

**THE IMPACT OF OPEN ENROLLMENT ON
SCHOOL DISTRICT REVENUES
IN OKLAHOMA**

By

PAMELA S. DANIELS

**Bachelor of Science
University of Central Oklahoma
Edmond, Oklahoma
1979**

**Master of Education
University of Central Oklahoma
Edmond, Oklahoma
1987**

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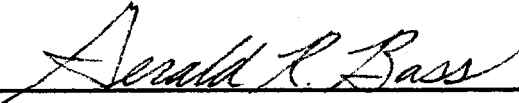
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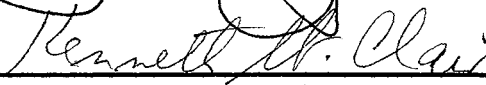
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Dean of Graduate College

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CHAPTER I

INTRODUCTION

The 14th Amendment to the United States Constitution guarantees to every citizen equal protection under the laws. According to Pearson (1989a), the courts have interpreted this equal protection clause to include "equal benefit." However, the U.S. Supreme Court decision in Rodriguez v. San Antonio Independent School District (1973) left the issue of school finance equity to the state courts. In cases such as Shofstall v. Hollins (1973), Thompson v. Engleking (1975), and Board of Education v. Walter (1979), the state school finance systems were upheld as being equitable. In other states, the courts have overturned school finance systems, in such cases as Robinson v. Cahill (1973), Buse v. Smith (1976), and Pauley v. Kelly (1979) (Berne, 1988, p. 166). A total of 41 states' school funding systems have been subjected to similar judicial scrutiny regarding equity in recent years (Hickrod et al., 1992).

Parental choice has been proposed and supported in a number of states, in part as a response to recognition that there are inequities within the existing public school systems. While quality of education, competition, and freedom to choose are major issues in debates over parental choice, the financial implications of choice legislation cannot be overlooked.

There are public as well as private costs associated with the exercise of choice, and we should promote choice only under conditions that guarantee that those costs will be outweighed by public and private benefits (Glenn, 1989, p. 300).

The St. Louis metropolitan area and the state of Minnesota were among the first to implement open enrollment plans. In 1981, a pilot choice program was implemented in St. Louis involving 6 of the area's 24 school districts (Uchitelle, 1989). In 1985, a coalition of Minnesota educators, parents, and community members endorsed Gov. Rudy Perpich's program for parental choice to help improve the state's public schools (Nathan, 1989a). In 1988, the Minnesota legislature adopted a plan for K-12 open enrollment. In 1992, it was reported that 13 legislatures had adopted choice plans and those in 12 other states had considered such plans. Laws offering school choice were scheduled to take effect in Michigan and Ohio in 1993 (Diegmueller, 1992). However, in April 1992, the Massachusetts legislature's education committee voted to repeal that state's school choice law (Diegmueller, 1992).

The debates continue to rage between the advocates and the opponents of open enrollment. On one side are those who advocate the right of parents to choose the schools that most closely reflect their own personal values and goals for education. According to supporters, open enrollment encourages controlled competition that results in improved public schools, promotes equity by encouraging schools to become more effective, and increases parent involvement.

I do not know of a single one of us who would question the basic notion that empowering parents to specify and then to choose the different kinds of public schooling that they want for their children is absolutely necessary if our public schools are to improve (Clinchy, 1989, p. 290).

On the other side are those who oppose open enrollment plans for fear they will benefit some students at the expense of others. Educational benefits, it is argued, will be increasingly unequal under an open enrollment plan (Pearson, 1989a). It has been charged that open enrollment removes control

from local school boards, is expensive, and forces school districts to consolidate.

Some students are precluded from transferring because doing so would upset the racial balance either of the school they leave or of the school they wish to enter (Uchitelle, 1989, p. 303).

As the policy debates over open enrollment continue, various compromises and alternative solutions have been offered in regard to the concerns voiced by its adversaries. Policymakers and researchers on both sides of the issue are busy compiling information, evaluating options, and searching for substantial measures to guard against the possible pitfalls of open enrollment policies.

One suggested problem of open enrollment is the impact such a plan could have on the revenues of individual school districts and thus on statewide financial equity. The loss of revenue from declining enrollment might well force reductions in programs and services leading to even greater decline in enrollment and revenues (Pearson, 1989a). Such districts might have almost no opportunity to improve programs for those students who, for whatever reason, remain.

Statement of the Problem

True choice plans will be expensive and complex (Uchitelle, 1989). If financial support for parental choice is provided by the state, then there must be either an overall increase in state revenues to school districts or a reallocation of existing revenues from districts which lose students to districts which gain. Since most states have limited resources, the latter alternative is generally perceived to be the more feasible of the two.

The purpose of this study was to determine the per-pupil impact of an open enrollment policy on school districts' revenues. Specifically, the study was guided by the following research questions.

1. What is the impact on the per-pupil general fund revenues due to student transfers between school districts in Oklahoma? How do such transfers affect the specific revenue sources from local, state, and federal governments?

2. What is the impact on the per-pupil building fund revenue due to student transfers between school districts in Oklahoma?

3. What is the impact on the per-pupil sinking fund revenue due to student transfers between school districts in Oklahoma?

Significance of the Study

Policymakers for education need all relevant information about open enrollment before formulating legislative and/or regulatory proposals. Currently, there is limited research upon which legislators and administrators can base these decisions about open enrollment policies. The issue of open enrollment is being debated at this time by Oklahoma policymakers, as well as by those in numerous other states. It is the intent that this study will add to the knowledge base about open enrollment and the impact it could have on the revenues of selected school districts.

Limitations of the Study

This study was limited to revenue sources of Oklahoma public school districts in two selected counties. Expenditures were not included in this study because they can vary from district to district due to factors that may or

may not be related to student transfers. It would also be very difficult to track the impact on expenditures of individual student transfers. For example, one student transfer may, or may not, require the addition of another classroom teacher, depending upon the current enrollment. Private schools were not included in the study, although some plans for open enrollment include such schools.

Definition of Selected Terms

Open Enrollment. Open enrollment is a plan by which parents are allowed to enroll their children in the school(s) of their choice, regardless of school district boundaries. School choice is a term used interchangeably with open enrollment in this study.

Education Voucher. An education voucher is a certificate (verifying eligibility to receive a sum of money) issued by a governmental agency to parents for the purpose of purchasing schooling for their child. With these vouchers, parents could pay for their children's education at the school(s) of their choice (Roberts, 1973).

Revenues. Revenues are the monies received by school districts. The bulk of available revenues for public school districts come from state, local, and federal government sources. There are other sources which include gifts, grants, rate bills, tuition payments, fees, fines, licenses, forfeitures, lotteries, investment income, and sales of products, land, and services (Webb, McCarthy, & Thomas, 1988).

Independent school district.

All independent school districts in Oklahoma shall be those which shall have maintained during the previous year a school

offering high school subjects fully accredited by the State Board of Education (School Laws of Oklahoma, 1992, § 53).

Dependent school district.

Elementary school districts shall offer grade kindergarten through eight and are those which have not met the minimum standards for, and have not been designated as, independent school districts by the State Board of Education. On and after July 1, 1991, every place in the Oklahoma Statutes which refers to "dependent school district" shall mean "elementary school district" (School Laws of Oklahoma, 1992, § 54).

Summary

If financial support for open enrollment is provided by the state, that support must either be provided by an increase in state revenues to school districts or by a system of transferring funds with the transfer of students. In order to facilitate debate on the merits of such a plan, the impact of such transfers on district revenues must be determined. The research questions which guided this study, therefore, pertain to the impact of a student transfer on the per-pupil general, building, and sinking fund revenues of school districts in Oklahoma. This study may be significant as an addition to the knowledge base about open enrollment that may be used by policymakers in attempts to make informed decisions about such policies. The study was limited to the impact on revenue sources in selected Oklahoma public school districts.

Chapter II of this study contains a review of literature on open enrollment and public school finance. The research design is described in Chapter III. The findings of this study are reported in Chapter IV. A summary of the study, including conclusions and recommendations, is found in Chapter V.

CHAPTER II

REVIEW OF LITERATURE

This chapter contains a review of the literature focused on open enrollment (school choice) and on the funding of public school districts. The first segment concerning open enrollment begins with the pros and cons of open enrollment and the effects it may have on parents, students, and teachers. The section concludes with a description of open enrollment programs. Following that segment is a review of literature concerning aspects of public school funding. This portion of the chapter is primarily focused on revenue sources and distribution systems for aid to public schools in Oklahoma. The funding of schools in states with open enrollment programs is reviewed briefly in the final section of this chapter.

Open Enrollment

Open enrollment is a "system of unzoned competitive enrollments in place of neighborhood schools" (Bastian, 1989, p. 56). Open enrollment is the preferred term in this study for a concept often described by such terms as school choice, parental choice, open transfer, and student transfer. Open enrollment is a plan by which parents are allowed to enroll their children in the school(s) of their choice, regardless of school district boundaries.

The basic assumption of open enrollment is that parents and students will exercise choice in order to gain access to

academic programs that are not available in their own school districts or to better academic programs (Pearson, 1989a, p. 821).

Freedom of choice is a concept Americans have always cherished (Clinchy, 1989). As one of the basic concepts upon which this country was founded, Americans have historically given their lives to protect that freedom.

Thus we should pursue choice, by all means, but never choice that benefits primarily the already advantaged segments of our society and leaves poor and minority parents and students right where they have always been, behind society's eight ball (Clinchy, 1989, p. 293).

Early public schools of choice tended toward the unstructured and informal quality of open or free schools but, as early as 1973, some California parents began to assert that schools of choice should be more varied in respect to their structure, including alternative schools that would be more conservative than usual, as well as those less so (Raywid, 1984). Thus, alternatives became popular in education, ranging from relatively unstructured, open schools to conservative types, as well as some military academies. Most such schools were either privately funded or open only to residents of the school district in which they were operated.

Political support for open enrollment grew rapidly during the 1980s. Minnesota's Gov. Rudy Perpich traveled extensively around the country praising and promoting Minnesota's statewide experiment in open enrollment. In 1989, President George Bush also endorsed open enrollment, making the concept a key element in his plan to reform public education (Pearson, 1989a).

Support for Open Enrollment

Among the leading proponents of open enrollment is Joe Nathan, a senior fellow at the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota and a member of the Kappan Board of Editorial Consultants. According to Nathan (1989), the open enrollment proposals have been based on three assumptions: (1) there is no one best school for all students, parents, or educators; (2) providing more choice among public schools means expanding opportunities for low- and moderate-income families; and (3) controlled competition can help stimulate the public schools to improve.

Clinchy (1989) supported Nathan's notion that different situations demand different kinds of schools.

We need genuine diversity in our approaches to schooling, creating different kinds of schools to serve our diverse student population and to accommodate the range of parental and professional beliefs about what public education should be and do (p. 290).

Thus, a "consequence of the developmental orientation of many schools of choice is the personalization" they offer to students who "become known as individual human beings" to the school faculty (Raywid, 1984, p. 74).

Many tend to permit a considerable amount of freedom with respect to clothes, language, and personal style. Students do retain the considerable final power to opt out if they are sufficiently dissatisfied (Raywid, 1984, p. 74).

According to Raywid (1984), parent/student involvement in school would increase and dropout rates would decrease in alternative school settings.

The choice arrangement also has the advantage of yielding a group of human beings who are similar or united in some educationally significant way. They are agreed upon a particular

type of educational mission or environment (Raywid, 1984, p. 73).

Glenn (1989) argued that equity can be promoted by school choice. It does so by creating competitive conditions which encourage schools to become more effective, by allowing schools to specialize in order to better meet the needs of some students very well rather than all students at a minimum level of adequacy, and by increasing the influence of parents over the education of their children.

