

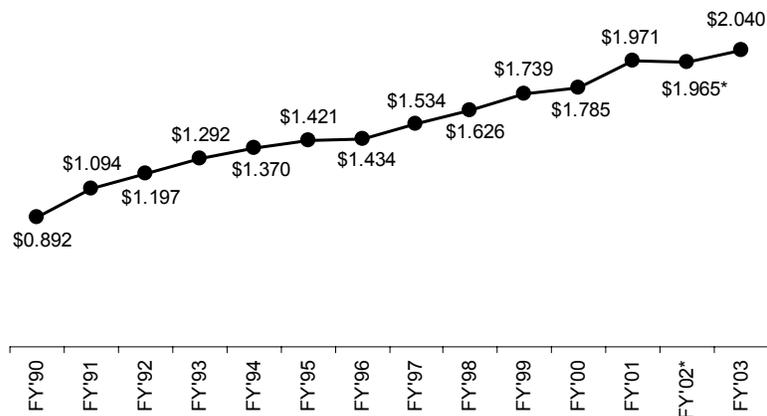


COMMON EDUCATION

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 twelve years, the Legislature has implemented a number of reforms in education to improve 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'03 (In Billions)



* Due to a statewide revenue shortfall the agency's appropriations were reduced by 3%.

The largest single appropriation made by the Legislature supports the state's public school systems. For FY'03, 36.99% of all appropriations were for common education. If funding for higher education and career and technology education is added, the education share increases to 54.81%.

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: Annual legislative appropriations have risen steadily since FY'89 and comprised more than 49.5% of all common school funding in FY'01. Additional state funding comes from dedicated sources outlined below.

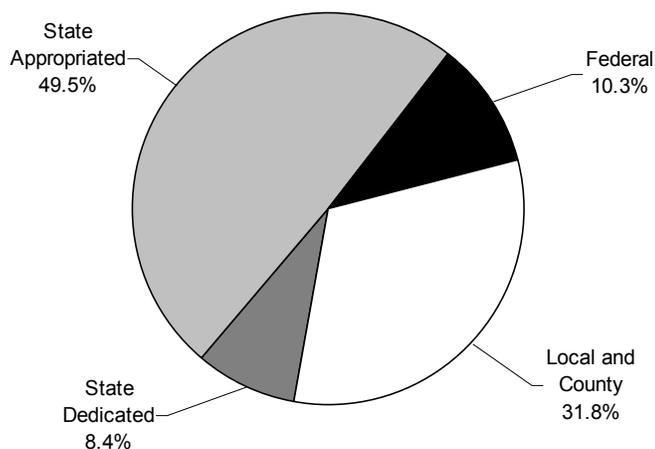
Local and County Funds: Local governments assess ad valorem taxes on property owners to support schools. The Oklahoma Constitution provides parameters for local millage assessments. For general fund use, each district is allowed to charge a maximum of 35 mills (a mill is 1/1000 of a dollar) on the assessed value of the district's real, personal and public service property. For the 2002-2003 school year, all 543 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 74 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.

State Dedicated Revenue: Statutory and constitutional dedication of state revenue accounts for 8.4% of total common school 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. These funds are managed and distributed by the Commissioners of the Land Office

Revenue Sources for School Districts 2000-2001 School Year



Federal Funds: Until recently federal funds comprised the smallest share of total revenue, ranging from 6% to a little over 10% between FY'89 and FY'01. All federal funds are dedicated to specific programs for target populations (e.g., school lunch programs, special education, economically disadvantaged, etc.).

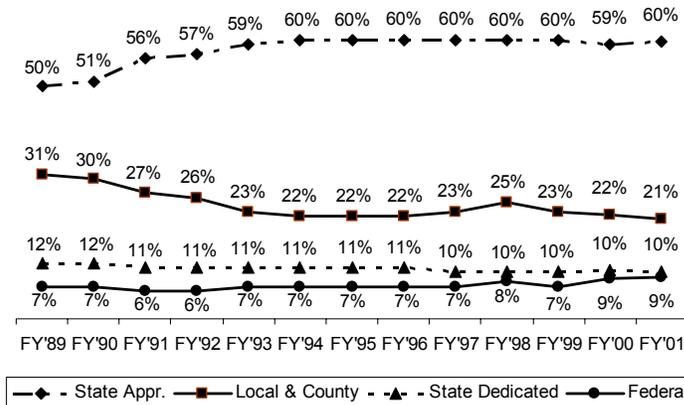
Distribution of Appropriated Funds

For FY'03, over 77% of the annual appropriation for common education will be distributed to local districts based on the statutory State Aid Funding Formula, which is designed to equalize funding among districts. Twenty-three percent of the funds are for special funding items such as textbooks, alternative education programs, advanced placement programs, 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.

Historical Changes in Funding Sources for Schools

General funding which comprises 82% of all expenditures for schools has changed radically during the state's history. Local revenues from property taxes, which in 1976 accounted for 40% of general school funding, now contribute less than one-fourth of revenue. Legislative appropriations from state revenue sources have been the principal source of total general funding growth and since FY'94 have accounted for 60% of the funding mix.

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



Source: State Department of Education reports

State Aid Funding Formula (Section 18-200.1 of O.S. 70)

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 or the first nine weeks of the current school year. 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 (\$1,359 per weighted ADM for the 2002-2003 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 up to 20 mills of local ad valorem taxes levied above 15 mills. For the 2002-2003 school year, the amount is \$1,280.40.

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", are 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.

History of Oklahoma State Aid Factor Per Weighted ADM FY'90 Through FY'03

Fiscal Year	Foundation Aid	Incentive Aid Factor	Total Amount/WADM	Dollar Increase	% Change in Total Amount
FY'90	\$1,004.00	\$43.97	\$1,883.40		
FY'91	\$1,000.00	\$47.69	\$1,953.80	\$70.40	3.7%
FY'92	\$1,064.00	\$51.08	\$2,085.60	\$131.80	6.7%
FY'93	\$1,098.00	\$53.14	\$2,160.80	\$75.20	3.6%
FY'94	\$1,139.00	\$55.12	\$2,241.40	\$80.60	3.7%
FY'95	\$1,149.00	\$56.01	\$2,269.20	\$27.80	1.2%
FY'96	\$1,165.00	\$56.51	\$2,295.20	\$26.00	1.1%
FY'97	\$1,195.00	\$58.17	\$2,358.40	\$63.20	2.8%
FY'98	\$1,216.00	\$58.47	\$2,385.40	\$27.00	1.1%
FY'99	\$1,239.00	\$59.93	\$2,437.60	\$52.20	2.2%
FY'00	\$1,271.00	\$61.69	\$2,504.80	\$67.20	2.8%
FY'01	\$1,320.00	\$62.92	\$2,578.40	\$73.60	2.9%
FY'02*	\$1,377.00	\$64.81	\$2,673.20	\$94.80	3.7%
FY'03	\$1,359.00	\$64.02	\$2,639.40	\$94.80	-1.3%

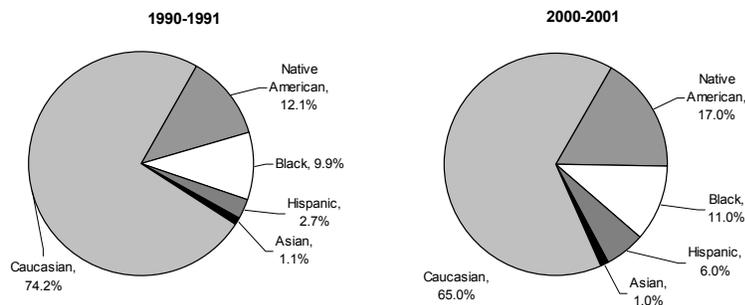
* Due to a revenue shortfall in FY'02, each district's total state aid was reduced by 3.8%.

Much of the state's focus on common education funding is aimed at reducing inequities in general funding available to various school districts. This number is reflected in the average per pupil expenditures per weighted average daily membership. For FY'01, the Oklahoma average per pupil expenditure per weighted average daily membership including all funds was \$6,284/student. Of the 543 school districts in that year, 98.3% were within 10% of the Oklahoma average of \$2,569.90.

STUDENT DEMOGRAPHICS

Over the past decade Oklahoma's student population has experienced a number of changes. While the total number of students enrolling in school has only increased by 7.5% from FY'91 through FY'01 from 579,167 to 623,110, the number of children enrolled in four-year-old programs has increased dramatically. From FY'91 to FY'01 the number of children enrolled in four-year-old programs increased by over 900% from 2,386 to 25,707. There have also been some small but significant changes in student enrollment by race and ethnicity. The percentage of Hispanic children enrolled in Oklahoma schools increased over 100% from FY'91 to FY'01, going from 2.7% to 6%.

