



**Opportunity Scholarship Fund**  
An Oklahoma Scholarship Granting Organization

# 2016 ANNUAL REPORT

**Your Money.  
Your School.  
Your Choice.**

[osfkids.org](http://osfkids.org)





## **FRIEDMAN FOUNDATION PERSPECTIVE**

*Oklahoma's tax-credit scholarship program could be one of the most generous in the nation because of the high-income limit for eligibility, however, the \$3.5 million cap on credits severely restricts the number and amount of scholarships that can be awarded.*

*Additionally, the pro-rata distribution of tax credits to donors makes administration difficult for SGOs, as they cannot notify donors of the credit they will receive until the state tax commission receives all credits claimed for the year. Donors are also only allowed a 50 percent tax credit for donations (unless they commit to two years of giving, which raises their credit to 75 percent).*

*The program has a reasonable level of school regulations. Participating schools must provide progress reports to parents, be accredited, follow health and safety codes, and obey nondiscrimination laws.*

***The program has a tremendous opportunity to be one of the nation's strongest, if the eligibility and overall funding cap are raised or removed entirely and the pro-rata method for distributing tax credits is removed.***

### **SOURCE**

*ABCs of School Choice 2017, Friedman Foundation, page 110*



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### **BOARD OF DIRECTORS**

Charles Daniels (President), Bartlesville  
Brandon Dutcher (Vice President), Edmond  
Mark Stephens (Secretary), Tulsa  
Michael Carnuccio, Member, Oklahoma City  
Todd Kolczun, Member, Miami  
Brittoni Lantz, Member, Moore  
Michael Lapolla, Member, Tulsa  
TW Shannon, Member, Tulsa  
Hopper Smith, Member, Edmond (February 2017)

### **STAFF**

Robert Sellers, CPA, Executive Director (March 2016 – current), Tulsa  
Michael Lapolla, Executive Director (October 2015 – February 2016), Tulsa  
Heather Dickinson, Office Manager, Oklahoma City

### **CONTRACT SUPPORT**

Website: Rogez Designs, Chad Rogez, Edmond  
Banking: Hilary Wilkinson, BancFirst, Oklahoma City  
Insurance: Philadelphia Insurance Companies, Bala Cynwyd, PA  
Accounting: FD, Thompson & Company, P.L.C., Chris Hudson, Oklahoma City



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### **HISTORY**

The Opportunity Scholarship Fund (OSF) is a Scholarship Granting Organization (SGO) that provides scholarships to Oklahoma K-12 students to afford the attendance to accredited private schools as authorized by the Oklahoma Legislature in 2011 per Senate Bill 969. SB 969 was amended by House Bill 1693 in 2014 and by HB 1693 in 2015.

The OSF was operationally launched July 10, 2014. As of December 31, 2016, the OSF has been operational for 2-1/2 years and comprised of 55 member schools throughout Oklahoma. Through 2016, 51 schools have raised funds for scholarships.

### **SOURCES OF REVENUE**

In 2016, the OSF enjoyed a tremendously fruitful year. The collective results of our member schools exceeded any of our expectations in terms of monies raised. The reasons were many, but all are tied to efforts of school leaders. New schools joining OSF, significant corporate gifts, and a significant increase in the number of individual donors enhanced our totals.