A variety of parents, including those of handicapped children, have been strong proponents of legislation allowing open enrollment (Nathan, 1989). According to Glenn (1989), school choice is one way of assuring parents of a higher quality education for their children without heavy state control; higher standards for what children learn can coexist with school choice.

Parental attitudes are important to school success. Nathan (1989a) noted that several surveys in Minnesota have shown that academic considerations are the largest single reason that parents transfer their children. While some decisions to transfer are influenced by location and day-care issues, "parents say that placing their children in a school near their home or place of work enables them to be more involved" (p. 307).

According to Uchitelle (1989), while studies have found that families make educational choices for all sorts of reasons, research in St. Louis indicates that school choice is directly related to the match between the parental personal value system and the values of the school. Once parents make that choice, they tend to stay with their decision regardless of unanticipated difficulties. Uchitelle considered this type of commitment to be crucial.

Educators are also said to be affected in a positive way by school choice. One positive outcome is that school choice can provide diversity, choice, autonomy for individual schools, and equity controls such as policies that guarantee equal access regardless of social class, race, and/or gender and encourage school specialization to better meet the individual needs of some students rather than the needs of all students at a minimum level of adequacy (Clinchy, 1989). School choice improvements can also provide more rewards for success and consequences for failure of teachers, administrators, schools, and school districts. Clinchy also noted that professional educators will be empowered to develop, and then implement, the various educational programs that they believe to be in the best interests of their students. Raywid (1984) agreed with this position, concluding that "the amount of autonomy teachers enjoy and the unusual control over their own programs would suggest distinct professional rewards" (p. 77).

Both parental choice and professional choice, when properly conceived and executed, are necessary because they turn our traditional authoritarian system of public education upside down. And this shakeup is genuine change, real reform, true restructuring (Clinchy, 1989, p. 290).

The competition for new students has led to an increase in marketing of school districts. Schools of choice are trying a variety of promotional techniques to attract students. Since legislation has required all 434 school districts to allow student transfers, Minnesota has some of the most ambitious promotional plans. Through these promotions, parents become better informed about their children's schools and the opportunities offered to them (Goldman, 1992).

As a result of school choice, two new ideas, teachers in private practice and charter schools, are emerging. Private practice offers teachers the

opportunity to run their own business instead of simply serving as school district employees (Randall, 1992).

In 1991, Minnesota passed legislation allowing the establishment of charter schools, while other states have similar bills pending. These allow individuals or groups to start their own innovative public schools. The opportunity for choice is expanded for students and parents from the present public school options to a new alternative system of public schools. According to Randall (1992), much of the funding for these schools is provided from the general education revenue, state aid, grants, and other sources of revenues requiring no local tax levy. These funds are distributed directly to the charter school by the state.

Opposition to Open Enrollment

Open enrollment is not without faults and pitfalls. Critics complain that it will (1) promote inequity in the educational system, (2) remove control from local school boards, (3) be expensive, and (4) force school district consolidation.

One of the strongest opponents of open enrollment in Minnesota is Judith Pearson, a teacher in Independent School District No. 712, Mountain Iron, Minnesota. According to Pearson (1989a), open enrollment is elitist in the sense that only parents who can afford the cost of transportation to the alternative site will be able to choose an option other than the local school. Choice will therefore be limited to middle and high income families. The factors of geography and distance are critical in relation to choice, which is also affected by such factors as participation in extracurricular activities.

Pearson (1989a) argued that open enrollment is in legal opposition to the Minnesota Constitution and that it may also fail to meet the provisions

set forth by the U. S. Constitution. "Educational benefits will be increasingly unequal under the open-enrollment plan" (p. 822).

If just one student is hurt, just one category of student is negatively affected, just one school or district fails to provide equitable programs as a result of open enrollment laws, then the laws have failed to meet the constitutional tests of providing 'general and uniform' education and 'equal protection' (Pearson, 1989b, p. 310).

In other equity considerations, some students are prohibited from transferring because doing so would upset the racial balance at either the departing school or the receiving school (Uchitelle, 1989). Glenn (1989) argued that there is already too much diversity between schools in rich and in poor communities and even among schools in the same district, both in program quality and in opportunities offered.

Parents may encounter several disadvantages of open enrollment plans (Uchitelle, 1989, p. 303). For instance, the parents of transfer students may not be represented on the school boards of the districts in which their children attend school because state laws generally require board members to live in the districts they serve. Another disadvantage occurs when transportation is provided for students but not for parents. Some parents may encounter difficulties in getting to school activities such as parent-teacher conferences.

According to Pearson (1989a), student transfers raise concerns about the effect open enrollment policies will have on the ability of school boards to maintain local control of schools and on the democratic process in general. As school district survival becomes a matter of student numbers, board decisions may be made only after consideration of their effect on the student count. Further complicating the issue is the fact that parents who have transferred their children to neighboring school districts will be voting for

school board members who no longer make decisions about their children's education and will not be voting for school boards that do govern their children's schools. Pearson concluded that it is doubtful these parents will vote to increase their own property taxes for schools from which they have transferred their children. Transfer students may benefit from new facilities or supplemental programs while only resident families provide the necessary local tax support. "At the same time, open enrollment leaves a school board terribly vulnerable to single-issue pressure groups" (Pearson, 1989a, p. 822). These groups can threaten to transfer their children if the school board does not give them what they want.

There will be extra costs involved in reorganizing the existing system, in creating the new schools that will be required to achieve true diversity, and in creating the parent information and support systems that we need (Clinchy, 1989, p. 294).

Pearson (1989a) argued that open enrollment will make the tasks of staffing, scheduling, and budgeting even more difficult because no commitment to attend is required on the part of the new transfer enrollees. Minnesota parents are under no legal obligation to actually send their children to a neighboring district even after they have enrolled there. Therefore, "students might repeatedly transfer from district to district" (Uchitelle, 1989, p. 303).

Pearson (1989a) concluded that open enrollment in Minnesota would cause teachers who are laid off to have none of the seniority and other protections offered by legislation that governs school districts, specifically in cases of district reorganization or interdistrict cooperative agreements. She noted that districts to which large numbers of students migrate will be unlikely to hire the more expensive veteran teachers from declining districts to fill positions created by increasing enrollments. "Why should they when

they can hire two teachers right out of college for the price of one laid-off veteran?" (Pearson, 1989a, p. 823).

According to Pearson (1989b), open enrollment has a hidden agenda -- the forced consolidation of school districts. "Open enrollment sets in motion a Machiavellian reduction by attrition, whereby only the 'fittest' schools survive" (p. 310). In Minnesota, statutory language governing school district reorganization does, however, include obligations concerning teacher seniority, assumption of indebtedness, and ownership of facilities.

Clinchy (1989) asserted that all forms of choice, regardless of how they are arranged, must be monitored and controlled to ensure that every child has an equal opportunity to benefit from open enrollment. In Massachusetts, parent information and counseling centers were made possible through the annual allocation of more than \$2 million in state funds. These centers were located in cities that had been designated to implement integration and school improvement through a large-scale choice plan (Glenn, 1989). Policies were established to guarantee equal access by all students to every school in an effort to ensure equity. The plans have been complicated because of the need to ensure that schools maintain racial balance by establishing and enforcing minority quotas and also maintain gender balance (Clinchy, 1989).

While private businesspeople often assume that competition will increase productivity in education and improve declining test scores, Pearson (1989a) claimed that this assumption cannot be supported by research or other reliable data. "They have forgotten the abuses of competition in business and have neglected to anticipate similar abuses in education" (p. 823). She further argued that a complicated social institution, such as a school, cannot be measured by the same standards as a business since a number of the school's

products, such as citizenship and leadership, are less tangible and less subject to measurement than are the products of the business world.

Pearson (1989a) also speculated that the top student athletes, searching for better teams and increased scholarship opportunities, or responding to recruitment by a neighboring coach, would be most likely to transfer. Students may also choose to leave to escape unpopular disciplinary action or high academic standards and graduation requirements. It could be that parents will move their children to avoid close scrutiny regarding child abuse or neglect. Parents may choose a school for the convenience of day care or its proximity to their employment. They may transfer their children because they are not pleased with a school board's decision on a controversial issue. While most of these reasons have some potentially destructive significance, they have no direct relationship to competition for academic excellence (Pearson, 1989a).

The current promotional campaigns of school districts in states offering school choice contain little if any school-wide performance data. Most school brochures boast of the same thing -- developmentally appropriate and child-centered learning environments. The most current scientific study on parental decision-making about school choice programs concluded that the lower-income and less educated parents have access to fewer sources of information to help with those decisions than do the middle class and well-educated parents (Goldman, 1992).

According to Randall (1992), private practice and charter schools, two outgrowths of school choice, have limitations. Teachers need to have an understanding of the psychological and financial risks involved with private practice and operating a business such as a charter school. For example, they will not be protected by tenure.

Perhaps the implementation of choice is not accomplishing the goals for which such plans were adopted. Choice implemented in a quick, poorly planned fashion can easily turn out to be no choice. Unfortunately in many cases, adoption of a choice plan is turning out to be a facade that results in no significant improvement in the old traditional school system (Clinchy, 1989).

Open Enrollment Programs

Public school choice may be implemented in a variety of ways. There are plans that include student transfers within a single building, within all or a section of a district, or between districts (Nathan, 1989). School districts across the country are implementing choice in many ways, including intradistrict plans such as magnet schools and within entire district boundaries (Clinchy, 1989).

There are many cities and states that have adopted some form of open enrollment policy. In the early 1970s, a number of comprehensive high schools were transformed into sets of "mini-schools," with Quincy High School in Illinois and Harren High in New York becoming two of the better known programs (Raywid, 1984). Magnet schools also became popular at about the same time. In fact, every school in each of three Massachusetts school districts (Cambridge, Lowell, and Fall River) was used as a magnet school (Clinchy, 1989). The Lowell, Massachusetts, district thus developed, among others, a K-8 school for the fine and performing arts and a K-8 microsociety school in response to requests by parents (Clinchy, 1989).

Elementary school alternatives, including magnets, are most likely to define themselves in terms of a particular pedagogical style, such as open, basics, or Montessori (Raywid, 1984, p. 72).

Magnet high schools are more likely to be defined according to their specific curricular focus, while other alternative schools at the secondary level seem to focus more on aspects of the school environment rather than on curriculum (Raywid, 1984). For instance, a magnet high school might have a primary focus on a specific curriculum, such as math and science. On the other hand, an alternative high school focusing on the school environment may emphasize interpersonal relationships and/or freedom with respect to clothes, language, and personal style within the school. Some magnet schools and other schools of choice may emphasize experiential learning as a form of independent study (Raywid, 1984). Some districts may emphasize specific curricular or "environmental" or learning objectives/styles that would appeal to students or parents in another district.

The method of student assignment adopted by eight Massachusetts cities, including Boston, was referred to as "controlled choice" (Glenn, 1989). Under this plan, which has the advantage of avoiding some pitfalls of the placement process, registration of transfer students starts in January for the following school year (Glenn, 1989). Assignment decisions are made monthly and all applicants during the same month are treated equally with respect to honoring their choice. Parents of new students in the system are offered counseling and are encouraged to visit the schools. Consideration is given to where siblings attend school, the proximity of the school to the child's home, program considerations, and racial integration.

In the 1987-88 school year, Minnesota implemented an open enrollment program that was voluntary for school districts. The following school year, participation became mandatory for school districts with enrollments larger than 1,000 students. In 1989, the Minnesota legislature made several amendments to the open enrollment plan, including a

requirement that all student transfer decisions for the following school year be made by parents no later than the first of February and that the transferred student remain in the new district for at least one year (Nathan, 1989).

Beginning in 1990-91, all school districts in Minnesota were required to participate in the open enrollment program (Pearson, 1989a).