Public School Enrollment by Race/Ethnicity 1990-1991 and 2000-2001



The most significant enrollment increases by race and ethnicity occurred in the Hispanic population. Oklahoma City's Hispanic population increased by over 212%, from 3,170 Hispanic students in FY'91 to 9,897 Hispanic students in FY'02. For this time period Hispanic students as a percent of the total student population increased from 8.7% to 24.5%. Guymon experienced a similar increase with their student population. From FY'01 through FY'02 Hispanic students as a percent of their total student population increased from 18.6% to 48.5%.

The number of children identified in need of special education services increased by 19.2% (13,818) from 71,760 children in FY'94 to 85,578 in FY'00. Of this number, over 9,816 children were identified in the Specific Learning Disability

category. This category includes children diagnosed with Attention Deficit Disorder (ADD) and Attention Deficit Hyperactivity Disorder (ADHD).

One aspect of the state's student population that has not changed significantly is the number of students residing in urban or rural school districts. Twenty-four percent of the students in Oklahoma are enrolled in 76.6% of our smallest school districts.

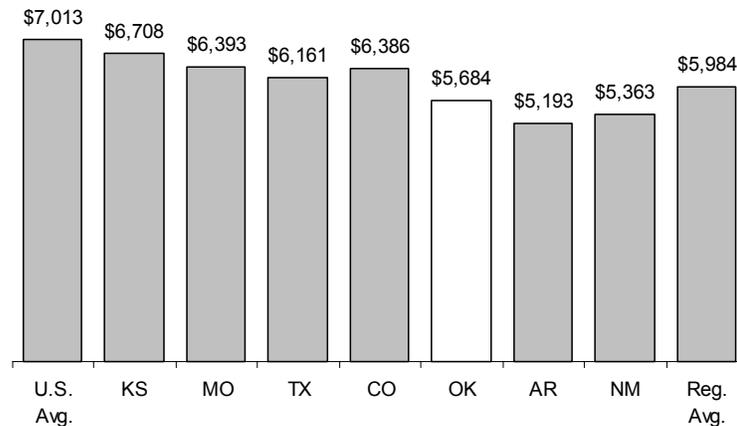
Oklahoma has 543 school districts with 1,029 elementary schools, 306 middle schools and 467 senior highs. When compared nationally, Oklahoma ranks 9 out of the 50 states with the largest number of school districts.

EXPENDITURES

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 average daily attendance of public school students in the state. The analysis includes all funding sources – local, state and federal. Historically, Oklahoma has spent below the national and regional averages on education.

Per-Pupil Spending for Oklahoma and the Region
FY'99



Source: National Center on Education Statistics 2002, Digest of Education 2001

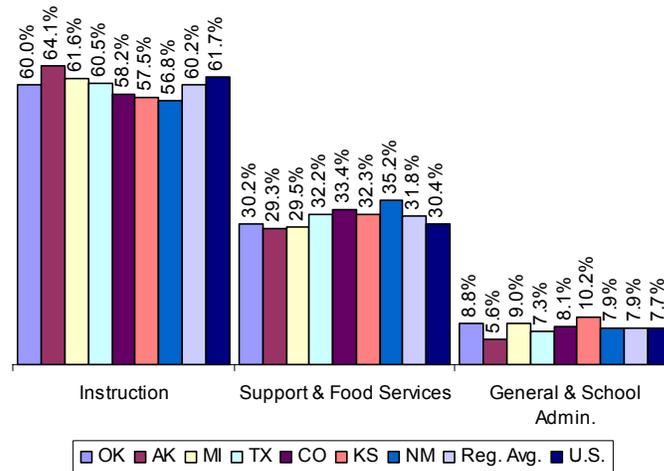
Oklahoma is at 93% of the regional average. To attain the regional average the state would need to appropriate over \$246.3 million in additional state funds for

education. Nationally, Oklahoma ranks 42 out of 51 states and the District of Columbia in annual per-pupil expenditures. New Jersey ranks first with \$10,748 in annual per-pupil expenditures and Utah ranks last with \$4,478 in annual per-pupil expenditures for FY'99.

Expenditures by Function

When looking at expenditures by function for the 1998-1999 school year, Oklahoma spends 60% of their expenditures on instruction. This is 1.7% less than the national average and .2% less than the regional average. Support services expenditures include food services, transportation costs, medical costs, counseling, testing and business services. General and school administration expenditures include costs associated with the office of the superintendent, district board of education, board treasurer, school election costs and school principals. Oklahoma spends below the regional and national average on support services but above the regional and national average on administration expenditures.

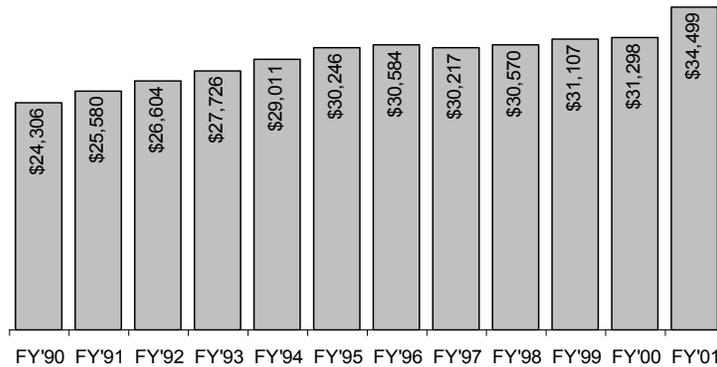
Percentage of School Expenditures by Function
Oklahoma and Surrounding States
1998 Through 1999



Teacher Salaries

Since FY'90, legislators have focused on raising the salaries of classroom teachers. Between FY'90 and FY'03, the average salary for instructional staff has increased 42%, an average annual increase of 3.2%.

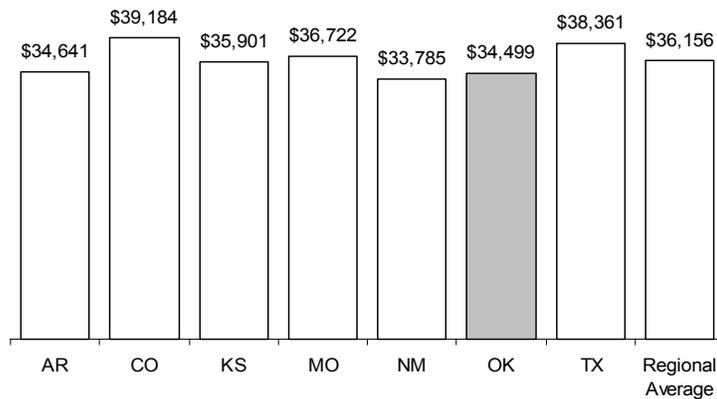
Average Instructional Staff Salaries in Oklahoma
 FY'90 Through FY'01 (Excludes Fringe Benefits)



Source: State Department of Education State Aid

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. The average first-year salary for teachers in Oklahoma is second highest in the region. 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'03 (a portion of fringe benefit costs may be counted for minimum-salary purposes). This represents a 58% increase in salary in 13 years.

Average Teacher Salaries for Oklahoma and the Region
 2000-2001 School Year



Source: OEA Table

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

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.

Health Insurance: Increasing health care costs have become one of the top priorities for educators and legislators. To remain competitive with surrounding states' teacher salaries and benefits, the Legislature substantially increased health insurance coverage for certified personnel during the 2002 Legislative session in HB 1968. While this bill implemented a number of other changes, the most significant amendment was to teachers' health insurance. Section 1310.1 of Title 70 was amended to increase the percentage of health insurance covered by school districts from 50% to 75% for certified personnel for FY'03 and to 100% for FY'04 and subsequent years. With the increased flexible benefit allowance offset outlined below, school districts' portion of the cost will remain approximately 17%.

The bill increased the amount of state funding provided to offset the cost of health insurance for full-time certified and support personnel by providing 58% of the cost of the HealthChoice Hi-option health insurance premium for certified personnel who select health insurance for FY'03 and 83% of the cost of this premium for FY'04. This is a 28% increase in coverage for certified personnel in FY'03 and another 25% increase in FY'04. Certified personnel electing not to receive health insurance coverage have the choice of receiving \$69.71/month in taxable compensation.

Full-time support personnel electing health insurance coverage will receive state funding equivalent to the HealthChoice Hi-option in FY'03 and subsequent years. Personnel electing not to enroll in health insurance coverage may receive \$189.69/month in taxable compensation.

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 \$565 million over five years to implement a wide range of reform policies.

