

Key Objectives:

- Determine the current and historical percentage share of federal funds relative to total SDE funding.
- Identify grants by program, purpose, and type of grant.
- Examine the application process for federal grants, as well as SDE’s role in authorizing or distributing federal grants to school districts
- Examine the administrative requirements and cost of accepting federal grants.

Executive Summary

Oklahoma public K-12 schools are supported through a combination of local, state, and federal dollars. State funding represents the largest share at approximately 46 percent, local funds contribute another 40 percent across the system, and federal funds traditionally range from 12 to 14 percent.

Oklahoma’s State Department of Education (OSDE) is responsible for distributing State appropriations and federal funds to support school districts across the State. Local funds are directly provided to local school districts and do not flow through OSDE.

The federal government first began providing funding to state education systems in 1965, upon the enactment of the Elementary and Secondary Education Act (ESEA). The federal government has continuously reauthorized funding through this Act every five years since. With every reauthorization, Congress can provide direction on the use of these funding streams. With some reauthorizations, the Act has taken on new names to reflect the current emphasis. Since 2015, the Act has been known as the “Every Student Succeeds Act” (ESSA). In general, the federal government’s support of state education is intended to enhance funding to the public education system and not supplant state and local funds.

There are three types of federal funding streams provided to public education: Formula, Competitive, and One-Time Grants.

Formula Funds	Funds that are noncompetitive and awarded based on a predetermined formula (Examples include Title Grants, IDEA, and Child Nutrition)
Competitive Funds	Funds awarded based on project merit and usually for a specific objective set by the grantor. (Examples include Project RESPECT, and Project Get Fit)
One-Time Funds	Funds deposited for the benefit of the state in a lump sum. These funds usually carry a low level of guidance (Examples include COVID-19, and ARP)

With this evaluation, LOFT sought to determine how much in federal funding is received by Oklahoma’s system of public education and for what purpose, assess the process for applying for and distributing funds, and examine the cost of administering federally funded programs and grants.

This evaluation resulted in three key findings:

Finding 1: Oklahoma’s Public Education System Receives its Largest Share of Federal Funds from Title Grants and Child Nutrition Programs

Historically, the largest portion of federal funds that support public education comes in the form of Formula Grants from the United States Department of Education (USDE). These grants are awarded to states based on standardized student population data and do not require any application from the state. Between 17 to 22 percent of all funding that passes through OSDE is for two types of formula grants: Title Grants and Child Nutrition Programs.

Under the current iteration of ESEA, the Every Student Succeeds Act has nine titles, or subsections. However, not all titles include grant funding initiatives. Additionally, there can be confusion about references to Titles, as there is a separate set of titles for federal funds supporting higher education and another act whose provisions affect all educational institutions. LOFT examined only those Titles authorized under ESSA, as those apply to funding for common education.

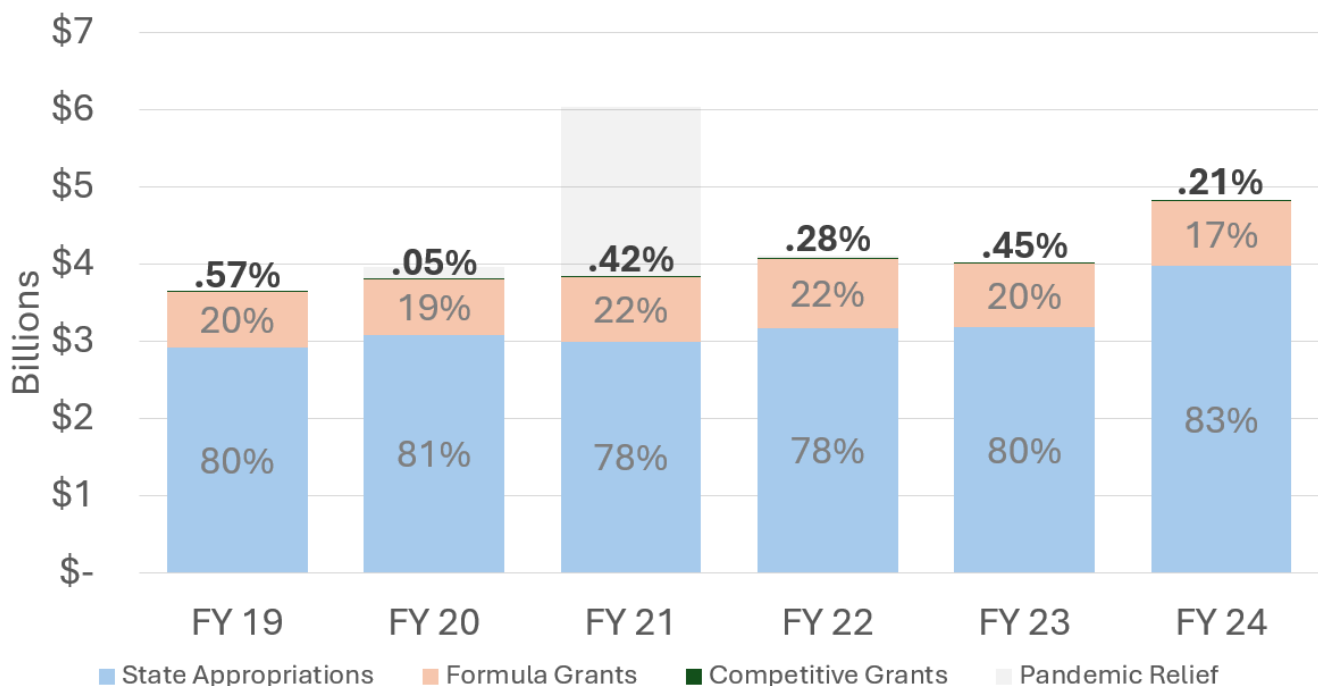
In FY24, Oklahoma received \$305.8 million in Title funding. These funds are distributed by OSDE to school districts through an application process to ensure compliance with federal requirements. Approximately 76 percent of Oklahoma’s Title funds in FY24 came from Title I, which provided funding across four subcategories that are largely focused on educational equity. Title I-B provided \$5.7 million to Oklahoma to support standardized testing. Additionally, Oklahoma received \$192.3 million in federal IDEA funds to assist in providing specialized education to students with disabilities.

