

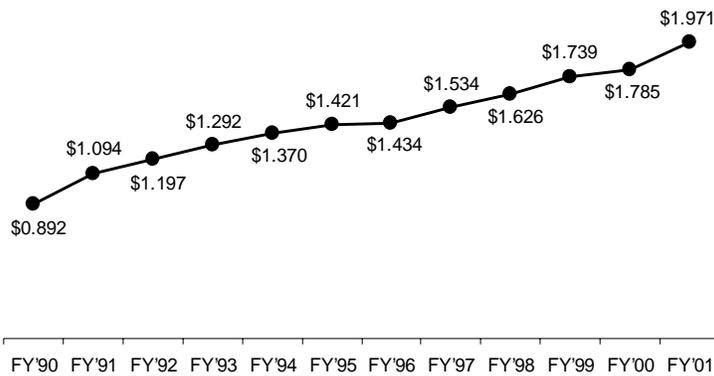


COMMON EDUCATION

National studies have consistently concluded that a quality educational system is strongly associated with positive economic and social outcomes for children and families. Over the past ten years, the Legislature has implemented a number of education reforms targeted at improving student achievement and educational outcomes in Oklahoma. These initiatives involve every aspect of education – from early childhood education to strong reading skills to rigorous high school standards. This chapter provides an overview of the Oklahoma common education system, and highlights reform initiatives implemented to improve student outcomes across the pre-kindergarten through twelfth-grade years.

APPROPRIATIONS FOR PUBLIC SCHOOLS

Common Education Appropriation History
FY'90 through FY'01 (in Billions)

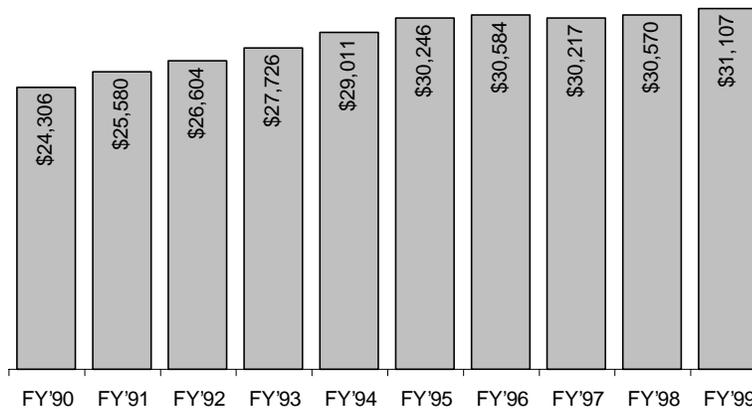


The largest single appropriation made by the Legislature supports the state's public school systems. For FY'01, 36.83% of all appropriations were for common education. If funding for higher education and career and technology education are added, the education share increases to 54.42%.

Teacher Salaries

Most funding for common education is related to personnel costs of schools. Since FY'90, legislators have focused on raising the salaries of classroom teachers. Between FY'90 and FY'99, the average salary for instructional staff has increased 28%, an average annual increase of 3.1%.

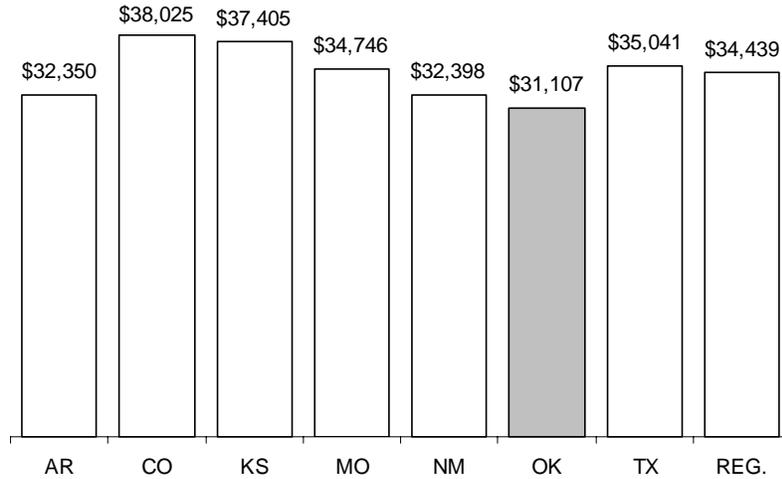
Average Instructional Staff Salaries in Oklahoma
FY'90 through FY'99 (excludes fringe benefits)