- **Reduced class sizes:** The Legislature appropriated \$30 million for districts to hire more teachers to comply with reductions in class size requirements. 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 \$101,156 in FY'02, a reduction of 89.8%.
- **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.** Over \$319.6 million was appropriated to increase the minimum salary for a beginning teacher 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 \$88 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 \$8.4 million 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.
- **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 earn National Board Certification 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. For the 2002-2003 school year, Oklahoma City will have seven charter schools, and Tulsa will have two.

Under HB 1759, these new initiatives were contingent on the state meeting a national funding benchmark. The following programs will be implemented effective July 1, 2003:

- Full-day kindergarten will be made available to all children in Oklahoma no later than three years after July 1, 2003.
- 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 Award will be established to reward schools which have demonstrated improvements in student performance of schools or met certain academic standards across the state.

Since Oklahoma is at 93% of the regional average for per-pupil expenditures for the 1998-1999 school year, these programs will go into effect July 1, 2003. HB 1759 (1999) also 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 was responsible for setting annual growth targets for the state level, school districts and individual schools based on the initial API. The first API rating each school site and district was released during the 2001-2002 school year. These numbers will serve as a baseline for comparing progress and attaining educational standards and awards for future years.

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.

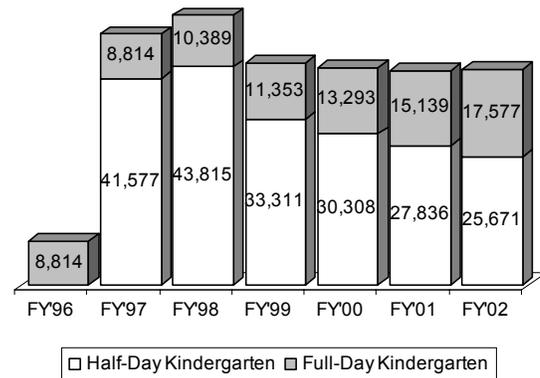
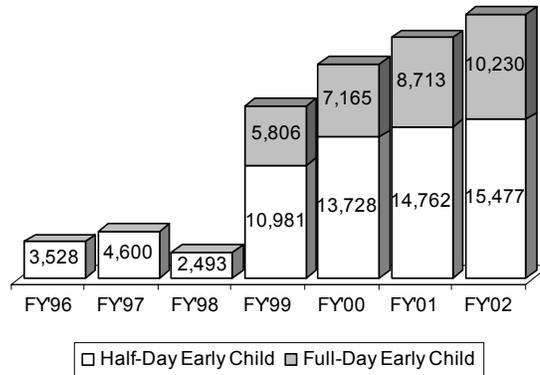
SoonerStart

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'01, the program served more than 7,957 children with a state and federal budget of \$15 million.

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 to prepare children 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'97 Through FY'02



Head Start

Head Start is a state- and federally-funded program which provides developmental, health and parent educational services to low-income children ages 0 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 \$4.3 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 also received over \$72.1 million in federal funds for FY'01. State funds are appropriated to the Oklahoma Department of Commerce for administration and management of the program.

In FY'01, the program served 17,734 children. Of this number, over 7,131 children were 3 years old, 9,655 were 4 years old, and 169 were 5 years old. Despite recent gains, Head Start still serves almost half of the eligible three- and four-year-old population.

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 \$3.1 million in state funds for FY'02 and served more than 9,138 children in 7,748 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.

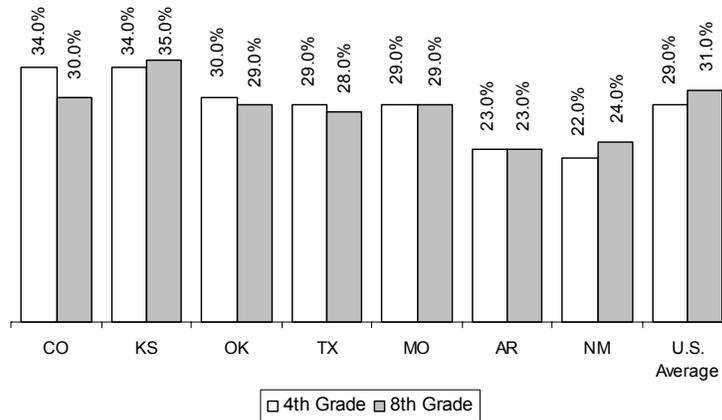
In 1985, the Legislature laid the foundation for a comprehensive testing system with the Oklahoma School Testing Program. Since that time the program has undergone a number of changes. For the 2002-2003 school year, children attending public schools or charter schools are required to participate in the following tests:

<u>Grade Level</u>	<u>Test</u>	<u>Subjects Tested</u>
3rd	Stanford 9	Reading, Math Language Arts
5th	Oklahoma Core Curriculum Test	Reading, Writing, Math, Science, U.S. History, U.S. Constitution, U.S. Government, Geography, Arts
8th	Oklahoma Core Curriculum Test	Reading, Writing, Math, Science, U.S. History, U.S. Constitution, U.S. Government, Geography, Arts
Secondary	OCCT – End of Instruction	English II, U.S. History, Biology I, Algebra I

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.

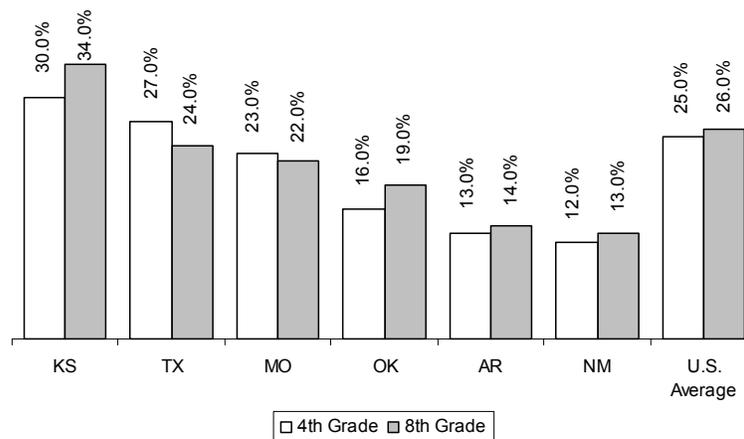
In addition to the above tests, the National Assessment of Educational Progress (NAEP), a standardized national test, is administered to a sample number of students in the 4th and 8th grade. The NAEP is used to compare students' educational achievements across the nation.

4th and 8th Grade 1998 Reading National Assessment for Educational Progress (NAEP) (Percent of Students Scoring at or Above Proficient)



- Of the 39 states participating in the 1998 Fourth Grade Reading NAEP, 10 states scored higher than Oklahoma and 28 scored lower.
- Of the 36 states participating in the 1998 8th Grade Reading NAEP, nine states scored higher than Oklahoma, two states scored the same and 24 scored lower.
- Of the 40 states participating in the 2000 4th Grade Math NAEP, 22 states scored higher than Oklahoma, three scored the same and 14 scored lower.
- Of the 39 state participating in the 2000 8th Grade Math NAEP, 24 states scored higher than Oklahoma, one state scored the same and 13 scored lower.

**4th and 8th Grade 2000 Math
National Assessment for Educational Progress (NAEP)
(Percent of Students Scoring at or Above Proficient)**



Under the newly reauthorized federal Elementary and Secondary Education Act (ESEA) states will be required to implement annual tests in math and reading or language arts for all students in grades three through eight by the 2005-2006 school year. School districts must annually assess limited English proficiency students for proficiency by the 2002-2003 school year. By the 2007-2008 school year states must assess students in science once during each of the following grade spans: three through five, six through nine and ten through twelve.

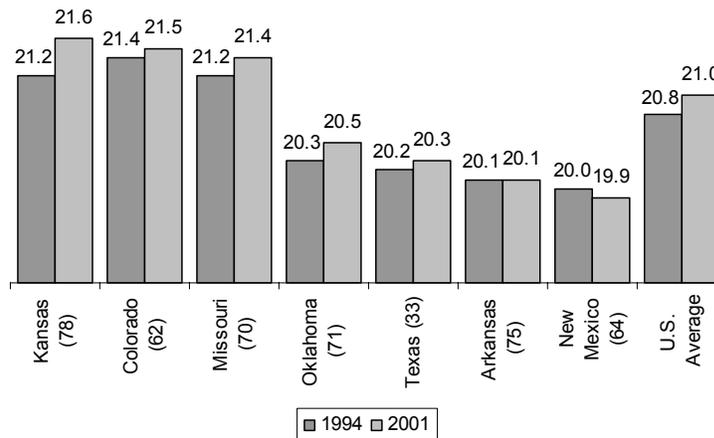
Office of Accountability

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. Individual school report cards may be accessed through the internet at www.schoolreportcard.com or by calling (405) 522-4578.