According to Nathan (1989), the Minnesota open enrollment plan allows students between the ages of 5 and 18 to attend public schools in other districts. These transfers are granted as long as there is space available at the receiving district and there is no negative impact on desegregation efforts. Funds are made available to low-income students for transportation costs from the student's home to the school of choice.

In 1991, the Minnesota legislature passed a charter schools bill. Under this bill, innovative teachers are allowed to form and operate independent public schools using innovative ideas. According to Randall (1992), this legislation was supported because of four reasons.

1. Charter schools fit with the current thinking regarding outcome-based education and parent choice. Because children have different needs and aspirations, they need different education settings. Parents can select a charter school that best meets the needs of the child and family.
2. Charter schools contribute to teacher empowerment. Teachers can manage the schools, if they so choose.
3. Charter schools have student learning at heart. The entire system (its birth and its continued existence) depends on student outcomes; these are the measure of the charter school's success or failure.
4. Regular schools face restrictions that charter schools don't. For example, a regular school might have to accept all students, but a charter school could sharpen its focus to address the needs of at-risk students only (p. 37).

Recently, John Coons and Stephen Sugarman, professors at the University of California at Berkeley, proposed a choice plan by which children from low income families would benefit (Olson, 1992). The proposal was designed to ensure fair access for the poor to schools, to subsidize choices in both private and public schools, and to protect schools from state regulations so that leaders could maintain the schools' identity and autonomy. Their plan included scholarships of up to 90% of the cost of public education for each child, with scholarship increases for children with disabilities. It also would support the cost of transportation for children from low income families. In the first four years of the scholarship, only children of low income families would be eligible. The Coons and Sugarman proposal called for the creation of four types of schools: public, private, public scholarship, and private scholarship schools (Olson, 1992, p. 19).

In 1991, the Des Moines, Iowa, school district lost \$333,000 due to student transfers (Schmidt, 1992). In 1992, the loss was nearly tripled to \$950,000. Under the open enrollment law, the Des Moines district had taken in 134 students and lost 413 students from transfers to other districts within the first two years. Of the 413 students who transferred to other districts, only 11 were minorities. During the fall of 1992, the Des Moines school board refused the transfer of 122 white students to other districts. The reason given was that the transfers would hinder the district's desegregation plan. Governor Branstad accused the Des Moines district of "reverse discrimination" (Schmidt, 1992).

There is no single choice plan that can serve as a model for all states, though the best plans share key elements, including opportunities for educators to create distinctive programs, strong efforts to keep parents informed, non-discriminatory admissions, and guidelines to achieve racial balance (Nathan, 1989, p. 307).

Funding of Oklahoma Common Schools

According to the report of the Oklahoma Citizen's Commission on Education (1982), Oklahoma public education began with the creation of the Oklahoma Territory in 1890. In the process of establishing an educational system in Oklahoma, many of the existing Kansas school laws were adopted. With the establishment of schools through the eighth grade came the appointment of a Territorial Superintendent of Public Instruction. Control of the schools in the Indian Territory was taken over by the federal government in 1898, at which time a superintendent was selected to oversee that educational system.

With statehood in 1907, provisions were made in the Constitution for each county to elect a superintendent who was then given the authority to establish and largely control the local schools. The first county superintendents divided the counties into school districts. The major criterion for a district was that each school should be within walking distance of the pupils. This process led to the establishment of 5,656 school districts. Mr. E. D. Cameron, who was elected the first State Superintendent in 1909, called for the establishment of rural high schools and a seven month minimum school term (Oklahoma Citizens' Commission on Education, 1982, p. 40).

Throughout the United States, public education has been established by legal precedents as a responsibility of the individual states. In compliance with that obligation, the Oklahoma State Constitution (Article XIII, Section 1) states that the "Legislature shall establish and maintain a system of free public schools wherein all children of the State may be educated." Article XIII further provides that the legislature shall, "by appropriate legislation, raise and appropriate funds for the annual support of the common schools."

Property taxes provided funding for all units of government (city, county, school district, township, and the state) for the first 30 years of

Oklahoma's state history. Sales taxes were first levied in 1936. Personal income tax statutes exempted the majority of the population and, therefore, were very low. In 1931, aid to local school districts from the state general fund was limited to five percent of total expenditures (Holmes, 1985).

Oklahoma school finance was simple. Although small amounts of money were contributed by the state and the federal government helped with special programs such as vocational agriculture, financing schools was almost entirely a local matter (Parker & Pingleton, 1978, p. 1).

In 1960-61, local revenue accounted for 53% of an average district's budget, while the state dedicated and appropriated revenue accounted for 41%. The federal revenues accounted for 6%. By 1983-84, the local revenue accounted for only 29%, with the state providing 64%, and federal aid contributing 7% (Holmes, 1985). In 1987-88, the local revenue accounted for 32%, the state 61%, and the federal revenues 7% of the average district's budgets (Deering et al., 1989). More recently, the 1989-90 percentages were 30.1% local, 62.8% state and 7.1% federal (Walters et al., 1992). In the following sections, the revenues received by public schools from the various levels of government will be explained in more detail, from both historical and current perspectives.

Ad Valorem Tax System

The traditional source of local revenues for Oklahoma public school districts is the ad valorem tax which is levied against real (land and objects affixed to the land), personal (movable items), and public service (utility) property in the form of mills. The three classifications of real property are residential, commercial/industrial, and agricultural. Personal property is defined in the state constitution as all property having actual, constructive or taxable situs and not included in the definition of real property. Public

service refers to property that is used in the delivery of services to the public by regulated utilities.

Ad valorem means "according to value." Therefore, ad valorem taxes are imposed upon the economic value of real property and personal property. The first step in the ad valorem process is the determination of the fair cash value of the property, in most classes by the elected county assessor (Holmes, 1985). Public service property is assessed by the state. Taxpayers are required to report values of personal property.

After the fair cash value is established, the assessed value is computed by application of an assessment ratio, a percentage which, according to the state constitution, cannot exceed 35% (Bass, 1992). The net assessed value results from the deduction of homestead and various other credits from the assessed value. The ad valorem tax liability of the owner is then determined by multiplying the net assessed value by the total applicable levy, computed in mills. One mill is equivalent to 1/1000 of a dollar, or equals a tax of one dollar for each thousand dollars of taxable value.

It is the county treasurer's duty to collect the tax revenue and distribute the monies to the governmental entities according to their entitlement. The amount received by the individual governmental entities depends upon the assessed value of all the property within its boundaries and the number of mills allowed to be levied (Emerson, 1990).

Although the limitation of 35% on property assessment was passed in 1958 as an Oklahoma Constitutional amendment, the fair cash value amendment was not passed until 1972. The fair cash value concept was the solution to problems associated with an existing agricultural property valuation referred to as "use valuation." The constitution now states that property cannot be valued in excess of 35% of its fair cash value for "the

highest and best use for which the property was actually used or classified for use" (Emerson, 1990, p. 18).

Limits on property tax levies were included in the original Oklahoma constitution for each unit of government and the total levy was initially limited to 31.5 mills. The individual government limits were set at 3.5 mills for the state, 8 mills for counties, 5 mills for townships, 10 mills for cities and towns, and 5 mills for school districts (Holmes, 1985). However, with a local vote of the people, school districts could raise 10 more mills for a maximum levy of 15 mills (Holmes, 1985).

If the local school board determined that the district needed a five-mill ad valorem levy to provide adequate funding, the board would simply set the levy at that level. But, if the budget required more than a five-mill levy (up to 15 mills), the local taxpayers would be asked to decide in an election. These budget elections required a 30% voter turnout to the polls. The question needed a simple majority to pass. County, city and township budgets were set using a similar system, the underlying concept of which was great respect for representative government. It also imposed discipline on school boards and administrators to defend their budgets to the taxpayers (Holmes, 1985).

In 1933, Governor Murray was very instrumental in obtaining voter approval for a constitutional amendment to greatly change the ad valorem aspects of school budgeting, including a reduction of maximum allowable millage levies that could be used to fund government services. The change permitted 2 extra mills for the racially segregated schools for Black youth on a county-wide basis and 10 more mills for individual school districts were allowed to be levied upon approval by the local voters. A variety of ad valorem taxes can now be levied for common education (Holmes, 1983).

The basic school district levy is levied by the school board without a vote of the people. This levy can range up to 15 mills upon annual certification of need by the local board which is required to submit a "Preliminary Estimate of Needs" by December indicating a proposed budget for the coming year justifying the need for the levy (Holmes, 1983).

The emergency levy is limited to a maximum of five mills levied annually upon affirmation by the district's voters. This levy was authorized by an amendment to the state constitution, with an original intent that emergency criteria had to be met before the board could ask for approval by the voters. The emergency criteria have since been abandoned and this levy is now routinely submitted to the voters for annual approval (Bass, 1992).

The local support levy is limited to a maximum of 10 mills and can be levied only by an affirmative vote of the people in the district. This levy was also created by an amendment to the Constitution with an intent to allow local districts to raise funds above the minimum level provided by the basic levy (Deering et al., 1989). This has also become a routine levy, annually approved in virtually every district in the state.

Two separate levies are approved, collected, and distributed at the county rather than district level. The county excise board must approve at least five mills, of a county 15-mill levy, for support of the public schools. While the board could approve more, the five mills are traditionally approved for schools with the remainder designated for use by the county. The second is known as the "4-mill county levy."

During the days of the so-called 'separate' schools in Oklahoma, this levy was provided as a means of raising money to support those schools. When desegregation was implemented in Oklahoma in the mid-fifties, this 4 mill levy was simply made a county 'pot' to be divided up among the school districts within the county (Parker & Pingleton, 1985, p. 6).

The 4-mill levy is certified by the county commission without a vote of the people. Revenue from both county levies is distributed to the local school districts of the county based upon the proportion of total average daily attendance.

As noted, 15 of the 34-mill potential for general school operations are subject to approval by the local voters (Holmes, 1983). The remainder are levied under the authority of the county commission or local school board. Additional school levies are the building fund levy (five mill maximum upon annual approval by district voters) and the sinking fund levy (Bass, 1992). The latter may be authorized in two separate instances. The primary approval for sinking fund levies is granted when voters pass a school bond issue, the proceeds from which will be repaid through a sinking fund levy during the repayment period. A relatively infrequent use of the sinking fund levy results from a court-ordered judgment to be paid by a school district. A resulting three-year sinking fund levy used to satisfy such judgment is certified through the county and needs no approval by either school board or local voters. With the addition of these two levies, there are seven different ad valorem tax levies which may be used for local support of the public schools in Oklahoma. The school general fund levies thus include 15 mills basic, 4 mills county, 5 mills county, 5 mills emergency, and 10 mills local support (Deering et al., 1989).

State Aid Distribution

When Oklahoma came into the union, Congress set aside the 16th and 36th sections of each township of land in the Oklahoma Territory to be used to help support the public schools (Holmes, 1985). For the land in the former Indian Territory, money was appropriated in lieu of a land grant and deposited by the federal government in the Permanent School Land Fund administered by the Oklahoma School Land Commission. According to the Oklahoma Citizens' Commission on Education (1982), early Oklahoma leaders assumed that the revenue distributed annually from that fund would constitute a sufficient level of financial contribution by the state to the local schools. However, state policymakers began to perceive that revenues from the "school lands" fell short of providing sufficient funds from the state level. As more money was needed, portions of various other taxes were earmarked for the schools. The vehicle registration fees for automobiles and farm trucks and a portion of the gross production tax on extracted minerals, primarily oil and gas, were the more significant of these taxes, both of which continue as sources of revenue for Oklahoma schools (Deering et al., 1989).