While school districts ultimately set teacher salaries, lawmakers have chosen to mandate minimum salaries in statute (70 O.S. 18-114.7). This policy has resulted in significant gains for beginning teachers, bringing Oklahoma's first-year teacher salary to parity with regional states. Since FY'90, the minimum teacher salary for a first-year teacher has increased from \$17,000 in FY'90 to \$27,060 in FY'01 (a portion of fringe benefit costs may be counted toward salary for minimum-salary purposes). This represents a 58% increase in salary over ten years.

However, salaries for experienced teachers in Oklahoma lag behind regional averages significantly.

Average Teacher Salaries for Oklahoma and the Region
1998 – 1999 School Year



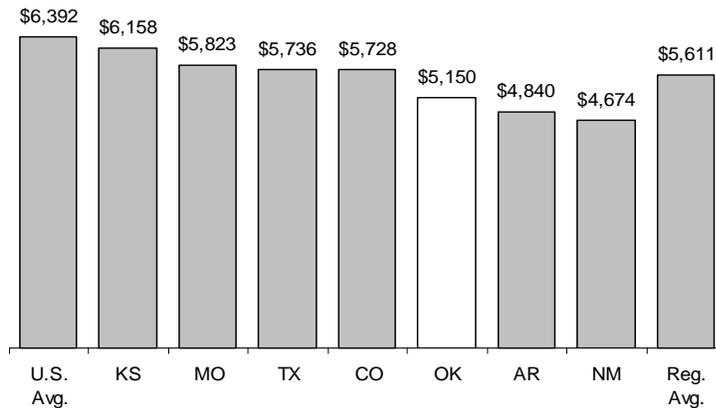
Note: The above comparison excludes a \$3,000 across-the-board teacher pay raise that was enacted by the Oklahoma Legislature for the 2000-2001 school year.

After a teacher's second year of service, the statutory schedule provides a minimum salary increase of \$332 or 1% for each additional year of teaching experience. This resulting salary stagnation has been the focus of recent reform initiatives (see Public School Reform Initiatives). In the 2000 session, lawmakers provided a \$3,000 across-the-board increase in teacher salaries. Previous reforms gave teachers who earn a master's degree or doctorate an additional \$1,106 annually for each degree.

Per-Pupil Expenditures

The National Center for Education Statistics (NCES) provides per-pupil expenditure comparisons for all states. Per pupil expenditure statistics from the NCES are considered the most consistent and accurate source of information comparing state funding efforts for common education. Each state's number is calculated by dividing the total amount of funds expended for education by the number of students in the state. The analysis includes all funding sources – local, state and federal. Historically, Oklahoma has spent well below the national and regional averages on education.

Per-Pupil Spending for Oklahoma and the Region FY'97



Source: National Center on Education Statistics 1999

Much of the state's focus on common education is aimed at reducing inequities in total funding available to various school districts (see Distribution of Appropriated Funds below). For FY'98, the Oklahoma average per pupil expenditure (PPE) including all funds was \$4,956/student. Of the 546 school districts in that year, 47% were within 10% of the Oklahoma average PPE of \$4,596, 41.5% were above 110% and 11% were below 90% of the average.