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 2002



Note: The number in parenthesis represents the percentage of seniors taking the ACT in the state.

FEDERAL EDUCATIONAL REFORM EFFORTS

In January of 2002 the federal government passed House Resolution 1, otherwise known as the “No Child Left Behind Act”. This bill re-authorized the federal Elementary and Secondary Education Act (ESEA) funding for states and expands state testing and accountability program requirements. The main goal of the act is to ensure that by the 2013-2014 school year, all students will attain a minimum standard of proficiency or better in reading/language arts and mathematics. A number of new components are required of states and school districts to ensure progress.

While the list of requirements a state must meet are numerous, the list below highlights the most important and far-reaching. Over the next few years states will be working to comply with the following provisions:

- Adopt state academic content standards in mathematics, reading/language arts and science. As a result of HB 1017, Oklahoma developed content standards in each of the four core academic areas in 1991. These standards are revised every three years. Revisions were written during the 2002 calendar year and reviewed by a number of state and national organizations;
- Develop and implement tests in grades three through eight in the areas of reading/language arts and math. This requirement must be met by the 2005-2006 school year. Oklahoma is receiving \$5.6 million in federal funds to establish these tests. Tests in Oklahoma will need to be developed for the

third, fourth, sixth and seventh grades and must be aligned to the state academic standards;

- Participate in the National Assessment of Educational Progress (NAEP); participation in this program is now required under state law;
- Develop and implement school improvement sanctions and a unitary system of accountability which meets federal rules and guidelines. Some changes in legislation may be required to achieve this goal; and
- Develop a system that ensures school districts report and demonstrate yearly improvements in tests scores among all populations by gender, race, ethnicity, special education and limited English proficiency status.

While some additional funds are being provided to meet some of these provisions, federal funds for developing the accountability system and reporting system are not provided. As Oklahoma works over the next few years to successfully implement this legislation, important policy and funding decisions will need to be addressed.

SCHOOLS FOR THE BLIND AND DEAF

The Oklahoma School for the Blind in Muskogee and the Oklahoma School for the Deaf in Sulphur provide day and residential services to students from across the state. Operated by the Department of Rehabilitation Services, both schools provide comprehensive educational and therapeutic services on their campus. The schools also provide a satellite pre-school, outreach and educational services to surrounding schools to allow even more students and families to have access to specialized programs.

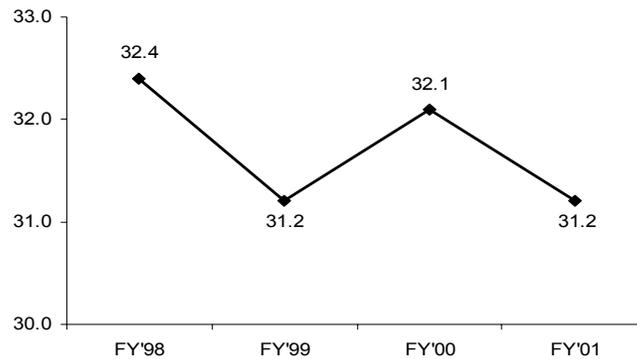
For FY'03, the Oklahoma School for the Blind will receive over \$6.2 million and has 52 children enrolled for the residential program and 40 enrolled for day services. For FY'03 the Oklahoma School for the Deaf will receive over \$7.7 million in state funds and will serve 86 children in the residential program, 49 in the day program and 28 in the pre-school program.

As part of the schools' residential education programs, students have opportunities to participate in activities similar to a typical public school, including student organizations and interscholastic athletics. Course work mirrors classes at any public school but is enhanced with specialized instruction such as Braille, sign language, adaptive technology and equipment, orientation and mobility, etc. Both residential programs serve pre-kindergarten through twelve grades. Both schools transport residents home for weekends and holidays.

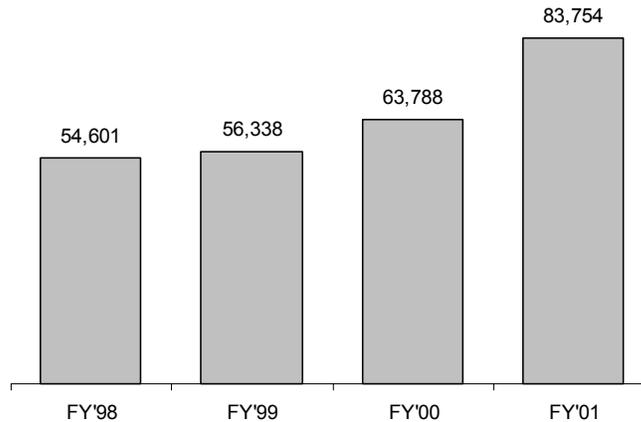
OKLAHOMA SCHOOL OF SCIENCE AND MATHEMATICS

Created in 1983 through legislative action, the mission of the Oklahoma School of Science and Mathematics is to foster the educational development of Oklahoma high school students who are talented in science and mathematics and show promise of exceptional development through participation in a residential educational setting emphasizing instruction in science and mathematics. This two-year residential school is located in Oklahoma City and provides advanced science and math courses to students in grades 11 and 12. With 26 full-time faculty and future capacity for 300 students, the school currently serves approximately 140 students on a 32 acre campus.

Average ACT Score of Residential School
(FY'98 Through FY'01)



Average Scholarship Amount/Residential Students
(FY'98 Through FY'01)



The graduating class of 1998 and 2000 achieved the highest ACT composite scores of any high school in the United States. In addition the school has produced 135 National Merit Scholars.

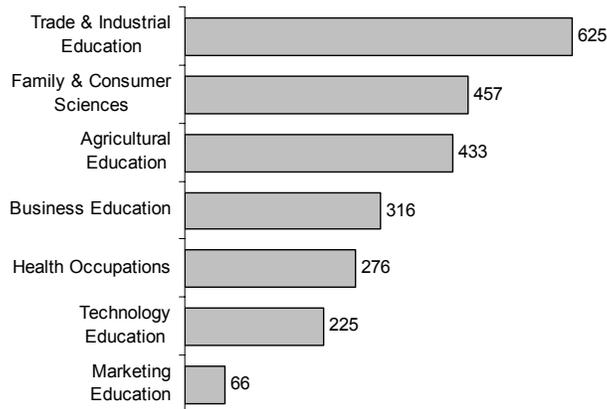
To replicate the success of the residential school, the Legislature has provided funding to establish ten regional math and science centers across the state to provide advanced science and math courses to students living in districts that did not offer these courses. All regional centers are housed in career and technology centers and are taught by people having a Ph.D. in the subject area.

CAREER AND TECHNOLOGY EDUCATION (VO-TECH)

The Oklahoma career-technology educational system, until FY'01 called the Vocational-technical or vo-tech system, was established in 1917 and originally provided vocational agricultural and home economics programs. Since then, the career-technology educational system has changed its focus to teach skills that will meet the demands of a competitive world market with special emphasis on technology and medical services. The name change that expresses the change was passed during the 2000 session.

With 29 technology center districts, 54 campuses, and 560 comprehensive school sites, Oklahoma's career-technology educational system is an important part of the state's economic development efforts.

Full-Time Programs in Career Technology



Source: State Department of Career-Technology Education

State Board of Career and Technology Education

The State Board of Career and Technology Education is the governing body for the Oklahoma career-technology educational system. Membership of the board consists of the State Superintendent of Public Instruction, six appointed members

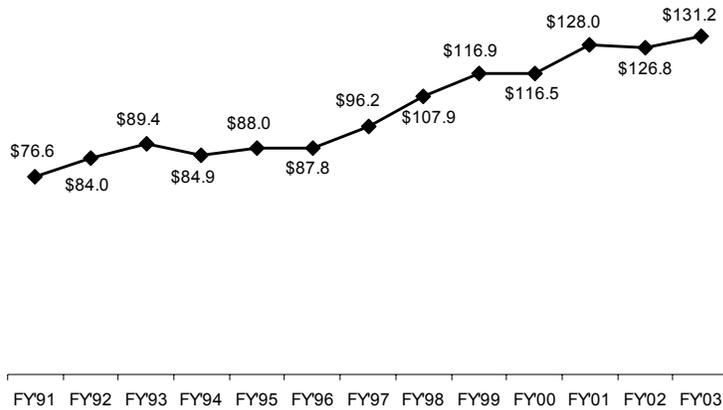
of the State Board of Education as ex-officio voting members, and six members appointed by the Governor, five of whom require Senate confirmation. The director of the department serves as an ex-officio nonvoting member and is the executive officer of the board.

CAREER AND TECHNOLOGY FUNDING

Appropriation History

State appropriations for career-technology grew by 71% from FY'91 to FY'03.