The Oklahoma Citizens' Commission on Education (1982) reported that, in 1919, the legislature appropriated \$100,000 to be dispersed to the "financially poor" schools. This was considered to be the first equalization measure initiated by the state. However, it was not until 1937 that the state initiated a policy of regularly providing varying amounts of money to school districts based upon their relative wealth (McElderry & Blank, 1981). This policy was referred to as "significant equalization." The "Better Schools Amendment" was passed in 1946 by the state legislature. This amendment,

among other things, included a major increase in state aid to education (Holmes, 1985).

In the 1970s, Oklahoma's finance formula was revised to include two separate formulas (foundation and incentive aid). In 1981, legislation was passed in an effort to increase equalization of funding, including revisions in the pupil weighting and other factors in the school funding formulas (Parker, 1983). The 1981 change was prompted to some extent by the "disequalizing" system of granting teacher salary increases outside of the state aid formula (Holmes, 1985). Holmes noted that these actions resulted in a shift in responsibility for school funding. In 1970, local revenues provided 50% of public school funding in Oklahoma. By 1985, the local share had declined to 35%. In 1991, local support accounted for only 29.5% of school funding, compared with the state share of 62.9% (White, 1993).

The two primary state aid distribution formulas used in Oklahoma are the foundation program formula and the salary incentive aid formula. Originally the foundation program formula was designed to reflect program cost and to count pupils for weighting purposes on the basis of average daily attendance (ADA) (Bass, 1992). The incentive aid formula was used to reflect cost of delivery of educational programs and used average daily membership (ADM). These conceptual distinctions were eliminated by the changes made through HB 1017, a school reform and funding act passed in the 1989-90 special session of the Oklahoma legislature. The differences in weighting factors were virtually eliminated and both formulas now use ADM, allowing districts to use the larger ADM count from the previous two school years. This use of historical ADM is an essential factor in considering the impact of student transfers, as will be noted in Chapter IV. A third, non-equalizing formula is used to calculate a supplement to Foundation Aid for the purpose

of providing funds to school districts to defray the cost of providing pupil transportation services (Bass, 1992).

The foundation aid formula employs a number of weighting factors to reflect the varied costs of programs by grade level of the students, as well as the cost of individual special programs. Weighting factors are also included in recognition of the higher per-pupil costs often associated with economically disadvantaged students and students in small and/or isolated school districts. Table I provides a summary of these weighting factors.

As shown in Figure 1, the foundation aid formula is a classic equalized formula, with the weighted pupil count multiplied by a per-pupil-unit level of support (base foundation support level) to compute a guaranteed level of revenue for the district (Foundation Program) (Bass, 1992). A measure of local wealth (foundation program income) (chargeable income) is then deducted to determine the level of state (foundation) aid. The base foundation support level is established annually by the state legislature. For fiscal years 1989-90 through 1993-94, that per-pupil support was set at \$958; \$1,004; \$1,064; \$1,098; and \$1,139 respectively. The foundation program income, referred to some as chargeable income, is the aggregate amount of revenue received by a school district in the next preceding year from a variety of tax sources: the basic ad valorem tax levy, 75% of the 4-mill county levy, motor vehicle collections, state apportionment, gross production tax, and rural electrification association tax.

An addition to the foundation aid is paid by the state to school districts to provide support for their pupil transportation costs. This amount is determined through a formula that is not equalized for local wealth. There are no chargeables and the state provides all of this revenue entitlement.

TABLE I
PUPIL WEIGHTING FACTORS IN THE
OKLAHOMA SCHOOL FUNDING
FORMULAS

Weighting Factor	Value in Formula	
	Foundation	Incentive Aid
Grade Level:		
Kindergarten	1.300	1.300
Grades One and Two	1.334	1.334
Grade Three	1.034	1.034
Grades Four Through Six	1.000	1.000
Grades 7 Through 12	1.200	1.200
Pupil Category:		
Vision Impaired	3.800	3.800
Deaf and Blind	3.800	3.800
Hearing Impaired	2.900	2.900
Emotionally Disturbed	2.500	2.500
Multiply Handicapped	2.400	2.400
Trainable Mentally Hdcp.	1.300	1.300
Educable Mentally Hdcp.	1.300	1.300
Physically Handicapped	1.200	1.200
Spec. Ed. Summer Program	1.200	1.200
Learning Disability	0.400	0.400
Gifted	0.340	0.340
Bilingual	0.250	0.250
Speech Impaired	0.050	0.050
Economically Disadvantaged		0.250
Other factors:		
Small School/Isolation	*	*
Tchr Experience-Degree Index		**

(From Bass, 1992)

* Eligible school districts receive the larger of the weighted pupil units computed by two formulas, one using size alone as a factor and one using size and isolation as factors.

** Eligible school districts receive a number of weighted pupil units determined by the relative degree of experience and education acquired by teachers in those districts in excess of state averages.

$$\begin{array}{l}
 \text{Weighted Pupil Count (ADM)} \\
 \times \text{ Base Foundation Support Level} \\
 \text{Foundation Program} \\
 - \text{ Foundation Program Income} \\
 \text{Foundation Aid}
 \end{array}$$

Figure 1. Oklahoma Foundation Aid Formula

According to Holmes (1985), the transportation supplement is basically a flat grant with some adjustments for cost differences among districts.

The second of the two equalized formulas for distribution of state aid in Oklahoma is used to compute incentive aid, also known as salary incentive aid (Bass, 1992). It was intended to provide greater state aid for districts in which the teachers had relatively more experience and/or education (Holmes, 1985). In the salary incentive aid formula, the teacher factor weighted pupil units are added to the weighted pupil units as were calculated in the foundation aid formula (see Table I). The teacher factor is found by first determining the difference between the state average for teacher experience and education and the district average. A formula is then used to make adjustments to modify the cost of this factor to the state. While also equalized, the incentive formula provides a per-mill guarantee which, in an additional calculation, is adjusted according to the number of mills approved by the local voters and the county excise board. This per-mill basis for the guarantee explains the apparent major discrepancy between the incentive aid guarantee and that in the foundation formula, the two respective figures for 1993-94 being \$55.12 and \$1,139, respectively. With the final multiplier for the

number of mills approved, generally 20, the incentive aid formula would thus generate an equivalent guarantee of \$1,102.40.

As shown in Figure 2, the total weighted student count (ADM) is multiplied by the incentive aid guarantee to produce the district's guaranteed revenue per mill levied. The revenue from one mill is then deducted to yield the incentive aid provided by the state per mill. This figure is then multiplied by the number of mills levied above 15 with a maximum of 20. Of the total 39 mills available for a school district's general fund, revenue from 18 (basic levy and 75% of the 4-mill county levy) is deducted in the foundation formula. Up to 20 (local support, emergency, and county levies) may thus be deductible in the incentive aid formula. The final product is the amount (salary) incentive aid provided by the state (Bass, 1992).

$$\begin{array}{r}
 \text{Weighted Pupil Count (ADM)} \\
 \times \quad \text{Incentive Aid Guarantee} \\
 \hline
 \text{Incentive Formula Guarantee Per Mill} \\
 - \quad \text{Revenue from a One-Mill Levy} \\
 \hline
 \text{Incentive Aid Per Mill} \\
 \times \text{ Number of Incentive Mills Approved} \\
 \hline
 \text{Total Incentive Aid}
 \end{array}$$

Figure 2. Oklahoma Incentive Aid Formula

In summary, the total formula income would result from the combination of the foundation program income, the foundation aid, the incentive aid-related ad valorem tax revenues, and the salary incentive aid. This combination provides, on average, 65% of the total revenue received by Oklahoma school districts (Bass, 1992). The remainder of funds is received through the non-general fund levies (building and sinking), miscellaneous local income, state categorical aid, and federal aid, all of which will be reviewed in greater detail in Chapter IV.

Federal Aid

Federal involvement in public school funding in Oklahoma has never been as major a factor as have been state and local support. Revenue from federal sources comprised only 6% of the total revenue received by school districts in Oklahoma in fiscal year 1961. By fiscal year 1966, federal support had increased to 13%. Since that time there has been a steady decrease in federal funding to less than 7% in 1984 (Holmes, 1985). The major federal support has come from compensatory programs such as Chapter I, Impact Aid (P.L. 874), and special education assistance (P.L. 94-142, 99-457) (Bass, 1992).

Funding of Open Enrollment

According to Goldman (1992), in seven of the open enrollment states, the per-pupil state aid follows the students to the school district to which they transfer. In 1991, \$4.3 million in state aid moved among 28 districts with the transfer of 834 students from district to district in Massachusetts.

Other means of support for school choice plans are provided by tuition and vouchers. The funding for charter schools is provided primarily from

general education revenue, state aid, grants, and revenues requiring no tax levy (Randall, 1992).

Summary

The debate over open enrollment continues to grow. Proponents claim that no one school is best for diverse student and parent populations. To better serve this diversity, a variety of teaching methods and curricular focuses is needed in the schools. More choice, it is argued, will not only expand opportunities for low- and moderate-income families but will stimulate improvement in public schools through controlled competition. School choice can also increase student involvement while at the same time decrease the drop out rate. Supporters also claim that educators will experience more professional autonomy by which to develop methods to achieve these goals. These innovative teachers and administrators will be rewarded automatically for their successes through school choice decisions. Consequences for the failures of other educators will also be automatic with school choice.

The opponents of open enrollment claim that it will create greater inequities in schools and will remove control from local school boards. It is feared that transfer students will not be represented by the school board of the district to which they transfer. Open enrollment is also said to be expensive and to result in forced school district consolidation. Open enrollment, it is argued, will create an elitist situation in which only parents who can afford the transportation and other non-reimbursed costs can take advantage of the opportunities. Some students will not be able to transfer because such action would upset the racial balance of sending and/or receiving districts. Parental reasons for transfers are not always seen to benefit the child.

The funding of public schools in Oklahoma is provided through a combination of local, state, and federal sources of revenue. Although local, primarily ad valorem, taxes were the traditional primary source of revenue for public schools, income received from the state has become the dominant source of such funding. Nearly two thirds of school district revenue is associated with two equalized formulas which include a combination of local and state revenues. Federal aid for public schools has changed very little since 1961 when it supplied 6% of the total school district revenue; in 1992, federal aid supplied 7% of such revenue in Oklahoma.

CHAPTER III

RESEARCH DESIGN

The purpose of this study was to determine the per-pupil impact of an open enrollment policy on Oklahoma school district revenues. The following research questions were used to guide the study.

1. What is the impact on the per-pupil general fund revenues due to student transfers between school districts in Oklahoma? How do such transfers affect the specific revenue sources from local, state, and federal governments?

2. What is the impact on the per-pupil building fund revenue due to student transfers between school districts in Oklahoma?

3. What is the impact on the per-pupil sinking fund revenue due to student transfers between school districts in Oklahoma?

This chapter contains a description of the research design through which answers were sought for these questions. Included are sections describing the population and the sample, data collection procedures, and data analysis.

Population and Sample

The population for this study consisted of all public school districts in the State of Oklahoma. The sample selected for the study included all of the public school districts in Oklahoma County and Logan County. These

counties were chosen because they were centrally located and were perceived to contain a representative sample of the types and sizes of school districts in Oklahoma. Within these two counties are small and large urban districts, small and large suburban districts, and rural school districts. Included within these two counties also are both elementary and independent school districts.

Property assessment practices vary considerably from one Oklahoma county to another. By selecting only two counties, the design ensured greater control over this variability. By limiting the sample to two counties, an effort was also made to enhance accessibility to data.

As shown in Table II, the sample comprised 3.4% of the total number of public school districts in Oklahoma. The elementary school districts in the sample make up 2.2% of the statewide total of elementary school districts while the sample of independent school districts equals 3.8% of the total independent school districts in Oklahoma.