Funding Sources for Local School Districts

Public funding for Oklahoma's public schools comes from four sources:

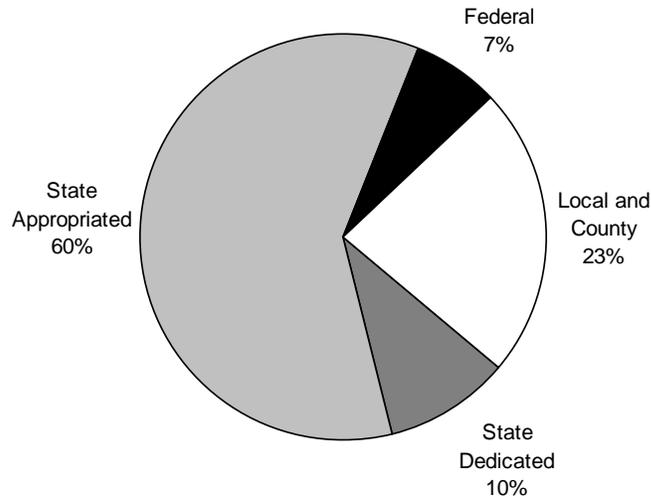
- state appropriated revenue;
- local and county revenue;
- state dedicated revenue; and
- federal funds.

State Appropriations: The annual legislative appropriation has risen steadily since FY'89 and comprised more than 60% of all common school funding in FY'99. Additional state funding comes from dedicated sources outlined below.

Local and County Funds: Local governments assess ad valorem taxes on property owners to support schools. The Oklahoma Constitution provides parameters for local millage assessments. For general fund use,

each district is allowed to charge a maximum of 35 mills (a mill is 1/1000 of a dollar) on the assessed value of the district's real, personal and public service property. For the 1998-99 school year, all 547 districts levied the maximum millage. There is also an automatic four-mill county levy for each district. In addition to these operational funds, all districts make some use of the five-mill building-fund levy, and 71% of the districts utilize a sinking-fund levy. The sinking-fund levy is used to pay for local bond issues for capital improvements and maintenance. Bond issues must be approved by a 60% majority of a district's voters.

Revenue Sources for School Districts
1998 - 1999 School Year



State Dedicated Revenue: Statutory and constitutional dedication of state revenue accounts for 10% of total revenue and comes from the following sources:

- Gross Production Tax – 10% of gross production taxes on extraction and production of certain raw materials from each county is allocated back to that county for the support of schools.
- Vehicle License and Registration – 35% of tag and registration fees are apportioned to local schools.
- Rural Electric Association Cooperative Tax – An assessment on rural electric cooperatives, paid in lieu of property taxes, generates revenues for schools.

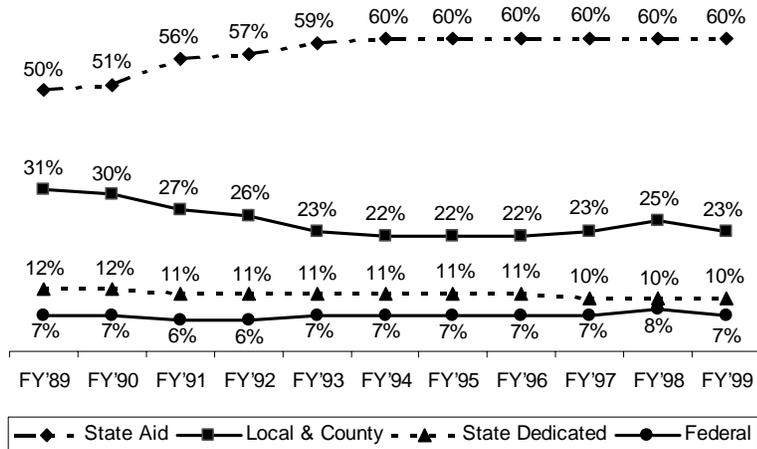
- School Land Earnings – Rental earnings from state-held school lands and interest from investments are distributed to school districts statewide based on average daily attendance.

Federal Funds: Federal funds comprise the smallest share of total revenue, ranging from 6% to 7% between FY'89 and FY'99. All federal funds are dedicated to specific programs for target populations (e.g., school lunch programs, special education, etc.).

Historical Changes in Funding Sources for Schools

The funding mix for schools has changed radically during the state's history. Local revenues from property taxes, which in 1976 accounted for 40% of school funding, now contribute less than one-fourth of revenue. Legislative appropriations from state revenue sources have been the principal source of total funding growth, and since FY'94 have accounted for 60% of the funding mix.

