provided, no district having per  
14 pupil revenue in excess of three hundred percent (300%) of the  
15 average per pupil revenue of all districts shall receive any State  
16 Aid or Supplement in State Aid.

17 The July calculation of per pupil revenue shall be determined by  
18 dividing the district's second preceding year's total weighted  
19 average daily membership (ADM) into the district's preceding year's  
20 total revenues excluding federal revenue, insurance loss payments,  
21 reimbursements, recovery of overpayments and refunds, unused  
22 reserves, prior expenditures recovered, prior year surpluses, and  
23 less the amount of any transfer fees paid in that year.

1 The December calculation of per pupil revenue shall be  
2 determined by dividing the district's preceding year's total  
3 weighted average daily membership (ADM) into the district's  
4 preceding year's total revenues excluding federal revenue, insurance  
5 loss payments, reimbursements, recovery of overpayments and refunds,  
6 unused reserves, prior expenditures recovered, prior year surpluses,  
7 and less the amount of any transfer fees paid in that year.

8 D. For the 1997-98 school year, and each school year  
9 thereafter, Foundation Aid, the Transportation Supplement, and  
10 Salary Incentive Aid shall be calculated as follows:

11 1. Foundation Aid shall be determined by subtracting the amount  
12 of the Foundation Program Income from the cost of the Foundation  
13 Program and adding to this difference the Transportation Supplement.

14 a. The Foundation Program shall be a district's higher  
15 weighted average daily membership based on the first  
16 nine (9) weeks of the current school year or the  
17 preceding school year of a school district, as  
18 determined by the provisions of subsection A of  
19 Section 18-201.1 of this title and paragraphs 1, 2, 3,  
20 and 4 of subsection B of Section 18-201.1 of this  
21 title, multiplied by the Base Foundation Support  
22 Level. However, for the portion of weighted  
23 membership derived from nonresident, transferred  
24 pupils enrolled in online courses, the Foundation

1 Program shall be a district's weighted average daily  
2 membership of the preceding school year or the first  
3 nine (9) weeks of the current school year, whichever  
4 is greater, as determined by the provisions of  
5 subsection A of Section 18-201.1 of this title and  
6 paragraphs 1, 2, 3, and 4 of subsection B of Section  
7 18-201.1 of this title, multiplied by the Base  
8 Foundation Support Level.

9 b. The Foundation Program Income shall be the sum of the  
10 following:

11 (1) The adjusted assessed valuation of the current  
12 school year of the school district, ~~minus the~~  
13 ~~previous year protested ad valorem tax revenues~~  
14 ~~held as prescribed in Section 2884 of Title 68 of~~  
15 ~~the Oklahoma Statutes,~~ multiplied by the mills  
16 levied pursuant to subsection (c) of Section 9 of  
17 Article X of the Oklahoma Constitution, if  
18 applicable, as adjusted in subsection (c) of  
19 Section 8A of Article X of the Oklahoma  
20 Constitution. For purposes of this subsection,  
21 the "adjusted assessed valuation of the current  
22 school year" shall be the adjusted assessed  
23 valuation on which tax revenues are collected  
24 during the current school year, and

- (2) Seventy-five percent (75%) of the amount received by the school district from the proceeds of the county levy during the preceding fiscal year, as levied pursuant to subsection (b) of Section 9 of Article X of the Oklahoma Constitution, and
- (3) Motor Vehicle Collections, and
- (4) Gross Production Tax, and
- (5) State Apportionment, and
- (6) R.E.A. Tax.

The items listed in divisions (1), (3), (4), (5), and (6) of this subparagraph shall consist of the amounts actually collected from such sources during the preceding fiscal year calculated on a per capita basis on the unit provided for by law for the distribution of each such revenue.

2. The Transportation Supplement shall be equal to the average daily haul times the per capita allowance times the appropriate transportation factor.

a. The average daily haul shall be the number of children in a district who are legally transported and who live one and one-half (1 1/2) miles or more from school.

b. The per capita allowance shall be determined using the following chart:

PER CAPITA	PER CAPITA
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	DENSITY FIGURE	ALLOWANCE	DENSITY FIGURE	ALLOWANCE
1				
2	.3000 - .3083	\$167.00	.9334 - .9599	\$99.00
3	.3084 - .3249	\$165.00	.9600 - .9866	\$97.00
4	.3250 - .3416	\$163.00	.9867 - 1.1071	\$95.00
5	.3417 - .3583	\$161.00	1.1072 - 1.3214	\$92.00
6	.3584 - .3749	\$158.00	1.3215 - 1.5357	\$90.00
7	.3750 - .3916	\$156.00	1.5358 - 1.7499	\$88.00
8	.3917 - .4083	\$154.00	1.7500 - 1.9642	\$86.00
9	.4084 - .4249	\$152.00	1.9643 - 2.1785	\$84.00
10	.4250 - .4416	\$150.00	2.1786 - 2.3928	\$81.00
11	.4417 - .4583	\$147.00	2.3929 - 2.6249	\$79.00
12	.4584 - .4749	\$145.00	2.6250 - 2.8749	\$77.00
13	.4750 - .4916	\$143.00	2.8750 - 3.1249	\$75.00
14	.4917 - .5083	\$141.00	3.1250 - 3.3749	\$73.00
15	.5084 - .5249	\$139.00	3.3750 - 3.6666	\$70.00
16	.5250 - .5416	\$136.00	3.6667 - 3.9999	\$68.00
17	.5417 - .5583	\$134.00	4.0000 - 4.3333	\$66.00
18	.5584 - .5749	\$132.00	4.3334 - 4.6666	\$64.00
19	.5750 - .5916	\$130.00	4.6667 - 4.9999	\$62.00
20	.5917 - .6133	\$128.00	5.0000 - 5.5000	\$59.00
21	.6134 - .6399	\$125.00	5.5001 - 6.0000	\$57.00
22	.6400 - .6666	\$123.00	6.0001 - 6.5000	\$55.00
23	.6667 - .6933	\$121.00	6.5001 - 7.0000	\$53.00
24	.6934 - .7199	\$119.00	7.0001 - 7.3333	\$51.00

1	.7200 - .7466	\$117.00	7.3334 - 7.6667	\$48.00
2	.7467 - .7733	\$114.00	7.6668 - 8.0000	\$46.00
3	.7734 - .7999	\$112.00	8.0001 - 8.3333	\$44.00
4	.8000 - .8266	\$110.00	8.3334 - 8.6667	\$42.00
5	.8267 - .8533	\$108.00	8.6668 - 9.0000	\$40.00
6	.8534 - .8799	\$106.00	9.0001 - 9.3333	\$37.00
7	.8800 - .9066	\$103.00	9.3334 - 9.6667	\$35.00
8	.9067 - .9333	\$101.00	9.6668 or more	\$33.00

9           c.    The formula transportation factor shall be 1.39.

10         3.   Salary Incentive Aid shall be determined as follows:

11           a.   Multiply the Incentive Aid guarantee by the district's  
12                higher weighted average daily membership based on the  
13                first nine (9) weeks of the current school year or the  
14                preceding school year of a school district, as  
15                determined by the provisions of subsection A of  
16                Section 18-201.1 of this title and paragraphs 1, 2, 3,  
17                and 4 of subsection B of Section 18-201.1 of this  
18                title.

19           b.   Divide the district's adjusted assessed valuation of  
20                the current school year ~~minus the previous year's~~  
21                ~~protested ad valorem tax revenues held as prescribed~~  
22                ~~in Section 2884 of Title 68 of the Oklahoma Statutes,~~  
23                by one thousand (1,000) and subtract the quotient from



1 the product of subparagraph a of this paragraph. The  
2 remainder shall not be less than zero (0).

3 c. Multiply the number of mills levied for general fund  
4 purposes above the fifteen (15) mills required to  
5 support Foundation Aid pursuant to division (1) of  
6 subparagraph b of paragraph 1 of this subsection, not  
7 including the county four-mill levy, by the remainder  
8 of subparagraph b of this paragraph. The product  
9 shall be the Salary Incentive Aid of the district.

10 E. By June 30, 1998, the State Department of Education shall  
11 develop and the Department and all school districts shall have  
12 implemented a student identification system which is consistent with  
13 the provisions of subsections C and D of Section 3111 of Title 74 of  
14 the Oklahoma Statutes. The student identification system shall be  
15 used specifically for the purpose of reporting enrollment data by  
16 school sites and by school districts, the administration of the  
17 Oklahoma School Testing Program Act, the collection of appropriate  
18 and necessary data pursuant to the Oklahoma Educational Indicators  
19 Program, determining student enrollment, establishing a student  
20 mobility rate, allocation of the State Aid Formula and midyear  
21 adjustments in funding for student growth. This enrollment data  
22 shall be submitted to the State Department of Education in  
23 accordance with rules promulgated by the State Board of Education.  
24 Funding for the development, implementation, personnel training and

1 maintenance of the student identification system shall be set out in  
2 a separate line item in the allocation section of the appropriation  
3 bill for the State Board of Education for each year.