Last, Oklahoma’s public schools are estimated to receive \$342 million in funding from federal Child Nutrition Programs in FY24. Prior to COVID, these funds were less than \$300 million. Of the four nutrition programs (School Lunch, School Breakfast, Child and Adult Care, and Summer Food Service), the School Lunch Program is the only program for which Oklahoma shares in the cost. A state’s “match” is based on 30 percent of a figure set during the 1980-1981 school year and factors in each state’s per capita income. Oklahoma’s share has fluctuated over the past decade, and in FY24, it was \$3.1 million, less than 1 percent of what Oklahoma will receive in federal funds from the program.

Finding 2: Competitive Grants are the Smallest Share of Education Funding but Reflect an Administration’s Priorities

Every year, federal agencies offer state education agencies numerous competitive grant opportunities. These grants require an application, and awards are often based on the quality or merit of the proposal. Different from the formula-based grants described earlier – which supplement operational costs, competitive grants are used to fund initiatives, often to achieve a specific objective over a prescribed period. Some competitive grants may have a renewal option; however, they are not intended to continually fund a program or initiative. **While the programs funded with these types of grants may be significant to individual school districts, system-wide, they have contributed less than one percent of education’s total annual funding over the past six years.**

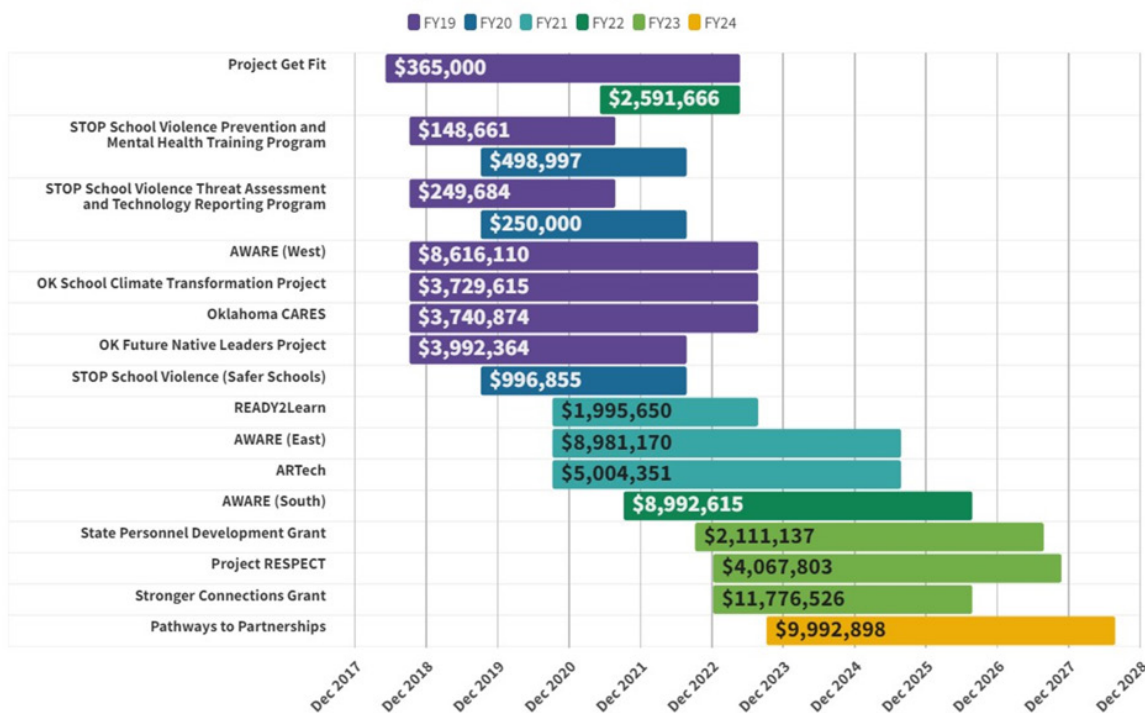
Competitive Grant Funding as a Percentage of Total Funding