Career and Technology Education Appropriation History (In millions)

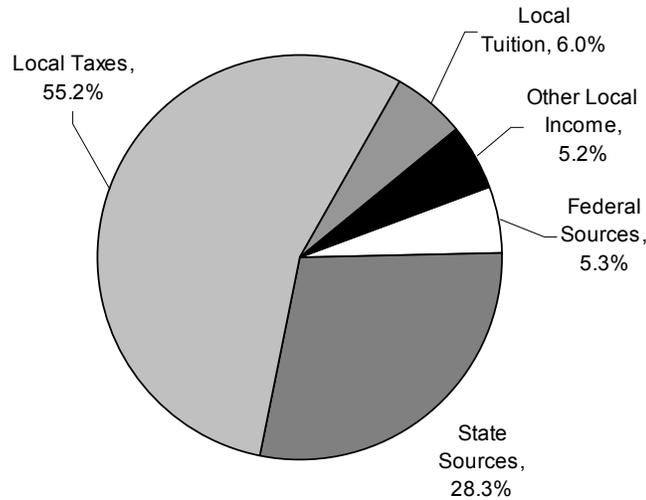


Technology Center Funding

Technology centers are funded through dedicated local ad valorem millages, state appropriated revenues and tuition fees paid by students. Millages are assessed on real property within a technology center district. The Oklahoma Constitution restricts technology center districts to a maximum of 10 operating mills and 5 building-fund mills. Changes in career-technology millages are enacted by a majority vote in a district-wide election.

Most technology centers depend more on local ad valorem receipts than state appropriations. Local property wealth varies widely from district to district, causing discrepancies in the amount of ad valorem revenue available to support each technology center. To address the discrepancies, the Legislature instituted a state equalization formula that allocates most state funds using local wealth as an inverse factor.

FY'02 Funding Sources for Career-Technology Centers



Source: State Department of Career-Technology Education

- Local taxes, tuition and other income comprise 66.4% of the system's entire budget.

CAREER AND TECHNOLOGY PROGRAMS

Comprehensive Schools

The cornerstone of Oklahoma's system of technology education is the comprehensive school, which provides programs to secondary and adult students at a public middle or high school. There are 1,367 programs in 363 school districts. Courses include vocational agriculture, business and marketing, graphic/computer design, etc. These programs also help students develop job-readiness skills, good work attitudes and leadership skills.

Technology Centers

Another key component of the career-technology system is the technology center. Oklahoma's network of technology centers, which began with the Tulsa County Area Technology Center in 1965, consists of 29 districts with 54 campuses across the state. The locations of these campuses allow 97% of Oklahomans easy access to career-technology programs.

Skill Centers

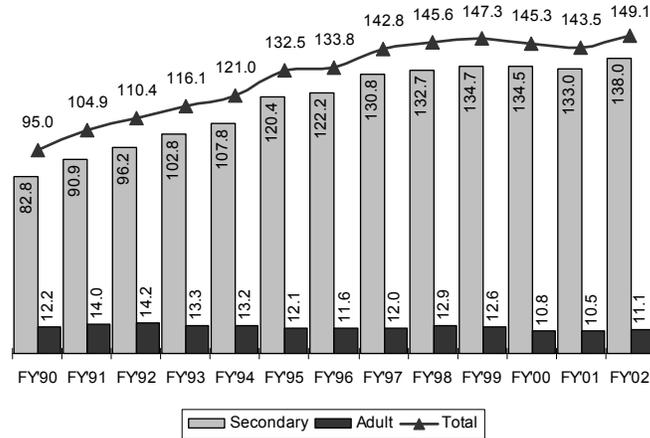
Programs at three Skill Centers (located at Tahlequah, Spiro and Midwest City) provide training to adults who are unemployed or need to improve their skills. There are 16 skill centers located on prison grounds targeting the inmate

population, four skill centers in juvenile justice facilities and five community skills programs. These programs are focused on providing skills to inmates ready to transition to a community setting. The job placement rate for this program is over 80%.

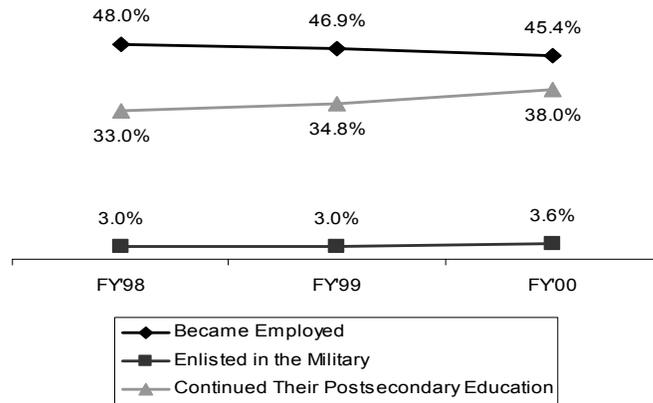
Enrollment Trends

Between FY'90 and FY'02, total enrollment in career-technology programs increased by 57%.

Career Technology Enrollment Trends by Student Type (In Thousands)



Outcomes for Students Completing Career-Technology Programs FY'98 Through FY'00



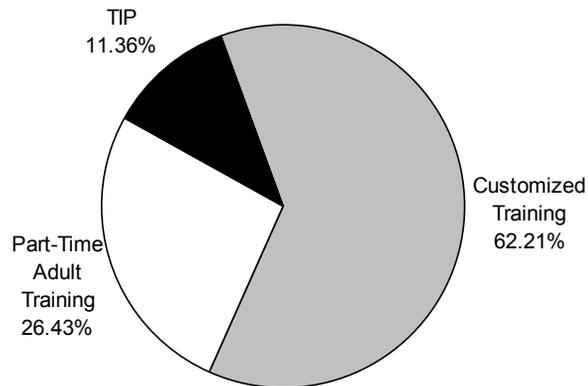
Source: State Department of Career-Technology Education

Career-Technology Economic Development Programs

Three career-technology programs focus primarily on economic development and are designed for adult education.

- **Adult Training and Development:** Adults wishing to expand their expertise or who are looking to change career paths are provided job-training workshops, seminars and short courses.
- **Training for Industry Programs (TIP):** This program meets specific training needs of new or expanding industries in conjunction with the Quality Jobs Act.
- **Industry Specific Training:** Industry specific or customized training is provided by the career-technology system for existing businesses.

FY'02 Enrollment by
Career-Technology Economic Development Program



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POST-SECONDARY EDUCATION

Providing quality, affordable post-secondary educational programs to develop a skilled and educated workforce has become a priority with the Legislature. These programs are seen as an important key to improving the state's economy and per-capita income. Oklahoma's universities, colleges and career and technology centers (formerly called vo-tech centers) play an integral role in educating and preparing adults to compete in the state, national and global marketplace.

Since 1990, the Legislature has passed and implemented a number of funding and program initiatives to increase the caliber of our state's post-secondary institutions and expand opportunities for students to attain a post-secondary degree.

This chapter provides an overview of higher education and career and technology education in Oklahoma.

HIGHER EDUCATION

Oklahoma higher education began before Oklahoma Territory and Indian Territory combined to become a state in 1907. As early as 1890, the first territorial legislature created three institutions of higher learning. By 1901, four additional institutions of higher education were established across the state.

The Oklahoma State System of Higher Education was created in 1941 by a constitutional amendment, Article XIII-A, which provides that "all institutions of higher education supported in whole or in part by direct legislative appropriation shall be integral parts of a unified system." The amendment also created the State Regents for Higher Education as the "coordinating board of control of the Oklahoma State System of Higher Education." Currently, there are 25 colleges and universities, 10 constituent agencies and two higher education centers offering courses and degree programs across the state.

Higher Education Governance

The State Regents for Higher Education serve as the coordinating board for all state institutions. However, most agree that the Legislature has sole power to establish and/or close institutions (Attorney General Opinion 80-204). The primary responsibilities of the state regents are to:

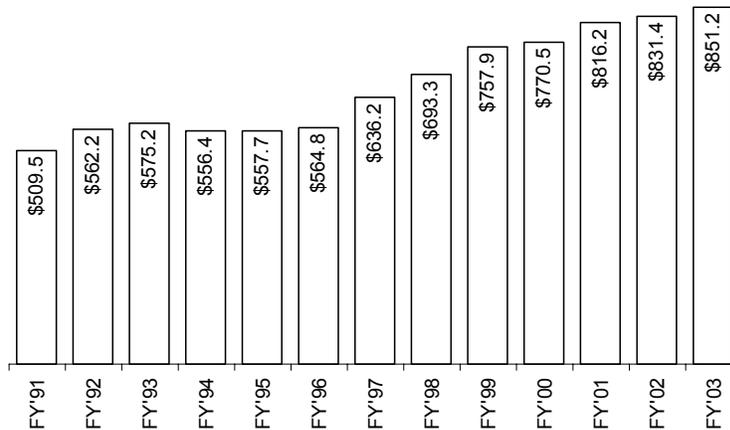
- prescribe standards of higher education;
- determine functions and courses of study at state institutions;
- grant degrees and other forms of academic recognition;
- recommend to the Legislature budget needs for each institution; and
- determine fees within the limits set by the Legislature.