4 F. 1. In the event that ad valorem taxes of a school district  
5 are determined to be uncollectible because of bankruptcy, clerical  
6 error, or a successful tax protest, and the amount of such taxes  
7 deemed uncollectible exceeds Fifty Thousand Dollars (\$50,000.00) or  
8 an amount greater than twenty-five percent (25%) of ad valorem taxes  
9 per tax year, or the valuation of a district is lowered by order of  
10 the State Board of Equalization, the school district's State Aid,  
11 for the school year that such ad valorem taxes are calculated in the  
12 State Aid Formula, shall be determined by subtracting the net  
13 assessed valuation of the property upon which taxes were deemed  
14 uncollectible from the assessed valuation of the school district and  
15 the state. Upon request of the local board of education, it shall  
16 be the duty of the county assessor to certify to the Director of  
17 Finance of the State Department of Education the net assessed  
18 valuation of the property upon which taxes were determined  
19 uncollectible.

20 2. In the event that the amount of funds a school district  
21 receives for reimbursement from the Ad Valorem Reimbursement Fund is  
22 less than the amount of funds claimed for reimbursement by the  
23 school district due to insufficiency of funds as provided in Section  
24 193 of Title 62 of the Oklahoma Statutes, then the school district's

1 assessed valuation for the school year that such ad valorem  
2 reimbursement is calculated in the State Aid Formula shall be  
3 adjusted accordingly.

4 G. 1. Notwithstanding the provisions of Section 18-112.2 of  
5 this title, a school district shall have its State Aid reduced by an  
6 amount equal to the amount of carryover in the general fund of the  
7 district as of June 30 of the preceding fiscal year, that is in  
8 excess of the following standards for two (2) consecutive years:

9	Total Amount of	Amount of
10	General Fund Collections,	General Fund
11	Excluding Previous Year	Balance
12	Cash Surplus as of June 30	Allowable
13	Less than \$1,000,000	48%
14	\$1,000,000 - \$2,999,999	42%
15	\$3,000,000 - \$3,999,999	36%
16	\$4,000,000 - \$4,999,999	30%
17	\$5,000,000 - \$5,999,999	24%
18	\$6,000,000 - \$7,999,999	22%
19	\$8,000,000 - \$9,999,999	19%
20	\$10,000,000 or more	17%

21 2. By February 1 the State Department of Education shall send  
22 by certified mail, with return receipt requested, to each School  
23 District Superintendent, Auditor and Regional Accreditation Officer  
24 a notice of and calculation sheet reflecting the general fund

1 balance penalty to be assessed against that school district.

2 Calculation of the general fund balance penalty shall not include  
3 federal revenue. Within thirty (30) days of receipt of this written  
4 notice the school district shall submit to the Department a written  
5 reply either accepting or protesting the penalty to be assessed  
6 against the district. If protesting, the school district shall  
7 submit with its reply the reasons for rejecting the calculations and  
8 documentation supporting those reasons. The Department shall review  
9 all school district penalty protest documentation and notify each  
10 district by March 15 of its finding and the final penalty to be  
11 assessed to each district. General fund balance penalties shall be  
12 assessed to all school districts by April 1.

13 3. Any school district which receives proceeds from a tax  
14 settlement or a Federal Emergency Management Agency settlement  
15 during the last two (2) months of the preceding fiscal year shall be  
16 exempt from the penalties assessed in this subsection, if the  
17 penalty would occur solely as a result of receiving funds from the  
18 tax settlement.

19 4. Any school district which receives an increase in State Aid  
20 because of a change in Foundation and/or Salary Incentive Aid  
21 factors during the last two (2) months of the preceding fiscal year  
22 shall be exempt from the penalties assessed in this subsection, if  
23 the penalty would occur solely as a result of receiving funds from  
24 the increase in State Aid.

1           5. If a school district does not receive Foundation and/or  
2 Salary Incentive Aid during the preceding fiscal year, the State  
3 Board of Education may waive the penalty assessed in this subsection  
4 if the penalty would result in a loss of more than forty percent  
5 (40%) of the remaining State Aid to be allocated to the school  
6 district between April 1 and the remainder of the school year and if  
7 the Board determines the penalty will cause the school district not  
8 to meet remaining financial obligations.