Competitive grant funds are not awarded to OSDE in a lump sum. Instead, OSDE draws down these funds as reimbursements over the grant’s performance period, often between three and five years. LOFT was only able to review grants awarded beginning in FY19, as OSDE does not have complete records prior to this date. Between FY19 and FY23, the number of grants awarded and the value of the grants varied, but the overwhelming emphasis was on grants related to improving student mental health and preventing school violence. In 2023, OSDE put in place new criteria for determining whether to pursue a competitive grant, including whether the grant would have a “direct and significant impact” on education outcomes. Also that year, OSDE ended two grant-funded projects before their scheduled end. The State does not have to repay any funds expended for these unfulfilled grants; OSDE is only required to return unused funds.

In FY24, the only competitive grant awarded to OSDE was to expand partnerships for serving students with disabilities and expanding access to work-based learning for students with significant disabilities and those in rural, high-need areas.

OSDE Competitive Grants by Performance Period



LOFT also examined OSDE’s compliance with the provisions of Senate Bill 36x (2023), which required OSDE to apply for or participate in any federal grant funding received by the Department prior to FY23, unless such exception was jointly approved by legislative leadership. LOFT found one grant that expired in December of 2023 and for which OSDE did not reapply: a health-focused grant (Project Get Fit) that OSDE subcontracted with the State Department of Health to implement within Oklahoma schools. The Health Department sought reapplication of the grant but was told by OSDE that it would not pursue the grant renewal due to a component of the grant. The application deadline was February 2023, prior to the mandate for OSDE grant applications. Likewise, the application dates for “STOP School Violence” grants from the U.S. Department of Justice had application deadlines prior to the mandate.

LOFT identified other grants that were similar to those received prior to FY23 that had application deadlines after the mandate was in place. However, due to the nature of how competitive grants are offered – with differing federal grant identifiers, many grants being within the same general category but with varying objectives, and numerous variables of the same grant - it is difficult to determine which competitive grants would be subject to the application requirement.

Finding 3: One-Time Federal Funds Have Inflated Education Spending

From FY20 to FY22, OSDE received a total of \$2.44 billion in pandemic related funds, delivered across three rounds of federal aid. The majority of those funds were used to support instruction in Oklahoma’s school districts, closely followed by funding district operations. As of May 2024, \$2.06 billion was expended, leaving \$368.6 million dollars in available COVID Relief Funds. The remaining funds represent fifteen percent of the total funds received by the State Department of Education.

In response to states’ struggle to spend down all pandemic relief funds in a timely manner, the federal government extended the drawdown period, setting a date of September 30, 2024, for all funds to be obligated for a specific purpose. LOFT conducted a regional state comparison of unspent pandemic relief funds that were allocated for educational needs. Of the seven states examined, Oklahoma ranked fifth highest for total funds received and spent down the funds the second-fastest. However, the dashboard used by OSDE to track pandemic spending by school districts is not up to date and LOFT found that \$101 million of expenditures were not accounted for in the dashboard.

The fact that pandemic-related funds are still active – with some still remaining to be spent – has inflated spending across Oklahoma’s educational system. It may only be after all COVID funds exit the public education system that policymakers will be able to assess the impact of those funds and any outstanding needs.

Cost of Administering Federal Programs

Nearly half of OSDE’s staff is supported by federal funds (186 out of 388 full-time employees). Additionally, OSDE is authorized to retain an administrative fee from federal funds received, which fund personnel and other related administrative costs, such as information technology and professional services. As OSDE often administers several grants at the same time, a portion is taken from each grant and budgeted together to fund positions that may share a role in multiple programs. Thirty-three of OSDE’s staff positions are funded by the U.S. Department of Agriculture to process reimbursements for Child Nutrition funds and are not shared with any other source of federal funds.

Cost of Administering Federal Funds to Education (FY24)

OSDE FULL-TIME STAFF POSITIONS FUNDED BY FEDERAL REVENUE



186 total federally-funded FTEs

17 FTEs from Title funds

25 FTEs from a mix of Title funds and competitive grants

33 FTEs from Child Nutrition funds

25 FTEs from ESSER (Pandemic) funds

86 FTEs not directly attributed to a specific program

OSDE ADMINISTRATIVE COSTS, INCLUDING PERSONNEL, IT, PROFESSIONAL SERVICES



\$101 M in total administrative costs

\$11.2 M on Title programs

\$6.2 M on Child Nutrition programs

\$50.2 M on State Level Activities and OSDE

administrative costs for Pandemic Relief Programs

\$33.4 M combined/indirect costs; not program specific