According to the data in Table III, the sample has a higher proportion of large districts than the population, but has districts in each of the size categories. The sample also contains one of the two largest metropolitan areas in the state which may account for the larger than normal school districts in the sample. In order to get a broad range of sizes, it was necessary to include one of the two large metro districts in the state as well as smaller districts, while maintaining a small workable number of districts although the sizes are not proportional to the entire state.

TABLE II
COMPARISON OF SAMPLE AND POPULATION,
BY TYPE OF SCHOOL DISTRICT

	Elementary School Districts		Independent School Districts		Total School Districts	
	No.	%	No.	%	No.	%
Oklahoma County	2	13.3	13	86.7	15	100.0
Logan County	1	20.0	4	80.0	5	100.0
Total Sample	3	15.0	17	85.0	20	100.0
Statewide Total (1991)	136	23.8	436	76.2	572	100.0

Table III
Comparison of Sample and Population,
by Size of School District

County	Number of Students									
	0- 250 No.	250- 500 %	251- 500 No.	500- 1,000 %	501- 1,000 No.	1,000- 1,001 %	1,001 5,000 No.	5,000 %	> 5,000 No.	> 5,000 %
Oklahoma	1	6.7	1	6.7	4	26.7	5	33.3	4	26.7
Logan	2	40.0	1	20.0	1	20.0	1	20.0	0	00.0
Total	3	15.0	2	10.0	5	25.0	6	30.0	4	20.0
State Total	216	37.8	158	27.6	96	16.8	84	14.7	18	3.1

(Oklahoma State Department of Education, 1992)

As shown in Table IV, there were no school districts in the sample for this study with more than \$4,000 in per-pupil revenues. During the study, it was found that only 40 Oklahoma districts have per-pupil revenue of more than \$4,600. Districts, none of which was included in the sample, are thus not typical of school districts in Oklahoma. A primary reason for the exceptionally large per-pupil revenue in those districts is the large ad valorem tax revenues generated by utilities and/or commercial ventures and/or large gross production tax revenues from gas and/or oil extraction.

Districts with concentrations of valuable public service property, such as electric generating plants, have traditionally been the most affluent in terms of school revenue in the entire State (Parker, 1983, p. 94).

Data Collection

The two primary sources for data collection were the Oklahoma State Department of Education and the local school districts' administrative offices. Data were sought relative to all sources of school district revenue for fiscal year 1991 (July 1, 1990, through June 30, 1991). Data included the identification of all revenue sources and the amount of revenue for each, variables employed in the school aid distribution systems, and various other data associated with revenue-related characteristics of the school districts. Student data included raw and weighted average daily attendance (ADA) and raw and weighted average daily membership (ADM) for each sample school district.

TABLE IV
 COMPARISON OF SAMPLE AND POPULATION
 BY PER-PUPIL REVENUES FOR 1989-90

Per-Pupil Revenues	Oklahoma County	Logan County	Sample No.	%	% of Statewide Sample
< 2,801	4	0	4	20	14
2,801 - 3,000	8	2	10	50	19
3,001 - 3,200	2	1	3	15	16
3,201 - 3,400	0	0	0	0	13
3,401 - 3,600	0	0	0	0	8
3,601 - 3,800	0	1	1	5	9
3,801 - 4,000	1	1	2	10	4
4,001 - 4,200	0	0	0	0	4
4,201 - 4,400	0	0	0	0	2
4,401 - 4,600	0	0	0	0	3
> 4,600	0	0	0	0	7
Totals	15	5	20	100	100

(Walter, D., Garrett, S., & Ellis, J.B., 1992)

The Logan County Treasurer, Shirley Rothermel; Director of State Aid at the Oklahoma State Department of Education, Tom Pickens; and the Oklahoma County Treasurer's Office were contacted to obtain, verify, and/or seek explanations for various data. Contact was also made with Oklahoma State University faculty members to obtain additional information concerning Oklahoma public school funding.

Data Analysis

The revenue entitlement from each source for each sample school district was reconstructed. An examination of each revenue source was then performed to determine, first, if a student transfer in or out of any school district would affect that revenue source. If so, calculations were made to determine the per-pupil impact of transfer on that revenue source. Finally, the total impact, on a per-pupil basis, of student transfers was computed for each school district.

In order to compile composite totals for the per-pupil impact of transfers on school district revenues, several assumptions were necessary. Since some revenues vary by demographic factors associated with students, a primary assumption rests with the description of a "standard student." The student transferring in or out of a district was assumed to be in the sixth grade, non-Native American, English-speaking, and non-handicapped. The student was also assumed to not be eligible for Chapter I, or free or reduced lunches. Where students with exceptional needs or varying demographic characteristics would be associated with various levels of revenue loss or gain, those exceptions are noted in the appropriate sections of Chapter IV.

The impact of open enrollment was calculated on the basis of revenues distributed in fiscal year 1991, the student having been assumed to have

transferred at the start of the 1990-91 school year. Again, in those instances in which a transfer impacts revenue distribution in a succeeding year, those circumstances are noted in Chapter IV.

Summary

The sample included all school districts in Logan County and Oklahoma County. Data were sought primarily from the Oklahoma State Department of Education and the sample school districts' administrative offices relative to all sources of school district revenues for fiscal year 1991. Data analysis was designed to determine the per-pupil effect, if any, of student transfers on school district revenues.

CHAPTER IV

RESEARCH FINDINGS

The purpose of this study was to determine the per-pupil impact of an open enrollment policy on school districts' revenues. This chapter contains a description of all the local, state, and federal revenue sources for public school districts in Oklahoma. Included in this chapter are tables containing the calculated figures for revenue losses on a per pupil basis for each public school district in Logan County and Oklahoma County. The three main sources of revenues for school districts in Oklahoma are the local and county, state, and federal governments. Most schools districts in Oklahoma receive more money from the state than any other source.

Local and County Revenues

As noted in Chapter II, the seven ad valorem taxes levied in Oklahoma for the support of public schools at the local level are the basic levy (15 mill maximum), county levy (5 mill minimum), emergency levy (5 mill maximum), local support levy (10 mill maximum), 4-mill countywide levy, building fund levy (5 mill maximum), and sinking fund levy. The emergency, local support, and building fund levies require direct authorization by a majority of electors in the school district at the annual school election. In a similar fashion, sinking fund levies are generally approved by voters at a school bond issue election.

Of these seven ad valorem tax levies, the 4-mill countywide levy is the only one pooled for distribution to all school districts in each county on the basis of each district's proportion of the total student count for the county. The 4-mill countywide levy was originally provided as a means of support for the so-called "separate" schools in Oklahoma. In 1954, when desegregation was implemented in Oklahoma, this levy became a countywide source of revenue to be divided among the school districts within the county. The 4-mill countywide levy, like all such taxes, is due in two installments but is in actuality collected on a somewhat continual basis and is distributed to the schools twice each month by the county treasurer. The total amount collected is divided by the total certified average daily attendance (ADA) for all districts in the county for the preceding school year and then is distributed on a prorated basis to all such districts (Deering et al., 1989). As shown in Table V, for fiscal year 1991, the distribution from the 4-mill county levy was \$91.98 per student in Logan County and \$92.09 per student in Oklahoma County. A student transfer from a district prior to the start of the 1989-90 school year would thus result in the loss of this amount of revenue for that district in the 1990-91 (FY91) school year.

The other county revenue source for public school districts in Oklahoma that is based on ADA is county apportionment. This revenue comes from a mortgage tax collected in each county. The amount collected is divided by the certified ADA from the preceding year with each school district's share of collections distributed twice each month. As shown in Table VI, for fiscal year 1991, the distribution from county apportionment was \$6.85 per student in Logan County and \$9.78 per student in Oklahoma County. As with the county 4-mill levy, revenue loss from county apportionment would not occur until one year after the actual pupil transfer.

TABLE V
 PER-PUPIL REVENUE FROM THE 4-MILL
 COUNTY LEVY, 1990-91

County/School District	Per-Pupil Revenue
Logan:	
Coyle	\$ 91.98
Crescent	91.98
Guthrie	91.98
Langston	91.98
Mulhall-Orlando	91.98
Oklahoma:	
Bethany	92.09
Choctaw-Nicoma Park	92.09
Crooked Oak	92.09
Crutcho	92.09
Deer Creek	92.09
Edmond	92.09
Harrah	92.09
Jones	92.09
Luther	92.09
Millwood	92.09
Midwest City-Del City	92.09
Oakdale	92.09
Oklahoma City	92.09
Putnam City	92.09
Western Heights	92.09

TABLE VI
 PER-PUPIL REVENUE FROM COUNTY
 APPORTIONMENT, 1990-91

County/School District	Per-Pupil Revenue
Logan:	
Coyle	\$ 6.85
Crescent	6.85
Guthrie	6.85
Langston	6.85
Mulhall-Orlando	6.85
Oklahoma:	
Bethany	9.78
Choctaw-Nicoma Park	9.78
Crooked Oak	9.78
Crutcho	9.78
Deer Creek	9.78
Edmond	9.78
Harrah	9.78
Jones	9.78
Luther	9.78
Millwood	9.78
Midwest City-Del City	9.78
Oakdale	9.78
Oklahoma City	9.78
Putnam City	9.78
Western Heights	9.78

Miscellaneous revenues from gifts, tuition, transfer fees, interest income, student fees, the sale of property, rental, and refunds are collected locally. While a variety of sales income, ranging from hot lunch tickets to student activity passes to homecoming T-shirts, is collected from students, most of such revenue accrues to the activity or food service funds of the district, not to the general fund. For that fund, the miscellaneous local revenues, in many districts primarily received from investment income, are neither earned nor distributed directly on a student count basis. There would thus be virtually no impact of student transfers on these revenues except perhaps for some minor reduction in fees, sales, and/or admissions.

State Revenues

The two major categories of state funding for public school districts in Oklahoma are dedicated revenues and legislative appropriations. Dedicated revenues are portions of taxes that have been earmarked for school use. Legislative appropriations are monies that are allocated each year by the legislature. This category, the largest single revenue source for the public schools in the state, includes both formula and categorical aid. In fiscal year 1991, the state total of appropriated revenues for public schools was \$1,069,733,521.86. Appendix A contains a detailed listing of these various appropriations for FY91.

State Dedicated Revenues

The state dedicated revenue sources include the gross production tax, motor vehicle collections, rural electric association (REA) tax, state school land earnings, and revenue from tax stamps. With the exception of the REA

tax, these revenues are all distributed on the basis of ADA. Following are details regarding each of the state dedicated revenues for public schools, including information about the collection and/or distribution of such revenues. The collective impact of student transfers upon these revenues is addressed after the individual revenue descriptions.

Gross production. Gross production tax is a tax on oil, gas, and other minerals as they are extracted or produced. The first gross production tax in Oklahoma was passed in 1908. In 1910, the tax on oil and gas was separated from other ad valorem taxes. The rate of this tax was originally established at one half of one percent (0.5%) of the production value of gas and oil. This rate was increased in 1913 to three fourths of one percent (0.75%). Rate increases were also passed in 1916 and 1935. The current rate of seven percent, adopted in 1971, includes five percent and two percent levies which have separate apportionment formulas. Ten percent of the revenue from the "5/7ths" tax on oil and gas is allocated back to the county in which it was generated for distribution to the county's independent school districts (elementary school districts are constitutionally ineligible for this revenue). All of the revenue generated by the 2/7ths tax on oil and gas goes to the state's general revenue fund except that any amount in excess of \$190 million per year goes to the Capital Preservation and Economic Enhancement Fund (Emerson, 1990).