In addition to the state regents, there are three Constitutional governing boards and 12 statutory governing boards. These boards have responsibility for the operational governance of the state's higher education institutions. Membership on all governance and coordinating boards is by appointment of the Governor and confirmed by the Senate.

Funding Trends for Higher Education

In FY'03, more than 15% of the state's appropriated budget went to the State Regents for Higher Education, which has sole authority for allocating state funds among colleges and universities.

History of Appropriations to Higher Education
FY'91 Through FY'03
(In Millions)



For FY'03 the Legislature appropriated over \$851.2 million to the State Regents for Higher Education, which represents an increase of \$341.7 million or 67% from the FY'91 level.

Since FY'89, the state regents' office has been funded through a line-item appropriation in the higher education funding bill. Prior to that year, the state office was funded through an assessment made on each of the institutions under the regents' control. The FY'03 appropriation for administrative operations in the state regents' office is \$6.7 million. The regents have budgeted an additional \$4.6 million to manage OneNet, the state's telecommunication network. These two items represent 1.2% of the total appropriation to higher education.

George Nigh Rehabilitation Institute: House Bill 1527 passed during the 1999 Legislative session transferred funding and responsibility for the George Nigh Rehabilitation Institute located in Okmulgee, Oklahoma, from the Department of Veterans Affairs to the Oklahoma State System of Higher Education effective July 1, 1999. Approximately \$589,648 in state funding was transferred from the Department of Veterans Affairs to the State Regents for Higher Education. Currently, the institute is operated by the University of Oklahoma Health Sciences Center and continues to provide short-term rehabilitation services to adults.

Quartz Mountain Lodge and State Park: During the 2001 session the Legislature passed SB 567 which transferred the administration and funding of the Quartz Mountain Lodge and State Park located in Southwestern Oklahoma in the Wichita Mountains from the Oklahoma Department of Tourism and Recreation to the Oklahoma State Regents for Higher Education. The newly renamed Quartz Mountain Arts and Conference Center and Nature Park became a part of the Oklahoma State System of Higher Education as of January 1, 2002. A board of trustees under the State Regents for Higher Education was created, and they are responsible for the governance and management of the center. Over \$1.9 million was transferred for FY'03 from the Oklahoma Department of Tourism and Recreation to the State Regents for Higher Education to manage the center.

Institutional Budgets

State appropriations represent less than 60% of total revenue for higher education; tuition and fee revenue comprise another 27.5% of the total higher education budget, while other funds comprise 12.9%.

The state regents' approach for determining the budget needs of higher education institutions is founded on the "peer-group" approach.

Peer State Appropriation Comparison (In Millions)

Name of State	Year 1991-92	Year 1999-00	Year 2000-01	Year 2001-02	1-Year Change	2-Year Change	10-Year Change
ARIZONA	597,342	865,736	892,621	949,926	6.4	9.7	59
ARKANSAS	383,108	605,216	636,907	653,386	2.6	8	70
COLORADO	500,082	719,221	746,478	783,421	4.9	8.9	56.7
ILLINOIS	1,711,076	2,573,964	2,715,843	2,922,599	7.6	13.5	70.8
INDIANA	903,000	1,226,677	1,283,197	1,321,191	3.0	7.7	46.3
IOWA	563,122	824,062	851,183	830,226	-2.5	0.7	47.4
KANSAS	451,465	650,069	683,084	715,585	4.8	10.1	58.5
KENTUCKY	639,422	925,506	1,001,625	1,084,605	8.3	17.2	69.6
MICHIGAN	1,533,685	2,084,779	2,234,157	2,273,532	1.8	9.1	48.2
MINNESOTA	995,429	1,286,427	1,349,137	1,382,576	2.5	7.5	38.9
MISSOURI	574,670	977,626	1,027,548	1,049,504	2.1	7.4	82.6
NEBRASKA	340,106	468,432	532,247	525,220	-1.3	12.1	54.4
NEW MEXICO	349,378	544,090	568,295	611,173	7.5	12.3	74.9
NORTH DAKOTA	151,546	184,663	185,659	201,497	8.5	9.1	33
OKLAHOMA	542,274	740,544	789,155	796,312	0.9	7.5	46.9
TEXAS	2,821,810	4,486,813	4,464,237	5,074,633	13.7	13.1	79.8
WISCONSIN	863,337	1,074,474	1,170,122	1,192,913	1.9	11	38.2
WYOMING	124,902	139,711	153,821	169,929	10.5	21.6	36
TOTALS	14,045,754	20,378,010	21,285,316	22,538,228	5.8	10.6	60.5
Oklahoma's Ranking Among 18 Peer States					16	15	13

Source: State Regents for Higher Education

The peer group concept involves first selecting institutions from across the nation with missions that are comparable to Oklahoma institutions for the three tiers (comprehensive, four-year regional and two-year institutions). Once peer institutions are selected, the per-student average revenue from appropriations and tuition and fees is determined at each peer institution. The average revenue per student of all peer institutions is multiplied by the student counts at each Oklahoma college and university to arrive at budget needs.

At a state college or university, the principal operating budget is called the educational and general (E&G) budget. It contains funds for the primary functions – instruction, research and public service – and activities supporting the main functions. The E&G budget is divided into Part I, which comprises mostly state funds, and Part II (the “sponsored budget”), which derives funding from external sources such as federal grants and training contracts. The E&G budget is distinct from the capital budget, which pays for new construction, major repairs or renovations, and major equipment purchases. Auxiliary enterprises – tangential services such as housing, food services and the college store – are also excluded from the E&G budget.

There are two primary sources of funds for the Part I E&G budget – state appropriations and revolving funds. Appropriations by the Legislature are made to the State Regents who, in turn, allocate directly to each facility in the state system. Appropriations constitute about 60% of the institutions’ core educational budgets. Revolving funds are collected by the institution and consist primarily of

student fees, sales and services of educational departments, and indirect cost reimbursements from grants and contracts. These funds constitute approximately 40% of the core educational budget, with student fees being the largest component.

Revolving Funds

Among the State Regents' constitutional powers is:

“...[t]o recommend to the Legislature proposed fees for all of such institutions and any such fees shall be effective only within the limits prescribed by the Legislature.”

Since 1890, it has been public policy in Oklahoma to provide comprehensive, low-cost public higher education. Thus, residents of Oklahoma are afforded subsidies covering a majority of their educational costs at all colleges and universities of the state system. Oklahoma's institutions are below peer institutions in percentage of total higher education costs paid by tuition.

Comparison of Percentage of Total Cost Paid by Tuition 2001 – 2002 School Year

<u>Tier</u>	<u>Peer Institutions</u>	<u>Oklahoma Institutions</u>
Research Universities	40.3%	28.2%
Four-Year Universities	31.7%	27.4%
Two-Year Rural Colleges	23.6%	19.9%
Two-Year Urban Colleges	21.5%	22.6%
<u>Technical Branches</u>	<u>24.7%</u>	<u>21.8%</u>
Total	33.3%	26.4%

Source: State Regents for Higher Education

Tuition

In Oklahoma, determining tuition limits is a constitutional power of the Legislature. During the 2001 legislative session, the Legislature passed [Senate Bill No. 596](#) and for the first time since the mid 1980's delegated this authority, within certain limits, to the Oklahoma State Regents for Higher Education. From the 2001-2002 through the 2006-2007 school years, the State Regents are authorized to increase tuition a maximum of 7% per year for Oklahoma residents, and 9% per year for nonresidents. Tuition rates at the professional schools (law, medicine, dental, veterinary medicine, etc.) may be increased by 10% per year for residents and 15% per year for nonresidents during that time.

While all higher education institutions have implemented tuition increases since the enactment of this legislation not all have implemented the maximum allowable increases set by law. During the 2001-2002 academic year, all institutions with the exception of the University of Oklahoma Law School and the Oklahoma College of Osteopathic Medicine implemented the maximum

percentage increase allowable. During the 2002-2003 school year all institutions implemented tuition rate increases ranging from four percent to the maximum allowable 7 percent and nine percent for resident and nonresident students. It is estimated the tuition increases implemented for the 2002-2003 year will yield an additional \$16 million in revenue.