General Funding for Common Schools by Source
(Percentage of Total Funding)



Source: State Department of Education reports

Distribution of Appropriated Funds

For FY'01, about 80% of the annual appropriation for common education was distributed to local districts based on the statutory State Aid Funding Formula, which is designed to equalize funding among districts. Nineteen percent of the funds are for special funding items such as

textbooks, alternative education programs, advanced placement incentives, etc. The remaining 1% is for operations of the State Department of Education. In FY'99, 89% of state common education funds were distributed through the State Aid Funding Formula, 10% of the funds were targeted for specific items such as textbooks and alternative education, and 1% was appropriated to the State Department of Education for administration.

State Aid Funding Formula

The State Aid Funding Formula is set in statute and distributes funds through three categories: Foundation Aid, Incentive Aid, and Transportation Aid.

- **Foundation Aid** is calculated on the basis of the highest average daily membership (ADM) of students in each district for the preceding two years. To this figure, weights are applied to determine the "weighted ADM." Weighting recognizes that educational costs vary by district and by student. Students with special educational needs (impaired vision, learning disabilities, physical handicaps, etc.) are given additional weighting because additional costs will be incurred in providing these students an opportunity to learn. Grade-level weightings are used to account for variations in the cost of teaching different grade levels. To compensate for higher costs associated with smaller schools, weighting is also granted to isolated districts or districts with fewer than 529 students. Weighting is also provided for economically disadvantaged students.

The weighted ADM for a district is then multiplied by the Statutory Foundation Support Level (\$1,302 per weighted ADM for the 2000-2001 school year). From this figure, a portion of a district's local revenues and all of its state-dedicated revenues are subtracted to arrive at the Foundation Aid amount.

- **Incentive Aid**, also called Salary Incentive Aid, guarantees each district a minimum amount of funding per weighted student for each mill of local ad valorem taxes levied above 15 mills. For the 2000-2001 school year, the amount is \$1,237.60.

To calculate Incentive Aid, the weighted ADM is multiplied by the Incentive Aid Guarantee. A factored amount of local support is then subtracted. The number of mills the district levies over 15 is then multiplied by the resulting figure. The product is the district's Incentive Aid.

- **Transportation Aid** is provided to districts for transporting all students who live more than 1.5 miles from school. These students, the “average daily haul,” is multiplied by the per capita transportation allowance and the transportation factor (set by statute). The per capita transportation allowance is based on the district’s population and provides greater weight to sparsely populated areas.

In 1997, the State Aid Funding Formula was changed to allow school districts to receive additional funding for current year student growth. This eliminated the need for a mid-term supplemental appropriation due to student increases.

Public School Reform Initiatives

Oklahoma’s public schools have undergone significant changes since FY’89. Many of these changes are the direct result of the enactment of the landmark Educational Reform Act of 1990, House Bill 1017. The Legislature appropriated more than \$560 million over five years to implement a wide range of reform policies.

- **Reduced class sizes:** For kindergarten through sixth grades, a student teacher ratio of 20:1 is mandated. For students in grades seventh through twelfth, the maximum number of students allowed per teacher is 140 per day. Failure to comply with class size limits results in sanctions, which are authorized by statute. The amount of funding withheld from school districts for exceeding class size limits decreased from \$989,866 in FY’92 to \$28,479 in FY’00, a reduction of 97%.
- **Exemptions:** Some classrooms are exempted from calculations of class size limits:
 - ✓ If the class taught is a physical education or music class;
 - ✓ If the classroom exceeds the limit within the first nine weeks of school;
 - ✓ If the creation of an additional class will cause a class to have fewer than 10 students in kindergarten through grade three, and fewer than 16 for grades four through six.
 - ✓ If a teacher’s assistant is employed to serve in classrooms that exceed the class size limitation.
 - ✓ If the school district has voted indebtedness through the issuance of bonds for more than 85% of the maximum allowable pursuant

to the provisions of Section 26 of Article X of the Oklahoma Constitution; or

- ✓ If the school district is voting the maximum millage allowable for the support, maintenance and construction of schools.

