

To: Oklahoma State Department of Education:

Some have asked about Ad Valorem Funding and how it affects school revenue. The following is [Ad Valorem Funding in Oklahoma Schools Explained](#) with a Deer Creek Schools funding fact sheet attached, that includes a few comparisons. The OSDE FY19 per pupil funding plus the COVID 19 stimulus (that is run through the Title I formula) spreadsheet for all schools, sorted from high to low, clearly illustrating the inequities in Oklahoma per pupil funding, is also attached.

Oklahoma public schools operate primarily off the General Fund Account. The General Fund account pays for teacher salaries, benefits, the quantity of courses offered, textbooks, technology and the additional resources needed to teach each course. In Oklahoma, the state aid formula, which provides funding for schools at the state level, takes into consideration several local revenues which are deducted (known as a chargeables) from the state aid calculation before the schools are given their allocation from the state. Ad valorem tax is one of those 'chargeables'. Deer Creek has a relatively high residential local ad valorem which is charged against the state formula. If and when that ad valorem comes in beyond the state estimate, it is charged against the school in the next fiscal year funding cycle, resulting in a tight fiscal year for funding classrooms. Unless a district has so much excess ad valorem that they are 'off' the formula, ad valorem does not increase schools' revenue over what the state would provide. In fact, if the district does not estimate the impact of chargeables from one year to the next, they can get into serious financial trouble. It is also important to note that several schools in Oklahoma are currently 'off the formula,' which means they do not receive state aid due to the fact that their local aid exceeds the amount given to other schools. Due to Oklahoma's current crisis with oil and gas industries, many of these schools will go back on the formula. When this occurs, all schools currently on the formula will decline in per pupil funding as dollars are divided out over larger numbers of students. Due to annual state growth in students, plus schools coming back onto the formula, even a flat budget will result in lower per pupil revenue.

Deer Creek's local revenue is primarily residential tax, the lowest source of ad valorem funding. Deer Creek receives some revenue from motor vehicles and very little revenue from gross production, windmills or manufacturing plants. As housing increases, enrollment increases at an average of 300 plus students annually. While Deer Creek is consistently adding to its ad valorem tax base through housing, those homes usually come with an additional two to three students. It is a challenging balancing act to stretch those tax dollars to provide classrooms, teachers, books and technology for incoming students. To put a desk, chair and textbooks in front of a new student, one must conservatively have \$800.00. That \$800 does not include the square footage needed for that desk and chair.

The school district utilizes 5.27 mills of ad valorem taxes for the district's Building Fund which can be used for maintenance, equipment, operational expenses, property and casualty insurance. There are no schools in the state of Oklahoma that are able to fully fund the maintenance and operational expenses of facilities with their current building funds. Deer Creek schools fall in the bottom third in per pupil funding of the building fund. Deer Creek schools pay custodial cleaning costs, insurance, the water bill and some repairs. In Deer Creek the technical operations crew, electric and gas bills must be paid from the General Fund where they are among the lowest two school districts in per pupil funding in the state. In recent years the legislature made the building fund available for technology purchases. In a recent review of all Oklahoma building fund expenditures, you do not see Oklahoma schools purchasing technology. This is because the building funds available to schools do not cover the expenses of maintenance, custodial expenses and utilities for which the fund is primarily to be used.

Another revenue source is the Sinking Fund that holds ad valorem tax revenue, which is voted on by patrons to pay bonds. It is not available, by law, to pay salaries or benefits of employees. Because Deer Creek's primary source of ad valorem is residential, Deer Creek has had to run series revenue bonds over 10+ years at some of the state's highest mileage to try to keep up with the enrollment growth. Neighboring districts are able to utilize the district sinking funds to provide for what is listed in the bond sale, while Deer Creek must pay for the items listed plus additional costs due to the utilization of the series bonds. Until enrollment levels out, Deer Creek Schools will always be behind when it comes to building classrooms. As enrollment levels out, the challenge will be finishing the payout of the series bonds. If sinking funds were available for salaries, Deer Creek would not have the classrooms to put the teacher in, nor the resources needed to teach the class.

While it is impossible to predict, there are many factors with potential to greatly lower per pupil funding for Oklahoma's schools:

- As gross production goes down and stays down, more schools will access state funds, which will decrease the state per pupil factor.
- As the chargeables reduce, per pupil factors will also reduce.
- It is likely that motor vehicle and state land revenues will be lower in FY22.
- As schools losing ad valorem revenue come back on the formula, per pupil factors for all schools will further decline.
- Net Assessed Valuation was determined January 1, therefore will not decrease for FY20. But, as we get through the crunch, more and more companies will lower their net assessed valuation. We saw this with oil rigs in the mid 80's and again in '08-09.

Thus, even with a flat budget, (the same amount in the formula), schools will get less per pupil. When WADM (weighted average daily membership) goes up, chargeables go down and net assessed valuation goes down, factors (Per Pupil Revenue) will be lowered.

At \$5968.69, Deer Creek is at the bottom of general fund revenue per pupil. The state average per pupil funding is \$8002.23. Schools at the top of the General Fund formula receive more than \$39,000 per pupil. Because of this inequality in funding Oklahoma's public school classrooms as compared to neighboring schools, Deer Creek is limited in the quantity of elective course offerings, resources and technology that can be provided to its students. In addition to more broad curriculum offerings, other schools offer higher salaries, better benefits, smaller class sizes, better technology, and more resources for the classrooms. The inequities are great in the funding of Oklahoma schools. If it takes \$8900 to properly fund a student, then our state must do whatever it takes to address the inequities and to see that every child receives equitable and appropriate funding to ensure an excellent education. It is time to move the revenue per pupil to the center, ensuring that all of Oklahoma's children receive a top ten education.

[DEER CREEK FINANCIAL STORY](#)
[DISTRICT REVENUE PER PUPIL + CARES STIMULUS REVENUE](#)

Respectfully,

Ranet Tippens
Deer Creek Superintendent