All revenue derived from enrollment fees, nonresident tuition, and special fees for instruction and academic services are deposited in the institution's revolving fund for allocation for support of Part I of the institutions educational and general budget.

**Per Credit Hour Tuition and Total Tuition
And Required Fees Comparison – Big XII Institutions
FY'00 Through FY'01**

Institution	Undergraduate Per Credit Hour Rate		Total Cost of Tuition and Required Fees	
	Resident	Nonresident	Resident	Nonresident
OU*	\$63.00	\$208.00 **	\$2,774.00	\$5,204.00
OSU*	\$63.00	\$208.00 **	\$2,774.00	\$5,204.00
Baylor University				
University of Colorado***	\$116.00	\$677.00	\$3,188.00	\$16,700.00
Iowa State University	\$122.00	\$407.00	\$3,132.00	\$9,974.00
University of Kansas	\$75.55	\$301.15	\$2,725.00	\$9,493.00
Kansas State University	\$69.75	\$289.75	\$2,781.00	\$9,549.00
University of Nebraska	\$92.00	\$250.50	\$3,465.00	\$8,220.00
University of Texas	\$80.00	\$295.00	\$3,800.00	\$9,390.00
Texas Tech University	\$80.00	\$295.00	\$3,400.00	\$9,850.00
Texas A&M University	\$80.00	\$295.00	\$3,572.00	\$9,592.00
University of Missouri	\$136.80	\$409.10	\$4,726.00	\$12,895.00
Average All Big XII	\$88.92	\$330.50	\$3,303.36	\$9,642.82
OK as a % of the Big XII Average	70.9%	62.9%	84.0%	54.0%

* Calculated average rate based on approved per credit hour rates for lower and upper divisions.

** OK Nonresident Tuition Rate equals nonresident rate of \$145 plus the resident rate of \$63.

*** Colorado tuition is a flat rate charge, regardless of number of hours in which a student is enrolled. The per credit hour rate shown assumes an enrollment of 12 hours per semester.

**Cost of Attending State Higher Education Institutions*
2001 – 2002 School Year**

Institution Types	Tuition	Fees	Room & Board	Books & Supplies	Total
Comprehensive Universities	\$1,890.00	\$726.90	\$4,453.00	\$1,015.00	\$8,084.90
Regional Universities	\$1,492.16	\$485.59	\$2,582.91	\$611.55	\$5,172.20
Two-Year Colleges	\$946.25	\$459.71	\$2,725.63	\$634.75	\$4,766.33
Technical Branches	\$1,320.00	\$492.00	\$2,500.00	\$933.00	\$5,245.00

* Figures are for a full-time resident undergraduate student enrolled in 30 semester credit hours.

Sources: Institutional web-sites and the Washington State National Comparison Study

Research and Development

A vital part of the higher education system, research and development (R&D) is primarily funded through the sponsored budget (Part II of the E&G budget). For FY'03, the sponsored budget was \$368.4 million. Federal grants comprise 54.3% of the sponsored budget.

Most of the sponsored budget is derived and spent by the two research universities – the University of Oklahoma (OU) and Oklahoma State University (OSU) – and their constituent agencies. Of the total system-wide sponsored budget in FY'03, these entities account for 74%.

Over the past 12 years, state and local government has significantly increased funding for research and development. In 2000, OU received \$28.9 million in R&D funding from local and state government, and OSU received \$20.3 million.

During the 2002 session the Legislature passed HB 2536 which will provide funds from the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund in the Corporation Commission to the University of Oklahoma (OU) and Oklahoma State University (OSU). HB 2536 states that 25% of the revenue collected from a motor fuel assessment will be allocated to the University of Oklahoma for the construction of a national weather center. This center will house a number of different state and federal research divisions. State funds will be matched dollar for dollar by federal funds. The university will receive up to \$19 million for this project.

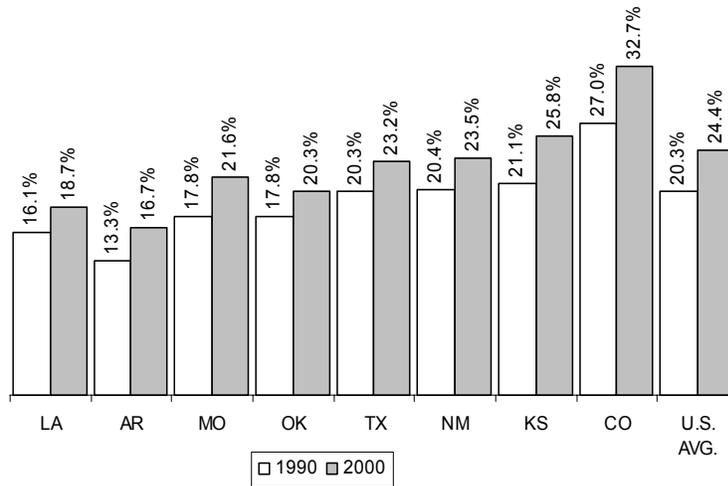
Another 25% of the revenue collected up to \$19 million will also be allocated to Oklahoma State University to upgrade, renovate and refurbish laboratory facilities for the sensory research center. This center will provide valuable applied research to the national government. Federal research funds will also be available as a result of this investment.

College Graduates in Oklahoma

Over the past ten years, legislators and state regents have implemented a number of initiatives designed to increase the number of Oklahoma high school students ready for college level work, going to college, and graduating with a higher education degree. Increasing the number of adults with higher education degrees in Oklahoma is an important step in improving Oklahoma's economic future.

Increasing the number of college graduates in Oklahoma can be achieved one of two ways. First the state may import more college graduates through increased higher wage jobs and economic development. Legislators have created and funded a number of programs through the Department of Commerce and the Oklahoma Center for the Advancement of Science and Technology to improve higher-wage economic development opportunities in the state.

Percentage of Population 25 Years of Age and Older With a College Degree Oklahoma vs. Regional States and U.S., 1990 vs. 2000



Source: U.S. Census Bureau, Decennial Census

Another strategy the state regents are employing to increase the number of college graduates in Oklahoma is to increase the number of high school students entering college and college students remaining and matriculating with a higher education degree. Some programs are focused on encouraging more middle and high school students to take a college-preparatory curriculum and attend college while others are focused on college students.

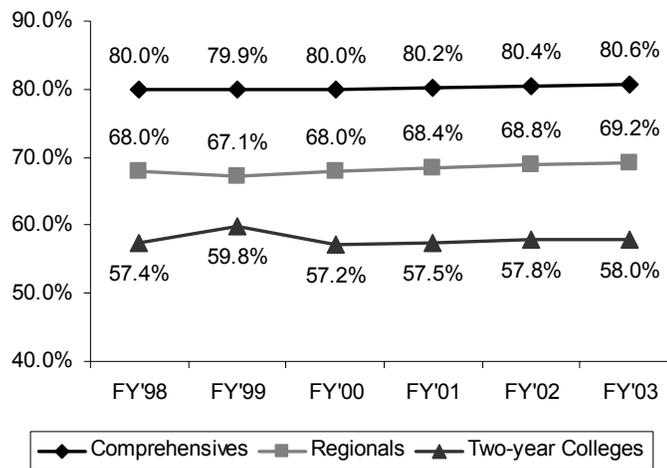
Initiated in 1993, the Educational Planning and Assessment System (EPAS) is a partnership sponsored by the State Regents for Higher Education and The American College Test, Inc. and is focused on helping students in the eighth and tenth grade prepare for college. Eighty-three percent of school districts administer the EPAS program which assesses a student's academic readiness for college. Students and parents receive a detailed report outlining academic strengths and weaknesses with course recommendations for college-readiness.

The Oklahoma Higher Learning Access Program, created by the Oklahoma Legislature provides tuition scholarships for up to five years to low to middle income students who might not otherwise attend college. Students must enroll no later than the tenth grade year, live with families who earn no more than \$50,000 a year and successfully complete a college preparatory curriculum to qualify (see OHLAP).

In 1998 Oklahoma was a successful recipient of the federal Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) grant. This grant provides over \$20.5 million for five years to encourage more American youth to take a college-preparatory curriculum in high school to prepare for college. The state agreed to match the federal funds with another \$25 million in state funds. The emphasis is on middle and high school students and parents who might not otherwise consider college as an option. Students and parents in 180 school districts will have access to mentoring programs, college scholarships and academic preparation and awareness programs.

