

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 56th Legislature (2018)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 3440

By: Gann, West (Rick), Bennett
(John), West (Kevin),
Roberts (Sean), Derby,
Humphrey, Coody, Strohm,
Murdhey, Russ, Ritze and
Teague of the House

8
9 and

Bergstrom and Silk of the
Senate

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11
12
13 COMMITTEE SUBSTITUTE

14 [schools - State Board of Equalization - revolving

15 fund - State Aid formula - effective date -

16 emergency]

17
18
19 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

20 SECTION 1. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 18-501 of Title 70, unless there
22 is created a duplication in numbering, reads as follows:

23 A. For the fiscal year ending June 30, 2019, and for each
24 fiscal year thereafter, and pursuant to the provisions of Section 3

1 of Article XI of the Oklahoma Constitution and other applicable
2 provisions of law, the Commissioners of the Land Office shall
3 provide a bonus payment with monies received by a common school
4 district to teachers with the professional staff distribution code
5 of 210. This money shall be expended by those districts exclusively
6 and shall not be used for any other purpose.

7 B. The State Board of Equalization shall determine the amount
8 of the teacher bonus payments based on the performance of the
9 revenues generated by the permanent school fund which are not
10 already allocated for the use and benefit of the common schools.

11 SECTION 2. NEW LAW A new section of law to be codified
12 in the Oklahoma Statutes as Section 1013A of Title 64, unless there
13 is created a duplication in numbering, reads as follows:

14 There is hereby created in the State Treasury a revolving fund
15 for the Commissioners of the Land Office to be designated the
16 "Teacher Bonus Revolving Fund". The fund shall be a continuing
17 fund, not subject to fiscal year limitations, and shall consist of
18 all monies received by the Commissioners of the Land Office as
19 described in Section 3 of Article XI of the Oklahoma Constitution
20 and other applicable provisions of law for distribution to the
21 common schools of the state. All monies accruing to the credit of
22 said fund are hereby appropriated and shall be used by the
23 Commissioners of the Land Office for the purpose set forth in
24 Section 1 of this act.

1 SECTION 3. AMENDATORY 70 O.S. 2011, Section 18-200.1, is
2 amended to read as follows:

3 Section 18-200.1 A. Beginning with the 1997-98 school year,
4 and each school year thereafter, each school district shall have its
5 initial allocation of State Aid calculated based on the state
6 dedicated revenues actually collected during the preceding fiscal
7 year, the adjusted assessed valuation of the preceding year and the
8 highest weighted average daily membership for the school district of
9 the two (2) preceding school years; however, the weighted membership
10 of nonresident, transferred pupils enrolled in online courses shall
11 be based on the weighted average daily membership of the preceding
12 school year. Each school district shall submit the following data
13 based on the first nine (9) weeks, to be used in the calculation of
14 the average daily membership of the school district:

- 15 1. Student enrollment by grade level;
- 16 2. Pupil category counts; and
- 17 3. Transportation supplement data.

18 On or before December 30, the State Department of Education
19 shall determine each school district's current year allocation
20 pursuant to subsection D of this section. The State Department of
21 Education shall complete an audit, using procedures established by
22 the Department, of the student enrollment by grade level data, pupil
23 category counts and transportation supplement data to be used in the
24 State Aid Formula pursuant to subsection D of this section by

1 December 1 and by January 15 shall notify each school district of
2 the district's final State Aid allocation for the current school
3 year. The January payment of State Aid and each subsequent payment
4 for the remainder of the school year shall be based on the final
5 State Aid allocation as calculated in subsection D of this section.
6 Except for reductions made due to the assessment of penalties by the
7 State Department of Education according to law, the January payment
8 of State Aid and each subsequent payment for the remainder of the
9 school year shall not decrease by an amount more than the amount
10 that the current chargeable revenue increases for that district.

11 B. The State Department of Education shall retain not less than
12 one and one-half percent (1 1/2%) of the total funds appropriated
13 for financial support of schools, to be used to make midyear
14 adjustments in State Aid and which shall be reflected in the final
15 allocations. If the amount of appropriated funds, including the one
16 and one-half percent (1 1/2%) retained, remaining after January 1 of
17 each year is not sufficient to fully fund the final allocations, the
18 Department shall recalculate each school district's remaining
19 allocation pursuant to subsection D of this section using the
20 reduced amount of appropriated funds.

21 C. On and after July 1, 1997, the amount of State Aid each
22 district shall receive shall be the sum of the Foundation Aid, the
23 Salary Incentive Aid and the Transportation Supplement, as adjusted
24 pursuant to the provisions of subsection G of this section and

1 Section 18-112.2 of this title; provided, no district having per
2 pupil revenue in excess of three hundred percent (300%) of the
3 average per pupil revenue of all districts shall receive any State
4 Aid or Supplement in State Aid.