The actual per-pupil revenues received by the school districts for FY91 from gross production revenues are shown in Table VII. The large disparity in the per-pupil amount received by schools in these two counties is due in part to the varying amount of gas and oil produced in the counties, but more significantly to the great difference in student populations. The variation in

TABLE VII
 PER-PUPIL REVENUE FROM GROSS
 PRODUCTION TAXES, 1990-91

County/School District	Per-Pupil Revenue
Logan:	
Coyle	\$ 58.07
Crescent	58.33
Guthrie	58.18
Langston	0.00
Mulhall-Orlando	58.60
Oklahoma:	
Bethany	6.19
Choctaw-Nicoma Park	6.24
Crooked Oak	6.24
Crutcho	0.00
Deer Creek	6.20
Edmond	6.21
Harrah	6.24
Jones	6.21
Luther	6.23
Millwood	6.23
Midwest City-Del City	6.22
Oakdale	0.00
Oklahoma City	6.23
Putnam City	6.24
Western Heights	6.25

amounts per pupil within the county were attributed by officials to the effect of rounding the more exact ADA figures provided by the State Department of Education.

Motor vehicle collections. The motor vehicle collections are generated from a variety of taxes and registration fees. In this category are motor vehicle registration, title and lien fees, motor vehicle excise taxes, and boat and motor excise taxes. Local tag (license) agents are authorized to compute and collect these taxes (Emerson, 1990). In 1917, the first motor vehicle registration fees were imposed in Oklahoma, in part in lieu of ad valorem taxes on that form of personal property.

The basis for registration fees for private passenger automobiles differed from the fees for other non-commercial vehicles until July 1, 1985. All noncommercial vehicles are now subject to a registration fee of \$15 and an annual "in lieu of" tax of 1.25% of the adjusted factory-delivered price. The registration fee is due annually and at any other time ownership is transferred. The in-lieu portion of the tax depreciates 10% each year through the 12th year of registration, at which time the tax will remain at that amount through the 20th year of registration when only the registration portion of the tax will be assessed. Commercial vehicles are defined for registration purposes as any vehicle over 8,000 pounds laden weight which is used primarily for commercial or business purposes. Commercial vehicle registration rates range from \$95 to \$1,078, depending upon weight. Pick-ups or trucks used primarily for farm use are subject to a flat annual license fee of \$30 (Emerson, 1990).

The fee for each required certificate of title is \$11 plus tag agent fees. When a security interest is created in a vehicle, this interest must be recorded on the certificate of title at an additional fee of \$10.

In 1935, the first motor vehicle excise tax was imposed in lieu of sales tax of purchases. The last major rate change, in 1985, increased the rate from two percent to three and one quarter percent. This tax is imposed upon each motor vehicle sold or transferred and is based upon the value of the vehicle. A rental tax imposed on gross receipts from motor vehicle rental agreements of 90 days or less is collected in lieu of the motor vehicle excise tax (Emerson, 1990).

Boats and marine motors are subject to annual registration and license fees. Those with a value in excess of \$150 are subject to a fee of \$1 for each \$100 in excess of \$150 with a maximum fee of \$150. An excise tax of three and one quarter percent of the value of a boat or motor is imposed upon the transfer of legal ownership or upon first registration in the state. In addition, boat owners are required to obtain a certificate of title for a fee of \$2.25 (Emerson, 1990).

The money from these various fees is to be apportioned on the basis of ADA with independent school districts in the state to receive 35% of the total state collections (Emerson, 1990). However, a hold harmless provision states that each school district will receive the same amount as received in the same month of the previous year. Money collected in excess of that aggregate amount is distributed once a month to the school districts in the state on the basis of ADA. If the collected amount falls below the monthly guarantee, all districts' shares are reduced proportionately.

The average distribution from motor vehicle collections for FY91 in Logan County was \$202.93 per student and \$280.31 per student in Oklahoma County. As shown in Table VIII, there are disparities in motor vehicle revenues received by independent districts. These could be due to rounding

TABLE VIII

PER-PUPIL REVENUE FROM MOTOR VEHICLE
COLLECTIONS, 1990-91

County/School District	Per-Pupil Revenue
Logan:	
Coyle	\$ 242.96
Crescent	241.04
Guthrie	232.03
Langston	0.00
Mulhall-Orlando	298.63
Oklahoma:	
Bethany	272.69
Choctaw-Nicoma Park	330.37
Crooked Oak	314.67
Crutcho	0.00
Deer Creek	329.52
Edmond	262.36
Harrah	331.50
Jones	280.75
Luther	328.82
Millwood	376.60
Midwest City-Del City	330.39
Oakdale	2.44
Oklahoma City	351.34
Putnam City	318.76
Western Heights	376.86

errors similar to those attributed for gross production distribution and/or the hold harmless provision which dictates that independent school districts generally receive the same amount as was received in the comparable month in the previous year. The range of vehicle collection revenue received by independent school districts was \$232.03 to \$298.63 in Logan County and \$262.36 in Oklahoma County. The collection of a small amount of such fees by Oakdale, an elementary district, was attributed to an old "grandfather" clause which preserved an old eligibility for such revenue.

REA Tax. The rural electrification association (or cooperative) (REA) tax is levied in lieu of all taxes upon such entities' tangible and intangible property (Emerson, 1990). The tax is imposed at a rate of two percent on the gross receipts from the sale and distribution of electric energy. Five percent of the revenue goes to the state's general revenue fund and 95% is apportioned to school districts based on the ratio of the miles of distribution lines for a cooperative within a school district to the total number of lines owned in the state by that cooperative. Since distribution of this tax is not based upon any student count, transfers have no direct impact on such revenue.

State Apportionment. When Oklahoma joined the union, the federal government gave the state large amounts of federal land within the Oklahoma Territory, just as had been done for new states for over a century. Because creation of the state involved a merger with the Indian Territory, the federal government also provided the sum of \$5 million in lieu of school lands within that section of the new state (Chambers, 1980). Since the states are required to use any money derived from these lands for public schools, Oklahoma's constitution established the permanent school fund for the deposit of the initial \$5 million federal grant, proceeds from any sale of school land and income derived from the use of the land still in the state's

possession. Income is generated by leases of mineral and/or surface rights for land and interest from investments of the permanent school fund's endowment (the original grant and proceeds from sales must be maintained in perpetuity). This revenue is apportioned by the School Land Commission to the school districts in the state on the basis of the preceding year's certified ADA. The money is distributed to and then redistributed to school districts by the county treasurer.

The revenue received by school districts from state apportionment (school land earnings) for FY91 is shown in Table IX. The average distribution in Logan County was \$70.28 per student and was \$69.88 per student in Oklahoma County. The disparity between county averages and among individual districts was attributed to rounding of state figures for ADA.

Tax Stamps. The last state dedicated revenue source is tax stamps which are placed on all vehicle titles when the vehicles are sold. The county treasurer provides a monthly distribution of 49% of the tax stamp collections to the school districts within the county on the basis of ADA. The per-pupil revenues received by districts in FY91 are shown in Table X. Average distribution in Logan County was \$0.59 per student while the comparable figure was \$3.63 for Oklahoma County. The disparity was attributed to the combined effect of the varying number of vehicles sold in the counties and the significant difference in student populations.

TABLE IX

PER-PUPIL REVENUE FROM STATE
APPORTIONMENT, 1990-91

County/School District	Per-Pupil Revenue
Logan:	
Coyle	\$ 69.92
Crescent	69.86
Guthrie	69.44
Langston	71.86
Mulhall-Orlando	70.32
Oklahoma:	
Bethany	70.96
Choctaw-Nicoma Park	71.06
Crooked Oak	69.10
Crutcho	68.73
Deer Creek	70.98
Edmond	68.42
Harrah	68.99
Jones	68.71
Luther	71.05
Millwood	71.05
Midwest City-Del City	68.76
Oakdale	71.07
Oklahoma City	68.95
Putnam City	71.06
Western Heights	69.25

TABLE X
 PER-PUPIL REVENUE FROM TAX STAMP
 REVENUE, 1990-91

County/School District	Per-Pupil Revenue
Logan:	
Coyle	\$ 0.79
Crescent	0.52
Guthrie	0.80
Langston	0.86
Mulhall-Orlando	0.00
Oklahoma:	
Bethany	0.00
Choctaw-Nicoma Park	2.44
Crooked Oak	31.04
Crutcho	2.66
Deer Creek	2.63
Edmond	2.63
Harrah	2.68
Jones	2.63
Luther	0.00
Millwood	0.00
Midwest City-Del City	2.66
Oakdale	0.00
Oklahoma City	0.00
Putnam City	2.44
Western Heights	2.71

Summary. The impact of a student transfer on a school district's income from state dedicated revenues is not felt until the fiscal year after the year in which the transfer actually takes place. For a student transfer immediately prior to the start of the 1989-90 school year, the district would lose revenue in 1990-91 (FY91) because the distribution of most dedicated revenue is based upon the certified ADA from the preceding school year. This is true of all dedicated revenues described above except the REA tax. Table XI shows the total loss from all dedicated revenue sources which would be created by such a transfer. As seen in that table, the revenue loss would range from \$71.39 in Crooked Oak to \$455.07 in Western Heights. For independent school districts, the per-pupil loss would range from \$339.62 in Edmond to the previously cited \$455.07 in Western Heights. These disparities are created by a variety of factors previously cited, included ineligibility of elementary districts for some funding, differences in the county's student counts, variation in revenue generated within a county, and the effects of rounding.

TABLE XI

THE PER-PUPIL LOSS OF DEDICATED REVENUE
IN 1990-91 ATTRIBUTED TO A STUDENT
TRANSFER PRIOR TO THE
1989-90 SCHOOL YEAR

County/School District	Revenue Loss
Logan:	
Coyle	\$ 371.74
Crescent	369.75
Guthrie	360.45
Langston	72.72
Mulhall-Orlando	427.55
Oklahoma:	
Bethany	349.84
Choctaw-Nicoma Park	410.11
Crooked Oak	421.05
Crutcho	71.39
Deer Creek	409.33
Edmond	339.62
Harrah	409.41
Jones	358.30
Luther	406.10
Millwood	453.88
Midwest City-Del City	408.03
Oakdale	73.51
Oklahoma City	426.52
Putnam City	398.51
Western Heights	455.07

Appropriated Revenue

While a few exceptional school districts receive a major portion of local revenue from ad valorem taxes, the majority of districts in Oklahoma rely on state appropriations for the bulk of their funding. The appropriated revenue in Oklahoma can be associated with either formula aid or categorical aid. Each of these two types of state aid is reviewed in this section, with details of the impact of a student transfer upon the sample districts.

Formula Aid. As noted in Chapter II, the state aid distribution system in Oklahoma contains two equalized formulas as primary determinants of the aid to be provided to each school district. The foundation aid and incentive aid formulas each employ a variety of pupil weighting factors to compute a district-wide guarantee of revenue, from which is deducted a measure of local wealth to derive the state share of the guaranteed funding level. Both formulas are impacted in a similar fashion by a student transfer.

The funding formulas both allow a district to use the higher ADM from the two preceding years. Therefore, the point of impact of a student transfer will depend upon whether the district is gaining enrollment, is stable, or is losing students. For example, a district which has a declining student population would have its formula aid (for example, for 1991-92) calculated from a base of the second preceding (1989-90) year's ADM since that would be higher than the ADM from the preceding year (1990-91). A student transfer from such a district would not impact the state aid guarantees until the second year after the student has transferred from the district. A transfer just prior to the start of the 1989-90 school year would thus not reduce the guarantees until 1991-92. On the other hand, a growing district would have

its formula guarantees calculated with the previous year's ADM, a higher figure than that of the year before. In this type of district, a student transfer at the beginning of the 1989-90 school year would result in a loss of state aid during the 1990-91 school year.