- **Minimum Teacher Salaries.** The minimum required salary for a beginning teacher increased from \$17,000 in FY'91 to \$24,060 in FY'94.
- **Funding Equity:** The Legislature achieved more equity in student funding by appropriating over \$100 million in the state aid formula.
- **Early Childhood Programs:** HB 1017 and follow-up legislation mandated and funded half-day kindergarten for all children and provided funding for half-day four-year-old programs.
- **School Regulation and Consolidation:** The initiative provided limited deregulation and reduction of school districts from 611 in 1988 to 544 in the 2000-2001 school year..
- **Statewide Testing:** HB 1017 implemented new statewide testing of children for competence.
- **Accountability:** The Office of Accountability was created to compile student achievement data by school site (see section on Office of Accountability below).

Since FY'95, Oklahoma lawmakers have passed a number of reform and funding measures targeted to improve student achievement. These include:

- creating the Oklahoma Advanced Placement Grant Program;
- creating the Reading Sufficiency Act for children in K-3;
- increasing teacher salaries for teachers with 16 to 25 years of experience;
- increasing funding for early childhood programs; and
- creating the Education Leadership Oklahoma program which provides teachers who are National Board certified with an annual \$5,000 stipend.

The Legislature's most recent reform initiatives were HB 1759 (1999) and HB 2728 (2000). Together, the bills enacted a myriad of early childhood and high school curriculum reforms in the K-12 system. Reforms included:

- **Rigorous high school curriculum requirements:** Four years of English, and three years each of math, history and science are required.
- **Charter schools:** Charter schools may operate in 15 school districts in Oklahoma and must be sponsored by either the local school district, or local career and technology center. In 2000-2001, Oklahoma City opened four charter schools, and Tulsa opened two.
- **College Scholarships:** The Oklahoma Tuition Scholarship Program was created and the family income eligibility for the Oklahoma Higher Learning Access Program was increased from \$32,000 to \$50,000.

Under HB 1759, some new initiatives are contingent on the state meeting a national funding benchmark. The following programs will be implemented once Oklahoma reaches 90% of the National Center for Education Statistics (NCES) regional average in per-pupil expenditures for the 1998-1999 school year or subsequent years:

- Full-day kindergarten will be made available to all children in Oklahoma.
- Summer Academies will be required for children in third through eighth grades to provide remediation for children. Children who do not successfully complete summer academies may not be promoted to the following grade.
- Annual stipends for National Board certified teachers will be increased from \$5,000 to \$7,000.
- Alternative education programs are authorized for middle schools and urban elementary schools.
- An Academic Performance Index will be established to measure performance of schools across the state.

Per-pupil expenditure information for 1998-1999 will be available from NCES in the 2001-2002 school year.

EARLY CHILDHOOD EDUCATION

Recent studies indicate a strong positive correlation between quality early childhood programs and positive developmental, social and economic outcomes for children.

The Legislature has supported a range of early childhood developmental programs covering such areas as health care, developmental disabilities, child abuse prevention, parent education and early childhood education. These programs provide valuable developmental, health and educational services designed to ensure children under the age of 5 will be healthy and ready to learn once they enter kindergarten.

The following programs are either funded through the State Department of Education or in partnership with schools across the state.

SoonerStart

Funded through the State Department of Education, SoonerStart is a collaborative program which provides nursing, nutrition and case management services as well as physical, occupational and speech-language therapy to children who are disabled or developmentally delayed from birth to 36 months. In FY'00, the program served more than 6,977 children and had a budget of \$15.1 million.

Head Start

Head Start is a state- and federally-funded program which provides developmental, health and parent educational services to low-income children aged 3 through 5 and their families. Oklahoma is one of the few states that provide state supplements for Head Start.