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

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

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

22 1. Foundation Aid shall be determined by subtracting the amount
23 of the Foundation Program Income from the cost of the Foundation
24 Program and adding to this difference the Transportation Supplement.

1 a. The Foundation Program shall be a district's highest
2 weighted average daily membership based on the first
3 nine (9) weeks of the current school year, the
4 preceding school year or the second preceding school
5 year of a school district, as determined by the
6 provisions of subsection A of Section 18-201.1 of this
7 title and paragraphs 1, 2, 3 and 4 of subsection B of
8 Section 18-201.1 of this title, multiplied by the Base
9 Foundation Support Level. However, for the portion of
10 weighted membership derived from nonresident,
11 transferred pupils enrolled in online courses, the
12 Foundation Program shall be a district's weighted
13 average daily membership of the preceding school year
14 or the first nine (9) weeks of the current school
15 year, whichever is greater, as determined by the
16 provisions of subsection A of Section 18-201.1 of this
17 title and paragraphs 1, 2, 3 and 4 of subsection B of
18 Section 18-201.1 of this title, multiplied by the Base
19 Foundation Support Level.

20 b. The Foundation Program Income shall be the sum of the
21 following:

22 (1) The adjusted assessed valuation of the current
23 school year of the school district, minus the
24 previous year protested ad valorem tax revenues

1 held as prescribed in Section 2884 of Title 68 of
2 the Oklahoma Statutes, multiplied by the mills
3 levied pursuant to subsection (c) of Section 9 of
4 Article X of the Oklahoma Constitution, if
5 applicable, as adjusted in subsection (c) of
6 Section 8A of Article X of the Oklahoma
7 Constitution. For purposes of this subsection,
8 the "adjusted assessed valuation of the current
9 school year" shall be the adjusted assessed
10 valuation on which tax revenues are collected
11 during the current school year, ~~and~~

12 (2) Seventy-five percent (75%) of the amount received
13 by the school district from the proceeds of the
14 county levy during the preceding fiscal year, as
15 levied pursuant to subsection (b) of Section 9 of
16 Article X of the Oklahoma Constitution, ~~and~~

17 (3) Motor Vehicle Collections, ~~and~~

18 (4) Gross Production Tax, ~~and~~

19 (5) State Apportionment, except for monies
20 distributed by the Commissioners of the Land
21 Office from the Teacher Bonus Revolving Fund
22 created by Section 2 of this act, and

23 (6) R.E.A. Tax.
24

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

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

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

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

PER CAPITA		PER CAPITA	
DENSITY FIGURE	ALLOWANCE	DENSITY FIGURE	ALLOWANCE
.3000 - .3083	\$167.00	.9334 - .9599	\$99.00
.3084 - .3249	\$165.00	.9600 - .9866	\$97.00
.3250 - .3416	\$163.00	.9867 - 1.1071	\$95.00
.3417 - .3583	\$161.00	1.1072 - 1.3214	\$92.00
.3584 - .3749	\$158.00	1.3215 - 1.5357	\$90.00
.3750 - .3916	\$156.00	1.5358 - 1.7499	\$88.00
.3917 - .4083	\$154.00	1.7500 - 1.9642	\$86.00
.4084 - .4249	\$152.00	1.9643 - 2.1785	\$84.00

1	.4250 - .4416	\$150.00	2.1786 - 2.3928	\$81.00
2	.4417 - .4583	\$147.00	2.3929 - 2.6249	\$79.00
3	.4584 - .4749	\$145.00	2.6250 - 2.8749	\$77.00
4	.4750 - .4916	\$143.00	2.8750 - 3.1249	\$75.00
5	.4917 - .5083	\$141.00	3.1250 - 3.3749	\$73.00
6	.5084 - .5249	\$139.00	3.3750 - 3.6666	\$70.00
7	.5250 - .5416	\$136.00	3.6667 - 3.9999	\$68.00
8	.5417 - .5583	\$134.00	4.0000 - 4.3333	\$66.00
9	.5584 - .5749	\$132.00	4.3334 - 4.6666	\$64.00
10	.5750 - .5916	\$130.00	4.6667 - 4.9999	\$62.00
11	.5917 - .6133	\$128.00	5.0000 - 5.5000	\$59.00
12	.6134 - .6399	\$125.00	5.5001 - 6.0000	\$57.00
13	.6400 - .6666	\$123.00	6.0001 - 6.5000	\$55.00
14	.6667 - .6933	\$121.00	6.5001 - 7.0000	\$53.00
15	.6934 - .7199	\$119.00	7.0001 - 7.3333	\$51.00
16	.7200 - .7466	\$117.00	7.3334 - 7.6667	\$48.00
17	.7467 - .7733	\$114.00	7.6668 - 8.0000	\$46.00
18	.7734 - .7999	\$112.00	8.0001 - 8.3333	\$44.00
19	.8000 - .8266	\$110.00	8.3334 - 8.6667	\$42.00
20	.8267 - .8533	\$108.00	8.6668 - 9.0000	\$40.00
21	.8534 - .8799	\$106.00	9.0001 - 9.3333	\$37.00
22	.8800 - .9066	\$103.00	9.3334 - 9.6667	\$35.00
23	.9067 - .9333	\$101.00	9.6668 or more	\$33.00