The amount of state aid that a district would lose as the result of a student transfer is not only dependent upon the type of district, in terms of student population change, but also upon the type of student who transferred. As noted in Chapter III, the "target" student for calculations in this study was an "average" sixth grader. Such a student would have a weighting factor of 1.00 and a transfer would thus cost the district the actual amount of the per-pupil aid for each formula. A growth district would see a loss of \$1,004 in foundation aid and \$953.80 (\$47.69 times 20 millage adjustment) in 1990-91 from a pupil transfer prior to the start of the 1989-90 school year. On the other hand, a district with declining enrollments could be seen as not losing anything since the district would count the student in its state aid formula calculations for two school years after the departure. At that point, 1991-92 in this example, the district would lose \$1,064 in foundation aid and \$1,021.60 (\$51.08 times 20) in incentive aid. However, the growth district would not only have already experienced the loss of revenues in the previous year but would see this level of loss in 1991-92.

Any characteristics of the student which are associated with weighting factors other than grade level, of course, would increase the loss of state aid due to transfer. A student in a special education program would provide aid equal to not only the grade level weighting for that student, but also the weighting associated with the pupil category weights. Theoretically, this amount of aid loss would be offset by a corresponding decline in educational costs to the district. As noted in the limitations in Chapter I, the variability of

costs associated with any single student would make an accurate test of this assumption virtually impossible.

It has already been noted that the dedicated revenue components of the foundation program income would decline in 1990-91 as a result of the student transfer prior to 1989-90. This decline would be reflected in the 1992-93 foundation formula calculations and would actually result in an increase in foundation aid in that year, commensurate with the previous decline in foundation program income sources. Therefore, the net long-term effect of a pupil transfer on all revenues associated with formula aid would equal the per-pupil guarantee, adjusted for any applicable weighting factors, beginning in the second or third year following the transfer. Since all ad valorem revenues except the 4-mill county levy are neither levied nor distributed according to measures of the student population, the basic levy portion of the foundation program income and the entire ad valorem income deducted in the incentive aid formula would not be affected by a transfer.

Categorical Aid. A variety of categorical aids are appropriated by the Oklahoma legislature. Unlike the formula aid which can be spent for almost any legal purpose permitted by law,

categorical aids link grants to specific objectives of the government providing the aid, and thereby constrain program design and delivery. To qualify for such aid, a school district must comply with program requirements. Thus, unlike general aid, categorical grants can be used only for a certain group of students . . . , a specific purpose . . . , or a particular project (Swanson & King, 1991, p. 150).

Most categorical aid is provided to districts on other than a per-pupil basis. However, there are two such revenues that are distributed according to the number of students in the district (previous year's ADA): staff development and purchase of textbooks.

Funds for textbook purchases are allocated on the basis of ADA. However, this revenue is not sent directly to the districts. Instead, districts order from a list of approved textbooks stocked by an approved depository, with the purchase price, up to the allocated amount, provided directly by the state. Since the previous year's ADA is used as the basis for allocation, a district from which a student transfer was made prior to the start of the 1989-90 school year would see a loss of textbook purchase allocation equal to the per-pupil amount of \$26.29 for 1990-91.

Staff development funding is provided by the legislature to increase standards in teacher education programs and upgrade teachers' professional abilities. It is also distributed to all districts on the basis of the previous year's ADA. The state appropriation for staff development in 1990-91 was equivalent to \$2.86 per pupil.

Numerous other categorical aids are authorized by legislation in Oklahoma. Since these aids are not distributed primarily on a per-pupil basis, there would be no direct impact of transfers on these revenues. While some categorical programs depend on student counts, such as for homebound instruction or driver education, the primary measure of eligibility is the district's willingness to provide the designated program within the state guidelines and regulations. Loss of revenue by a school district because of a student transfer would vary considerably according to the individual district's eligibility for or willingness to participate in the categorical program and the potential eligibility of the transferred student for participation. Obviously, a

complete analysis of such impact would be beyond the scope of this study. A complete listing of the categorical appropriations for 1993-94 is provided in Appendix B.

Table XII provides a summary of the loss of revenue due to a student transfer from each of the sample school districts. The designation of each district as a growth or decline district (in terms of student population change) was made after a five-year (1985-90) review of the district's enrollment. This determined the year in which the initial impact of the transfer upon formula aid would be anticipated. The loss of state categorical aid is the combination of staff development and textbook purchase allocations. The 1992-93 gains in state aid, as noted earlier, reflect the impact on the foundation formula of the 1990-91 loss of those dedicated revenues which are components of the foundation program income.

As shown in the table, the per-pupil loss of state aid is dependent on a variety of factors, including the relative growth or decline in student population and the various elements noted earlier in regard to dedicated revenues, including the independent or elementary designation of the district.

Federal Revenues

There are numerous sources of federal revenues available to public school districts in Oklahoma. According to sources in the State Department of Education, these funds are distributed in a manner similar to the majority of state categorical aids: with primary consideration of district eligibility and willingness to participate in the program. Those which do employ a per-pupil factor in distribution depend more heavily on the specific identification of students than on the general student population of the district. The only

TABLE XII

THE TIMING AND THE PER-PUPIL AMOUNT OF LOSS
IN STATE AID DUE TO A STUDENT TRANSFER
PRIOR TO THE 1989-90 SCHOOL YEAR

County/ School District	Growth or Decline	Initial Revenue (Loss) or Gain		
		1990-91 Formula	1991-92 Categor. Formula	1992-93 Formula
Logan:				
Coyle	D	(29.15)	(2,085.60)	439.94
Crescent	D	(29.15)	(2,085.60)	438.22
Guthrie	G	(1,957.80)	(29.15)	428.64
Langston	D	(29.15)	(2,085.60)	140.85
Mulhall-Orlando	D	(29.15)	(2,085.60)	496.54
Oklahoma:				
Bethany	D	(29.15)	(2,085.60)	418.91
Choctaw-Nicomma Park	G	(1,957.80)	(29.15)	476.74
Crooked Oak	D	(29.15)	(2,085.60)	459.08
Crutcho	D	(29.15)	(2,085.60)	137.80
Deer Creek	G	(1,957.80)	(29.15)	475.77
Edmond	G	(1,957.80)	(29.15)	406.06
Harrah	G	(1,957.80)	(29.15)	475.80
Jones	G	(1,957.80)	(29.15)	424.74
Luther	G	(1,957.80)	(29.15)	475.17
Millwood	D	(29.15)	(2,085.60)	522.95
Midwest City-Del City	D	(29.15)	(2,085.60)	474.44
Oakdale	D	(29.15)	(2,085.60)	142.58
Oklahoma City	D	(29.15)	(2,085.60)	495.59
Putnam City	G	(1,957.80)	(29.15)	465.13
Western Heights	G	(1,957.80)	(29.15)	521.43

two federal programs which would be affected by a student transfer are most commonly referred to as "ESEA" Chapter 2 ("block grants") and Title II.

Chapter 2 of the Education Consolidation and Improvement Act of 1981 amended similar provisions of the earlier Elementary and Secondary Education Act (ESEA), the law with which it is most commonly associated. Within Chapter 2 is a federal assistance program known as "Improving School Programs State Block Grants." These block grant funds, channeled through the state education agencies for distribution to schools, resulted from a Reagan-era consolidation, deregulation, and decrease in funding for a variety of federal education initiatives. Data from the State Department of Education indicate that, as shown in Table XIII, the sample districts received (and would therefore have lost) per-pupil funding that ranged from \$3.01 to \$12.35. In fact, four of the districts did not participate in this program at all during the 1990-91 school year.

ESEA Title II, as revised, provides the basis for funding school district efforts to improve the teaching and learning in the areas of mathematics and science. Grants are distributed by the state from federal aid according to district ADM. Therefore, a student transfer would result in a loss of such funding for the year following the transfer. In 1990-91, per-pupil revenues of the sample districts from this source ranged only from \$1.07 to \$1.92, with 16 of the districts not participating. These data are also shown in Table XIII.

Because of the unique nature of most federal program requirements and the need for districts to (1) indicate a willingness to participate and to meet program requirements, (2) establish eligibility for funding, and (3) identify the specific students and programs related to planned expenditures, few of those programs can be directly tied to students in the generic population. Those that can provide very limited amounts of revenue.

TABLE XIII

THE 1990-91 PER-PUPIL LOSS OF FEDERAL AID
DUE TO A STUDENT TRANSFER
PRIOR TO THE 1989-90
SCHOOL YEAR

County/School District	Chapter 2	Title II
Logan:		
Coyle	11.04	0.00
Crescent	10.05	0.00
Guthrie	9.24	1.24
Langston	0.00	0.00
Mulhall-Orlando	0.00	0.00
Oklahoma:		
Bethany	7.55	0.00
Choctaw-Nicoma Park	10.59	0.00
Crooked Oak	9.91	0.00
Crutch	8.86	0.00
Deer Creek	7.17	0.00
Edmond	9.88	0.00
Harrah	8.62	1.92
Jones	4.05	0.00
Luther	4.76	0.00
Millwood	12.35	0.00
Midwest City-Del City	10.55	1.18
Oakdale	0.00	0.00
Oklahoma City	0.00	0.00
Putnam City	8.18	0.00
Western Heights	3.01	1.07

Total Impact on Revenues

The total impact of a pupil transfer upon the school districts from the various revenue sources previously detailed above varies both in the timing and the degree of the impact when computed to determine the overall impact of a student transfer upon the sample school districts. Therefore, it is difficult to display the total net impact, over time, upon local, state, and federal revenue from the transfer of a student.

Exceptions

There are other sources of state revenues that use ADA or ADM as one of the criteria for distribution of funds. However, many of these revenue distribution schemes are also based upon various student characteristics such as age, disability, family financial status, interest and participation in specific programs, grade level, and academic skills. Such revenues may or may not be impacted by a student transfer depending upon the individual student's characteristics. Among state programs containing these characteristics are alternative and at-risk education, early childhood education, school/community network for arts-in-education, driver education, and other programs listed in the appendix but not addressed specifically in this chapter.

Several other state sources of revenue possess unique features that make the impact of student transfers difficult to calculate and predict. School lunch money, which is maintained in a separate subaccount, is affected by the socioeconomic characteristics, as well as the level of participation, of the students. Grade-level category, pupil category, and small school and teacher factors are used to weight pupils in calculating the state aid formula. The

transportation supplement uses average daily haul, a measure of the number of students eligible to be transported. There are numerous federal revenue sources that are based upon the unique characteristic of the individual student, the program, and/or the district. For example, the purpose of Chapter I revenues is to support compensatory education services to educationally deprived students and EHA-B (P.L.94-142) provides revenue to school districts for the purpose of educating handicapped children. Impact Aid (P.L. 874) is a major federal source of revenue for Oklahoma school districts, but is distributed on a per-pupil allocation only for qualified students.

Building Fund

The purpose of the building fund is to provide funds for the erection, renovation, and/or repair of school buildings and for the purchase of furnishings therefore. Each school district may secure voter approval to levy up to five mills for this purpose as provided by the Constitution. Since neither the property assessment, the levy amount, nor the actual millage election is based on student population, there would be no direct impact of student transfers on this source of revenue available to the school district.

Sinking Fund

A sinking fund is established to account for the collection and disbursement of ad valorem tax money that is used to pay off school building bonds or court-ordered judgments as debts against the district (Lewis, 1990). This account is permitted through 70 O.S. Sec. 1-119. It is generally authorized through bond issue elections at which a 60% or larger affirmative vote is recorded. In Oklahoma, each school district may borrow money up to 10% of

its total assessed valuation. After the bond issue has been approved by the voters, the money is secured through the issuance of bonds (Deering et al., 1989). Since the revenue accrued by this fund, like that of the building fund, is not based directly on student population, there would be no direct impact of student transfers.

CHAPTER V
SUMMARY, CONCLUSIONS, RECOMMENDATIONS,
AND COMMENTARY

This chapter contains a summary of the purpose, design, and findings of the study. A list of conclusions drawn from the findings is then provided, followed by recommendations for practice and further research. The final section of the chapter is on the conduct, conclusions, and implications of this research.