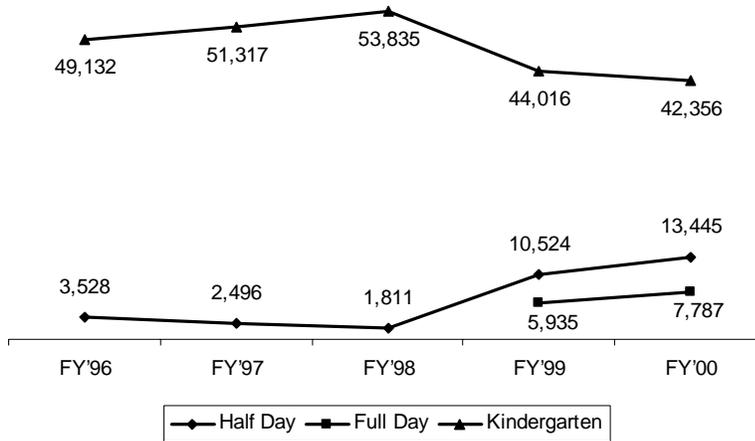
For FY'01, the Legislature appropriated more than \$3.3 million, an increase of more than 600% since FY'92 when the Legislature initiated state funding of the program with a \$423,000 appropriation. Oklahoma's program received \$50.5 million in federal funds in FY'01. State funds are appropriated to the Oklahoma Department of Commerce for administration and management of the program.

In FY'99, the program served 14,215 children. Of this number, over 8,600 children were 4 years old, 4,900 were 3 years old, and 335 were 5 years old. Despite recent gains, Head Start still serves almost half of the eligible three- and four-year-old population. In FY'99, Oklahoma's average cost per child was \$4,231 and the national average was \$5,147.

Programs for Four-Year-Olds

Free half-day and full-day programs for four-year-olds are offered by school districts across the state. These programs provide developmentally appropriate activities that focus on helping children to be ready for kindergarten. In 1998, the Legislature increased funding available to schools to provide these programs. Enrollment in this program has increased dramatically since then.

Growth in Early Childhood Education Programs
FY'96 through FY'00



Oklahoma Parents as Teachers

The Oklahoma Parents as Teachers program is a voluntary home-school partnership that emphasizes the importance of the parents' role as the first teacher of children. The program receives more than \$2.9 million in state funds and serves more than 7,543 children in 6,800 families.

STUDENT TESTING

One of the most quantifiable methods to measure student success across the nation is standardized test scores. Oklahoma requires a number of state and national tests from third grade through high school.

In 1985, the Legislature laid the foundation for a comprehensive testing system with the Oklahoma School Testing Program. Since that time the program has undergone a number of changes. For the 2000-2001 school

year, children attending public schools or charter schools are required to participate in the following tests:

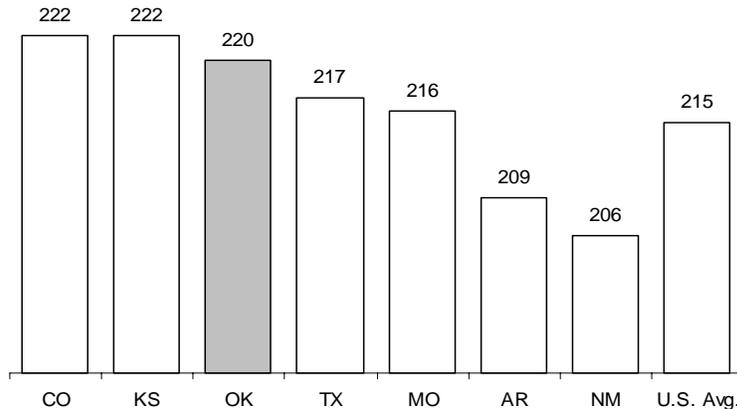
- norm-referenced tests for the third and seventh grades;
- Core Curriculum tests for the fifth and eighth grades; and
- English and history proficiency tests for high school graduation.