9           6. Any school district which receives gross production revenue  
10 apportionment during the 2002-2003 school year or in any subsequent  
11 school year that is greater than the gross production revenue  
12 apportionment of the preceding school year shall be exempt from the  
13 penalty assessed in this subsection, if the penalty would occur  
14 solely as a result of the gross production revenue apportionment, as  
15 determined by the State Board of Education.

16           7. Beginning July 1, 2003, school districts that participate in  
17 consolidation or annexation pursuant to the provisions of the  
18 Oklahoma School Voluntary Consolidation and Annexation Act shall be  
19 exempt from the penalty assessed in this subsection for the school  
20 year in which the consolidation or annexation occurs and for the  
21 next three (3) fiscal years.

22           8. Any school district which receives proceeds from a sales tax  
23 levied by a municipality pursuant to Section 22-159 of Title 11 of  
24 the Oklahoma Statutes or proceeds from a sales tax levied by a

1 county pursuant to Section 1370 of Title 68 of the Oklahoma Statutes  
2 during the 2003-2004 school year or the 2004-2005 school year shall  
3 be exempt from the penalties assessed in this subsection, if the  
4 penalty would occur solely as a result of receiving funds from the  
5 sales tax levy.

6 9. Any school district which has an amount of carryover in the  
7 general fund of the district in excess of the limits established in  
8 paragraph 1 of this subsection during the fiscal years beginning  
9 July 1, 2020, July 1, 2021, July 1, 2022, and July 1, 2023, shall  
10 not be assessed a general fund balance penalty as provided for in  
11 this subsection.

12 10. For purposes of calculating the general fund balance  
13 penalty, the terms "carryover" and "general fund balance" shall not  
14 include federal revenue.

15 H. In order to provide startup funds for the implementation of  
16 early childhood programs, State Aid may be advanced to school  
17 districts that initially start early childhood instruction at a  
18 school site. School districts that desire such advanced funding  
19 shall make application to the State Department of Education no later  
20 than September 15 of each year and advanced funding shall be awarded  
21 to the approved districts no later than October 30. The advanced  
22 funding shall not exceed the per pupil amount of State Aid as  
23 calculated in subsection D of this section per anticipated Head  
24 Start eligible student. The total amount of advanced funding shall

1 be proportionately reduced from the monthly payments of the  
2 district's State Aid payments during the last six (6) months of the  
3 same fiscal year.

4 I. 1. Beginning July 1, 1996, the Oklahoma Tax Commission,  
5 notwithstanding any provision of law to the contrary, shall report  
6 monthly to the State Department of Education the monthly  
7 apportionment of the following information:

- 8 a. the assessed valuation of property,
- 9 b. motor vehicle collections,
- 10 c. R.E.A. tax collected, and
- 11 d. gross productions tax collected.

12 2. Beginning July 1, 1997, the State Auditor and Inspector's  
13 Office, notwithstanding any provision of law to the contrary, shall  
14 report monthly to the State Department of Education the monthly  
15 apportionment of the proceeds of the county levy.

16 3. Beginning July 1, 1996, the Commissioners of the Land  
17 Office, notwithstanding any provision of law to the contrary, shall  
18 report monthly to the State Department of Education the monthly  
19 apportionment of state apportionment.

20 4. Beginning July 1, 1997, the county treasurers' offices,  
21 notwithstanding any provision of law to the contrary, shall report  
22 monthly to the State Department of Education the ad valorem tax  
23 protest amounts for each county.

1           5. The information reported by the Tax Commission, the State  
2 Auditor and Inspector's Office, the county treasurers' offices and  
3 the Commissioners of the Land Office, pursuant to this subsection  
4 shall be reported by school district on forms developed by the State  
5 Department of Education.

6           SECTION 2.       NEW LAW       A new section of law to be codified  
7 in the Oklahoma Statutes as Section 18-200.2 of Title 70, unless  
8 there is created a duplication in numbering, reads as follows:

9           The State Department of Education shall include in its annual  
10 budget request required pursuant to Section 34.36 of Title 62 of the  
11 Oklahoma Statutes the amount of protested ad valorem tax revenues  
12 held as prescribed in Section 2884 of Title 68 of the Oklahoma  
13 Statutes for all school districts in this state for the preceding  
14 year.

15           SECTION 3. This act shall become effective September 1, 2023.

17           59-1-553           EB           1/19/2023 11:34:33 AM