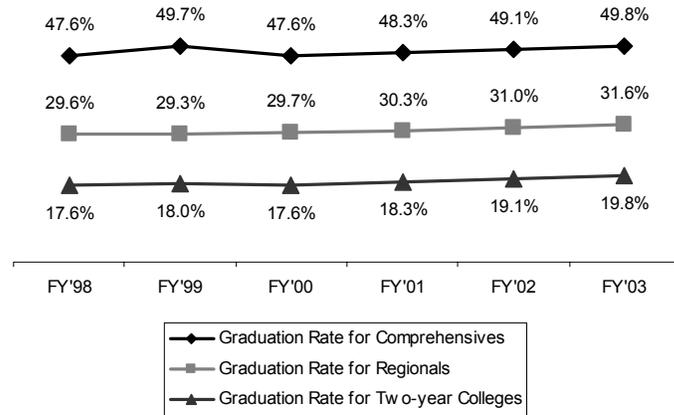
Recognizing the importance of retaining and graduating more students, institutions have worked over the past five years to increase retention and graduation rates. In 1999, the state regents launched the “Brain Gain 2010” campaign to increase the number of Oklahomans graduating with a college degree in Oklahoma. Task forces were formed at the state and institutional level to identify challenges and solutions to ensure more students and adults entered college and more students in college graduated with a higher education degree.

Higher Education Outcomes First-Year Retention Rates FY'98 Through FY'03



- During the 2000-2001 academic year public institutions were responsible for conferring 16,891 degrees: 12,476 bachelor’s degrees, 4,003 master’s degrees and 412 doctoral degrees. Private higher education institutions conferred an additional 3,586 degrees.

Higher Education Outcomes Graduation Rates by Tiers FY'98 Through FY'03



Source: State Regents for Higher Education

In addition to the initiatives mentioned above, the Legislature has created a number of other programs designed to increase the number of graduates and help students and families finance the cost of higher education. These include the Oklahoma College Savings Plan Act and the Oklahoma Higher Learning Access Program which not only help families pay for college but help students complete college.

Oklahoma College Savings Plan Act

Established in 1998 and implemented in 2000, the Oklahoma College Savings Plan Act provides parents and others an opportunity to save for college costs by creating a trust fund for prospective students. Any person may open an account on behalf of a beneficiary with as little as \$25 and contribute as little as \$15 per pay period to the savings plan. A maximum of \$235,000 may be invested for each beneficiary, and families participating may not contribute to an Education IRA for the same beneficiary. Among the plan's benefits:

- Contributions up to \$2,500/year per beneficiary can be deducted from Oklahoma taxable income;
- Funds are invested in a specific mix of securities, bonds and money market funds depending on the beneficiary's age;
- Interest earnings are not taxed until they are withdrawn. Upon withdrawal, the earnings are taxed as the beneficiary's income, which is usually taxed at a lower income-tax rate than the contributor's;

- Funds invested can be used to pay for almost all costs of attending an accredited or approved college, whether public or private, in-state or out-of-state;
- If the beneficiary decides not to attend college, account holders may switch the beneficiary or save the funds for a later date; and
- A person may open an account at any time irrespective of the beneficiary's age.

This program began in April of 2000. Since its inception, over 7,568 accounts have been created with account balances totaling \$22.2 million.

State Financial Aid and Scholarships

A number of programs are available to help students pay for college expenses. Some programs are based on financial need, and others are merit-based.

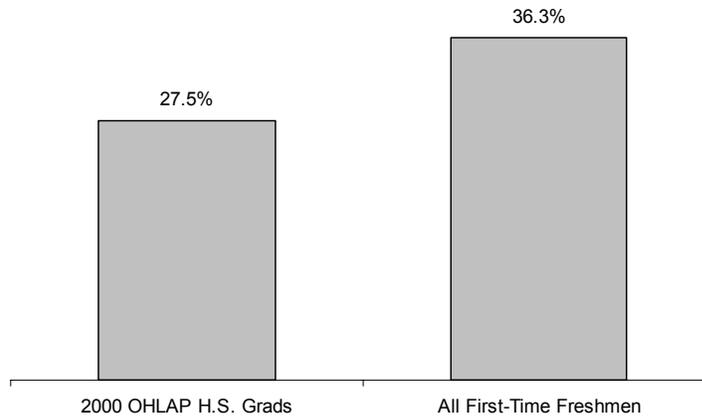
Oklahoma Tuition Aid Grant Program (OTAG): OTAG provides a maximum annual award of 75% of enrollment costs or \$1,000, whichever is less, to low-income students residing in Oklahoma who are attending a public higher education institution at least part time. Students attending a private higher education institution in Oklahoma are eligible to receive a maximum \$1,300 award. For FY'03 an estimated 23,500 students will receive a grant.

Academic Scholars Program: Ensuring Oklahoma's best students stay in Oklahoma to attain a higher education degree is the mission of this scholarship program. Students qualify for the program in one of three ways: (1) scoring among the top 0.5% of Oklahoma students on the ACT or SAT test; (2) receiving one of three official national designations, or (3) be nominated by a higher education institution (institutional nominee). The program provides \$5,500/year to students attending OU, OSU or University of Tulsa; \$4,000/year to students attending an Oklahoma four-year public or private college or university; or \$3,500 for students attending Oklahoma two-year colleges if they are eligible under the first two criteria. Beginning with the Fall of 2003, awards provided under the institutional nominee designation will be half of all amounts listed above. In order to remain eligible for these awards, students must maintain a 3.25 GPA and complete 24 hours of courses a year. For FY'03 there will be 1,800 academic scholars across the state.

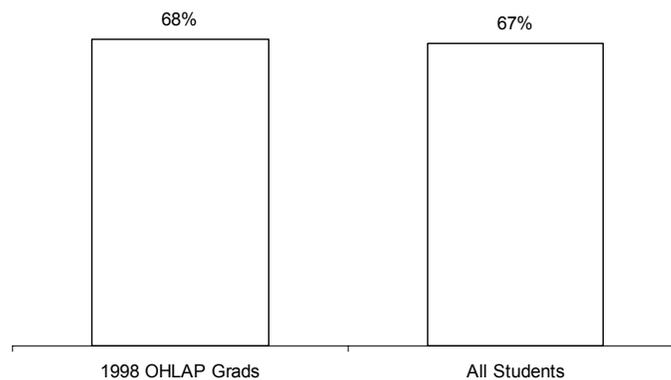
Oklahoma Higher Learning Access Program (OHLAP): This program's mission is to provide tuition assistance to students who might not otherwise attend or complete college. Qualifying students in families who earn less than \$50,000 annually receive free tuition assistance to any public or private higher education institution in Oklahoma for up to five years. To qualify, students must enroll in the program by the tenth grade, must agree to take a college preparatory curriculum, must have a grade point average of 2.5 in high school, and must refrain from unlawful behavior. Studies show OHLAP students are much less

likely to require remediation classes to prepare them for college-level work and more likely to remain in college through the third year. For FY'03 there are over 2,800 students receiving an award in college and over 19,200 students have enrolled in high school.

Remediation Rates, OHLAP Students vs. All Freshmen



Percent of Students Remaining in College in Third Year OHLAP Students vs. All Students



Source: State Regents for Higher Education

Regional University Baccalaureate Scholarship: This program provides \$3,000 and a tuition waiver to students who have received an official national designation, such as National Merit Finalist, or have achieved an ACT composite score of at least 30. Scholarships are available only to students attending one of

the Oklahoma four-year regional universities. For FY'03 there will be 270 scholarship recipients.

Heartland Scholarship Fund: Lawmakers created this program to target children of victims of the April 19, 1995, bombing of the Alfred P. Murrah Federal Building in Oklahoma City. These awards can be applied to costs of tuition, fees, books, and room and board. Students attending an accredited higher education institution on a full-time basis receive the following amounts: \$5,500/year for a comprehensive university, \$4,000/year for a regional university, and \$3,500/year for a two-year college. There are currently 70 scholarship recipients participating in this program.

Teacher Shortage Employment Incentive Program: Passed during the 2000 legislative session, this program reimburses qualifying participants for up to three years of tuition and fees after they have taught science or math in an Oklahoma public school district for five years. Qualifying students must enroll in the program by their sophomore year in college. Approximately 126 students have enlisted in this program.

Future Teachers Scholarship: Up to \$1,500/year is awarded to full-time upperclassmen and graduate students who intend to teach a subject in which there is a critical need of teachers. In order to qualify, students must have graduated in the top 15% of their high school graduating class, scored at or above the 85th percentile on the ACT or similar test, or have been accepted for admission to a professional accredited education program in Oklahoma. Lesser amounts are available to underclassmen and part-time students. For the FY'03 school year, the critical teacher shortage areas are special education, counseling, librarian/media specialist, science, speech/language pathology, foreign language and math. There are 150 people participating in this program.

National Guard Tuition Waiver: Members of the Army or Air National Guard who are pursuing an associate or baccalaureate degree at a state system institution receive an award amount equal to the cost of resident tuition. For FY'03 there will be over 2,100 students participating in this program.