The third grade norm-referenced test will be moved to a fourth grade norm-referenced test once funding to implement a third grade criterion-reference test is provided. State statute also mandates the implementation of Algebra I and Biology end-of-instruction tests for high school graduation for the 2002-2003 school year.

From FY'95 to FY'99 test scores for Oklahoma students in the fifth and eighth grades improved in every subject area except one (fifth grade writing). From FY'98 to FY'99, the national percentile ranks for Oklahoma students in third and seventh grades increased from 1% to 3% in various subject areas.

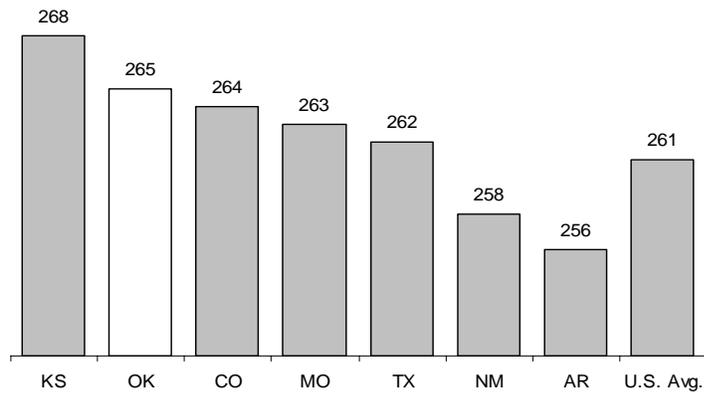
In addition to the above tests, the National Assessment of Educational Progress (NAEP), a standardized national test, is administered to a sample number of students in the 4th and 8th grade. The NAEP is used to compare students' educational achievements across the nation.

Comparison of NAEP Scores for Fourth-Grade Reading 1998



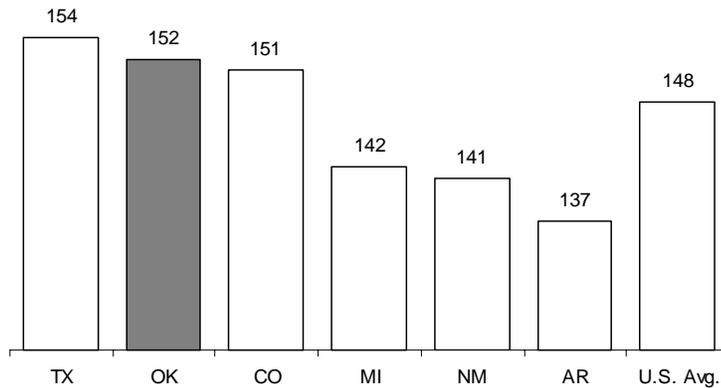
Of the 39 states participating in the 1998 Fourth Grade Reading NAEP, 10 states scored higher than Oklahoma and 28 scored lower.

Comparison of NAEP Scores for Eighth Grade Reading 1998



Of the 36 states participating in the 1998 Eighth Grade Reading NAEP, nine states scored higher than Oklahoma, two states scored the same and 24 states scored lower.

Comparison of NAEP Scores for Eighth Grade Writing 1998

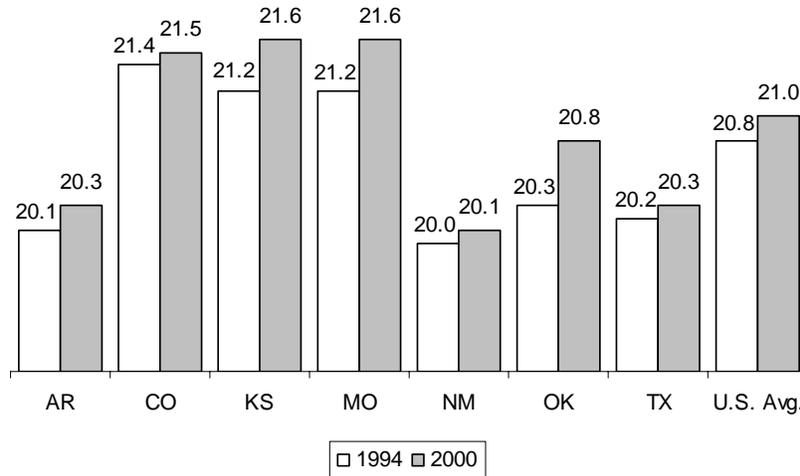


Of the 35 states participating in the Eighth Grade Writing NAEP, six states scored higher than Oklahoma and 28 states scored lower.