24 c. The formula transportation factor shall be 1.39.

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

2 a. Multiply the Incentive Aid guarantee by the district's
3 highest weighted average daily membership based on the
4 first nine (9) weeks of the current school year, the
5 preceding school year or the second preceding school
6 year of a school district, as determined by the
7 provisions of subsection A of Section 18-201.1 of this
8 title and paragraphs 1, 2, 3 and 4 of subsection B of
9 Section 18-201.1 of this title.

10 b. Divide the district's adjusted assessed valuation of
11 the current school year minus the previous year's
12 protested ad valorem tax revenues held as prescribed
13 in Section 2884 of Title 68 of the Oklahoma Statutes,
14 by one thousand (1,000) and subtract the quotient from
15 the product of subparagraph a of this paragraph. The
16 remainder shall not be less than zero (0).

17 c. Multiply the number of mills levied for general fund
18 purposes above the fifteen (15) mills required to
19 support Foundation Aid pursuant to division (1) of
20 subparagraph b of paragraph 1 of this subsection, not
21 including the county four-mill levy, by the remainder
22 of subparagraph b of this paragraph. The product
23 shall be the Salary Incentive Aid of the district.

1 E. By June 30, 1998, the State Department of Education shall
2 develop and the Department and all school districts shall have
3 implemented a student identification system which is consistent with
4 the provisions of subsections C and D of Section 3111 of Title 74 of
5 the Oklahoma Statutes. The student identification system shall be
6 used specifically for the purpose of reporting enrollment data by
7 school sites and by school districts, the administration of the
8 Oklahoma School Testing Program Act, the collection of appropriate
9 and necessary data pursuant to the Oklahoma Educational Indicators
10 Program, determining student enrollment, establishing a student
11 mobility rate, allocation of the State Aid Formula and mid-year
12 adjustments in funding for student growth. This enrollment data
13 shall be submitted to the State Department of Education in
14 accordance with rules promulgated by the State Board of Education.
15 Funding for the development, implementation, personnel training and
16 maintenance of the student identification system shall be set out in
17 a separate line item in the allocation section of the appropriation
18 bill for the State Board of Education for each year.

19 F. 1. In the event that ad valorem taxes of a school district
20 are determined to be uncollectible because of bankruptcy, clerical
21 error, or a successful tax protest, and the amount of such taxes
22 deemed uncollectible exceeds Fifty Thousand Dollars (\$50,000.00) or
23 an amount greater than twenty-five percent (25%) of ad valorem taxes
24 per tax year, or the valuation of a district is lowered by order of

the State Board of Equalization, the school district's State Aid, for the school year that such ad valorem taxes are calculated in the State Aid Formula, shall be determined by subtracting the net assessed valuation of the property upon which taxes were deemed uncollectible from the assessed valuation of the school district and the state. Upon request of the local board of education, it shall be the duty of the county assessor to certify to the Director of Finance of the State Department of Education the net assessed valuation of the property upon which taxes were determined uncollectible.

2. In the event that the amount of funds a school district receives for reimbursement from the Ad Valorem Reimbursement Fund is less than the amount of funds claimed for reimbursement by the school district due to insufficiency of funds as provided in Section 193 of Title 62 of the Oklahoma Statutes, then the school district's assessed valuation for the school year that such ad valorem reimbursement is calculated in the State Aid Formula shall be adjusted accordingly.