Summary

The purpose of this study was to determine the per-pupil impact of an open enrollment policy on school districts' revenues. The study was conducted in order to contribute to a body of knowledge that could be of value to policymakers in education. Three major questions were used to guide this study.

1. What is the per-pupil impact of an open enrollment policy on school districts' general fund revenues?
2. What is the per-pupil impact of an open enrollment policy on school districts' building fund revenues?
3. What is the per-pupil impact of an open enrollment policy on school districts' sinking fund revenues?

This study was limited to the public school districts in Logan County and Oklahoma County. Major sources of data included the Oklahoma State Department of Education and the local school districts' administrative offices. Once all pertinent sources of revenue were identified, calculations were made to determine the per-pupil impact of transfers on public school districts' revenue.

The results of this study indicate a range of per-pupil revenue losses from county revenue sources of from \$173.47 to \$570.02. The range for the three dependent districts included in this study was \$173.47 to \$184.04. The difference between the dependent districts' losses was \$10.57. The range for independent districts was \$453.29 to \$570.02. The difference between the independent districts' losses was \$116.73.

Conclusions

1. There is a loss of school district revenues when a student transfers. The impact of such loss may be spread over as much as three years, depending on the type of district.
2. The short-term impact of student transfers is greater on independent school districts' general fund revenues than on elementary school districts' general fund revenues. This is primarily due to the reduction in revenue from gross production and motor vehicle fees which are distributed only to independent school districts. However, as noted in Chapter IV, such a reduction in foundation program income results in an eventual and comparative increase in state aid two years after the direct loss.
3. There are factors within the Oklahoma school funding system which may complicate the impact of an open enrollment system. The fact that the student population count for most revenues is not current means

that a district which has been relieved, at least in part, of the cost of educating a transferred student will continue to receive revenue based upon that student's past enrollment while a district which receives, and must provide education services for, the transferred student receives virtually no additional funding in the year for which services are provided and may wait as long as two years before that student's enrollment provides eligibility for state aid, the major determinant of funding.

4. Under the Oklahoma school funding system, student transfers have no direct impact on building or sinking fund revenues. However, there may well be, as some of the literature suggests, a link between the parent's willingness to support taxes within the district of residency and the actual district providing educational services to the child. As a child transfers from the district of residency, the parent may be more inclined to disapprove of major expenditures for the school district plant and demand major improvements in facilities in the district to which the transfer was made. While the linkage between building and sinking funds and student residency is complex and not easily amenable to governmental actions, there is no doubt that significant transfers into a school district could result in an increased tax burden on district residents, a financial obligation not shared by the parents of the transferred students.

Recommendations

The recommendations for this study are presented in two groups. The first set of recommendations are directed at policymakers at the state and local levels. Additional recommendations are suggested for continued research in the areas of school finance and open enrollment.

1. The state of Oklahoma should change its school funding practices based upon the highest ADA for the preceding two years. This practice allows districts to receive monies for students who are not in attendance. While at the same time, the district in which the student is in attendance is also receiving funds for the student. The state is therefore, paying for phantom students. Another way to provide these revenues should be considered by the state in order to avoid the practice of funding phantom students.

2. School boards of education should carefully examine the potential revenue losses and the issue of financing facilities created by student transfers before adopting an open enrollment policy. Some districts could be affected more than others. Also, the revenue losses may not be realized for two years. However, revenue loss is just one factor pertinent to such decisions on policy.

3. The state of Oklahoma should consider the possibility of creating a common school fund to include foundation income revenues. Establishment of such a fund would ensure that such revenues would be distributed equitably to all school districts in the state through the foundation formula. Perhaps more importantly in relation to open enrollment, collection and distribution through the formula would simplify school administrators' efforts to gauge the impact of a student transfer and would eliminate the "boom and bust" sequence in which a district loses substantive amounts of state aid in the first or second year following a transfer and then recoups some of that loss through the diminished deduction of foundation income in the formula for the third succeeding year.

A second set of recommendations are made to guide further research pertaining to the financial and other features of open enrollment plans.

1. Research in the area of revenue losses due to transfers of a variety of students should be conducted. The transfer of special education students, for

example, will have a larger impact on the revenues, and expenditures, of school districts. Efforts should be made to identify characteristics of students who transfer, or are likely to transfer, and the financial impact of transfers by those particular individuals.

2. Researchers should conduct similar studies to this one of other school districts both within the state of Oklahoma and in other states. Results from similar studies could further validate the recommendations of this study.

3. Studies of funding practices in states having open enrollment policies should be conducted. Identification of successfully implemented practices could lead to model plans for the Oklahoma and other states.

4. Research on the impact of student transfers on the political environment of both sending and receiving school districts should be conducted. This information would likely focus on the parents of transfer students to determine the impact on their involvement in and positions on such political activity as school bond and school board elections and school board decisions in both the district of residence and the district to which their students have been transferred.

Commentary

One of the most interesting findings of this study was the difference between independent school districts and elementary school districts in the impact on revenues of pupil transfers. Elementary school districts would lose less due to student transfers than would independent school districts. This is partly because of the way in which they are funded; the elementary school districts in this study were the only districts to receive more revenue from local sources than from state sources. The elementary schools are, therefore,

less dependent on state and federal funds, most of which are distributed on the basis of student counts.

According to Tom Pickens at the Oklahoma State Department of Education, many districts do not receive federal funds because they do not apply for them. The relatively smaller amounts of per-pupil revenue received by elementary school districts may also be due in part to superintendents' failure to apply for federal funds. They may either not know how to apply or may not have the time to apply for these funds. The failure to apply for funds may also be attributed to a desire by the school boards to maintain local control of their schools. They may not want the regulations and controls that come with state and federal funds.

Elementary districts do not just receive less in state and federal funds because they have smaller average daily attendance. Coyle and Mulhall/Orlando had fewer students than did Crutch. The state has put qualifiers on the state monies that work against dependent districts. Why are some state monies distributed to school districts on the basis of grade levels offered? What possible relationship exists between these revenues and the grade levels offered by school districts? Every school district should have equal access to all state revenues regardless of grade levels offered. The weighting factors within the formulas should be sufficient to equalize the differences in grade levels. State money should not be based upon the number of levels of instruction offered. It should be based upon the number of students and their individual needs. Basing state monies on number of grade levels maintained with no consideration for number of students in those grades nor the specific needs of the students is illogical.

Future discussions concerning open enrollment will need to focus on issues related to the building fund and sinking fund. These two issues are

very politically oriented. If students do not attend school in their parents' voting district, their parents will not be voting and paying for their child's education. Even if the per-pupil revenues went where the pupil went, it would not be enough to cover the cost of facilities. If voters in one district send their children to another district, why would they vote for bond issues to pay for facilities that their children will not be using. The same problem arises with the millage elections. It appears that a new way of funding schools (such as a common school fund) in Oklahoma would have to be established if students were allowed to transfer from district to district without any restrictions. Even if the per-pupil revenue, including the local revenues based on ad valorem, went where the pupil went, voters whose children have transferred to another district would have no incentives for voting for the higher millage levies, if they voted for them at all. If millage maximums are not voted other sources of revenue such as the motor vehicle collections will be adversely affected.

Another issue is the reason people transfer their children. Parents are not professional educators. Many parents do not know what is best for their child academically. They do not keep up on educational research as to how children learn and grow. The appearance of the schools and the resources available to the students are often the deciding factors used by parents in their choice of schools. These factors are directly affected by revenues available to the districts.

Who will the school become more responsive to if open transfers become policy? Will the schools be more responsive to the community and their needs? After all, the community is paying the bill. Or will the school be more responsive to the students' needs? After all, is not meeting the needs of the students a major goal of the school? If these two, students' needs and

community needs, conflict with one another, the schools will have to set a priority of responsiveness. Most likely the schools will respond to the community. This potential for conflict between the community needs and the students' needs could be greatly increased by the fact that the students being served in the schools will probably not be the new employees of the community in which they are being served. Where will the communities new work force come from if the students do not live there? Does this mean that public education will become more generalized and less specialized? If so, should it?

Decisions by state policymakers to adopt an open enrollment system ought to reflect a desire to achieve identified goals in public education. Once the goals of public education have been established then, open enrollment plans must be studied to assure that the open enrollment plan adopted will attain these goals.

Since adequacy and equity in funding is a critical issue in many states, it is important that any open enrollment plan adopted allow the funds to follow the students. In such a situation, districts are neither advantaged nor disadvantaged financially by the transfers. Currently districts can still receive funds for students who have transferred out. This practice of funding should be changed so districts are not getting monies for students they do not have in attendance.

Open enrollment policies should contain some assurance of semi-permanent transfers. Allowing students to transfer no more than once a year would lend stability to the financial and educational status of the districts.

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APPENDIX A

**STATE CATEGORICAL AID
PROGRAMS, 1990-91**

STATE CATEGORICAL AID

PROGRAMS, 1990-91

Purchase of Textbooks	14,157,910
Psychometric Services	950,818
Staff Development	1,539,720
Teacher Consultant Stipends	1,026,854
School Lunch Matching	2,413,697
School Lunch Programs	3,618,375
Homebound Children	1,278,696
Library Resources	2,850,114
Community Education	401,000
Early Childhood Education	835,275
Alternative and At-Risk Education	2,100,000
Arts-in-Education	294,450
Career Education	135,144
School/Community Network for Arts-in-Education	154,196
Instructional Cooperative and Technological Education	3,502,565
Community Literacy	200,000
County Superintendents' Salaries	54,000
Health and Nutrition	300,000
Adult Education Matching	501,808
Driver Education	2,350,000
Voluntary School Consolidation Assistance	750,000

APPENDIX B

**TOTAL STATE APPROPRIATIONS
FOR COMMON EDUCATION**

1993-94

TOTAL STATE APPROPRIATIONS
FOR COMMON EDUCATION
1993-94

Formula Funding	\$ 1,308,864,489
Purchase of Textbooks	14,158,441
Psychometric Services	950,818
Staff Development	1,766,939
Teacher Consultant Stipends	1,026,854
School Lunch Matching	2,612,123
School Lunch Programs	3,618,375
Homebound Children	1,278,696
Library Resources	2,112,202
Alternative & High Challenge Education	2,100,000
Adult Education Matching	681,535
Driver Education	1,720,000
Early Intervention	4,994,171
Hissom Compliance	439,200
Parent Training Program	1,600,000
Special Education Assistance	500,000
School/Community Network for	
Arts-in-Education	138,776
Instructional Cooperative and	
Technological Education	914,475
Administrative & Support Functions of	
the State Department of Education	14,902,366
Total State School Aid and Programs	\$ 1,364,111,669

VITA ²

Pamela S. Daniels

Candidate for the Degree of

Doctor of Education

Thesis: THE IMPACT OF OPEN ENROLLMENT ON SCHOOL DISTRICT REVENUES IN OKLAHOMA

Major Field: Educational Administration

Biographical:

Personal Data: Born in Guthrie, Oklahoma, June 19, 1951, the daughter of Melvin R. and Pearl L. Daniels.

Education: Graduated from Guthrie Senior High School, Guthrie, Oklahoma in May, 1969; received Bachelor of Science Degree in Elementary Education from the University of Central Oklahoma at Edmond in May, 1979; received Master of Education degree in Guidance and Counseling from the University of Central Oklahoma in July, 1987; completed requirements for the degree of Doctor of Education in Educational Administration from Oklahoma State University in July, 1993.

Professional Experience: Elementary Teacher, Guthrie Public Schools, July, 1979, to July 1988; Elementary Counselor, Guthrie Public Schools, July, 1988, to July, 1989; Assistant Principal/Elementary Counselor, Guthrie Public Schools, July, 1989, to July, 1990; Elementary School Principal, July, 1990, to July, 1993.