American College Test (ACT)

More than 70% of high school seniors in Oklahoma participate in the American College Test (ACT) for college admission. Between 1994 and 2000, Oklahoma's average score has increased from 20.3 to 20.8. This increase has occurred at the same time that the percentage number of students taking the ACT has increased from 66% to 71%. Oklahoma's rate of growth in test scores more than doubles the national average during the period.

Oklahoma Students' ACT Score Comparison
1994 through 2000



Office of Accountability

Pursuant to the Oklahoma Educational Reform Act of 1990 (HB 1017), the state created the Office of Accountability. Among other duties, the office provides an annual Oklahoma Educational Indicators report delineating the performance of various public schools and school districts. Every year, the office issues "report cards" for each school district and provides the information to the public.

HB 1759 (1999) mandated the establishment of an Academic Performance Index (API) to measure the performance of schools. The index will include analysis of student attendance rates, dropout rates, test results, advanced-placement participation, graduation rates, ACT scores and college remediation rates.

In addition to collecting and developing the index, the State Board of Education is responsible for setting annual growth targets for the state level, school districts and individual schools based on the initial API. Implementation of the API is contingent upon the state meeting a school-funding benchmark (see Public School Reform Initiatives). This information will be available in the 2001-2002 school year.

TECHNOLOGY

There is no question that for Oklahoma's students to successfully compete across the nation and the world, they must have access to technology and learn how to use it. According to a 1999 report of the federal General Accounting Office, there are more than 35 programs in eight federal agencies that provide funding for technology investments. Ten of these programs specifically target technology while the other 25 allow technology investments.

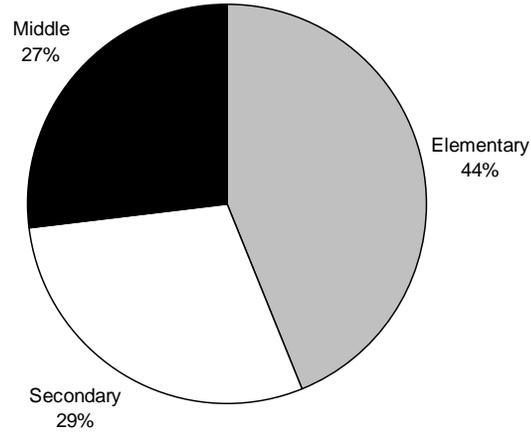
The state does not provide any direct funding for technology, but local school districts may use any state funds appropriated through the State Aid fund or in their general funds for technology purchases or investments. Both the State Department of Education and the State Department of Career and Technology Education (formerly Vo-Tech) provide instructional technology training for teachers across the state.

A survey conducted by the State Department of Education indicates that schools serving the poorest students have fewer computers.

Other results of the survey:

- The state average ratio of students to modern computers is 7.27:1.
- Schools serving students that fall in the 3rd Quartile have participated in the federal Technology Literacy Challenge Fund, which provides funding to high-poverty schools with the greatest technology need.
- The northwest region of the state has the highest student-to-computer ratio at 17.8:1, while the other three regions range from 7.3:1 to 7.9:1.
- Of the schools who have Internet access, 61% are using higher-speed connections.
- 47% of schools are One-Net users, the statewide telecommunications network developed by the State Regents for Higher Education.

Oklahoma Classroom Internet Access by Grade Level



Source: November 1999 State Department of Education School Technology Survey

- Between 44% to 51% of teachers in various regions of the state have been trained on the use of the Internet as an instructional tool.
- Since 1999, 82% of Oklahoma's schools have applied for the federal e-rate program, which provides grants for Internet access.