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

Total Amount of

Amount of

1	General Fund Collections,	General Fund
2	Excluding Previous Year	Balance
3	Cash Surplus as of June 30	Allowable
4	Less than \$1,000,000	40%
5	\$1,000,000 - \$2,999,999	35%
6	\$3,000,000 - \$3,999,999	30%
7	\$4,000,000 - \$4,999,999	25%
8	\$5,000,000 - \$5,999,999	20%
9	\$6,000,000 - \$7,999,999	18%
10	\$8,000,000 - \$9,999,999	16%
11	\$10,000,000 or more	14%

12 2. By February 1 the State Department of Education shall send
13 by certified mail, with return receipt requested, to each School
14 District Superintendent, Auditor and Regional Accreditation Officer
15 a notice of and calculation sheet reflecting the general fund
16 balance penalty to be assessed against that school district.
17 Calculation of the general fund balance penalty shall not include
18 federal revenue. Within thirty (30) days of receipt of this written
19 notice the school district shall submit to the Department a written
20 reply either accepting or protesting the penalty to be assessed
21 against the district. If protesting, the school district shall
22 submit with its reply the reasons for rejecting the calculations and
23 documentation supporting those reasons. The Department shall review
24 all school district penalty protest documentation and notify each

1 district by March 15 of its finding and the final penalty to be
2 assessed to each district. General fund balance penalties shall be
3 assessed to all school districts by April 1.

4 3. Any school district which receives proceeds from a tax
5 settlement or a Federal Emergency Management Agency settlement
6 during the last two (2) months of the preceding fiscal year shall be
7 exempt from the penalties assessed in this subsection, if the
8 penalty would occur solely as a result of receiving funds from the
9 tax settlement.

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

16 5. If a school district does not receive Foundation and/or
17 Salary Incentive Aid during the preceding fiscal year, the State
18 Board of Education may waive the penalty assessed in this subsection
19 if the penalty would result in a loss of more than forty percent
20 (40%) of the remaining State Aid to be allocated to the school
21 district between April 1 and the remainder of the school year and if
22 the Board determines the penalty will cause the school district not
23 to meet remaining financial obligations.

1 6. Any school district which receives gross production revenue
2 apportionment during the 2002-2003 school year or in any subsequent
3 school year that is greater than the gross production revenue
4 apportionment of the preceding school year shall be exempt from the
5 penalty assessed in this subsection, if the penalty would occur
6 solely as a result of the gross production revenue apportionment, as
7 determined by the State Board of Education.

8 7. Beginning July 1, 2003, school districts that participate in
9 consolidation or annexation pursuant to the provisions of the
10 Oklahoma School Voluntary Consolidation and Annexation Act shall be
11 exempt from the penalty assessed in this subsection for the school
12 year in which the consolidation or annexation occurs and for the
13 next three (3) fiscal years.

14 8. Any school district which receives proceeds from a sales tax
15 levied by a municipality pursuant to Section 22-159 of Title 11 of
16 the Oklahoma Statutes or proceeds from a sales tax levied by a
17 county pursuant to Section 1370 of Title 68 of the Oklahoma Statutes
18 during the 2003-2004 school year or the 2004-2005 school year shall
19 be exempt from the penalties assessed in this subsection, if the
20 penalty would occur solely as a result of receiving funds from the
21 sales tax levy.

22 9. For purposes of calculating the general fund balance
23 penalty, the terms "carryover" and "general fund balance" shall not
24 include federal revenue.

1 H. In order to provide startup funds for the implementation of
2 early childhood programs, State Aid may be advanced to school
3 districts that initially start early childhood instruction at a
4 school site. School districts that desire such advanced funding
5 shall make application to the State Department of Education no later
6 than September 15 of each year and advanced funding shall be awarded
7 to the approved districts no later than October 30. The advanced
8 funding shall not exceed the per pupil amount of State Aid as
9 calculated in subsection D of this section per anticipated Head
10 Start eligible student. The total amount of advanced funding shall
11 be proportionately reduced from the monthly payments of the
12 district's State Aid payments during the last six (6) months of the
13 same fiscal year.

14 I. 1. Beginning July 1, 1996, the Oklahoma Tax Commission,
15 notwithstanding any provision of law to the contrary, shall report
16 monthly to the State Department of Education the monthly
17 apportionment of the following information:

- 18 a. the assessed valuation of property,
- 19 b. motor vehicle collections,
- 20 c. R.E.A. tax collected, and
- 21 d. gross productions tax collected.

22 2. Beginning July 1, 1997, the State Auditor and Inspector's
23 Office, notwithstanding any provision of law to the contrary, shall
24

1 report monthly to the State Department of Education the monthly
2 apportionment of the proceeds of the county levy.

3 3. Beginning July 1, 1996, the Commissioners of the Land
4 Office, notwithstanding any provision of law to the contrary, shall
5 report monthly to the State Department of Education the monthly
6 apportionment of state apportionment.

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

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

16 SECTION 4. This act shall become effective July 1, 2018.

17 SECTION 5. It being immediately necessary for the preservation
18 of the public peace, health or safety, an emergency is hereby
19 declared to exist, by reason whereof this act shall take effect and
20 be in full force from and after its passage and approval.

21
22 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
23 02/27/2018 - DO PASS, As Amended and Coauthored.
24