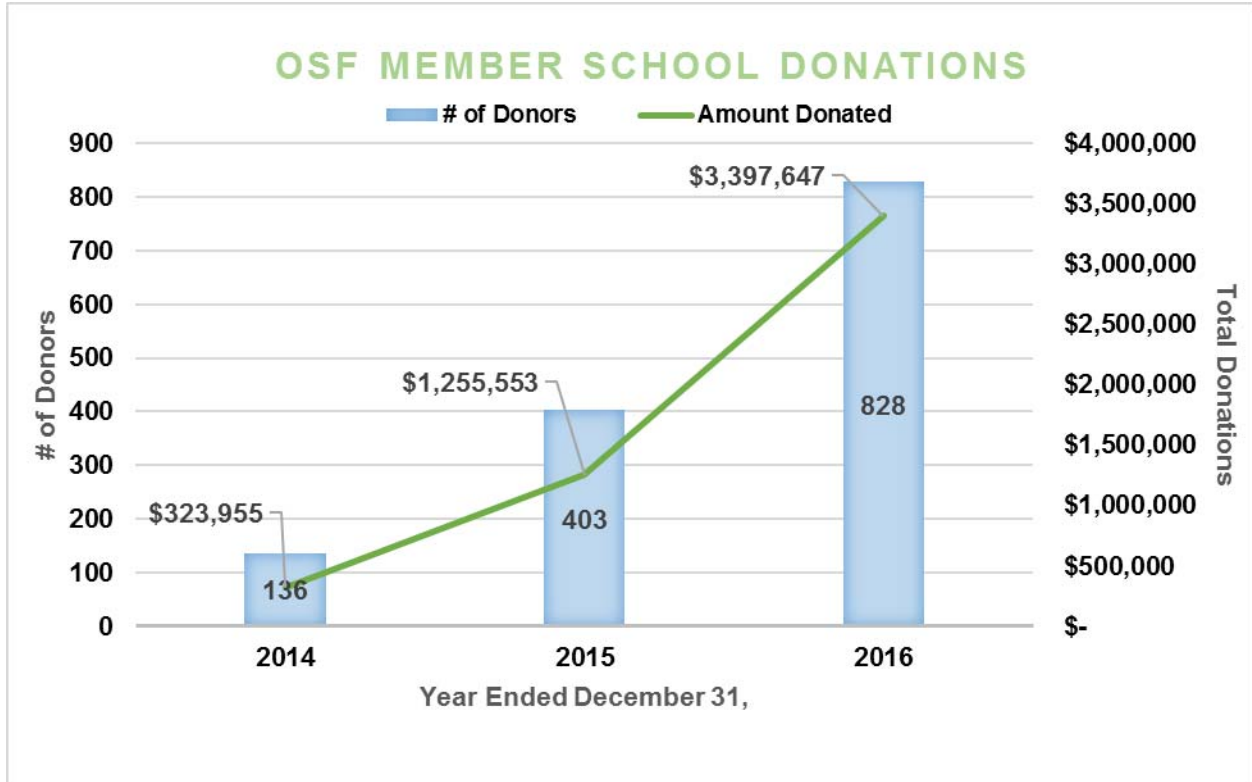
**As of December 31, 2016, our OSF member schools have raised almost \$5.0 million (\$4,977,000 from September 2014 – December 2016), and now have approximately \$2,962,000 available on-hand for scholarships in 2017.**

- In 2014, 18 schools and 135 donors raised \$322,955.
- In 2015 the number of active schools (35) doubled; the number of individual donors (401) tripled and the amount raised (\$1.3 million) quadrupled.
- During 2016, the 55 active member schools generated 828 donations valued at \$3.4 million.
- Since OSF's inception, total donations have been \$4,977,155; funds available after the operating fee assessment was \$4,479,440; and member schools have awarded 653 scholarships valued at \$1,526,759 – an average of \$2,338 per scholarship granted. The balance available for scholarships at the end of 2016 is \$2,961,890. Most of that money will be expended in the 2017-18 school year.

Included in this report is all donation and scholarship detail since the program inception.



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**Gifts Since Inception**

Type of Donor	Number	%	Average	Minimum	Maximum	Total	%
Corporations	167	12.19%	\$17,265.15	\$ 250.00	\$ 200,000.00	\$2,883,279.47	58.01%
Individuals	1,197	87.37%	\$ 1,731.83	\$ 20.00	\$ 9,550.00	\$2,073,002.11	41.71%
Other *	6	0.44%	\$ 2,300.00	\$1,000.00	\$ 6,200.00	\$ 13,800.00	0.28%
<b>Totals</b>	<b>1,370</b>	<b>100.00%</b>	<b>\$ 3,627.80</b>			<b>\$4,970,081.58</b>	<b>100.00%</b>

\* - other donations includes foundations and matching gift donations



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## SCHOLARSHIP RECIPIENTS

From program inception through February 28, 2017, the Opportunity Scholarship Fund has granted 742 scholarships valued at \$1,812,608 as follows:

Year	# of Scholarships	Amount
2015	183	\$ 453,251
2016	475	\$ 1,063,364
2017*	84	\$ 295,993
<b>Totals</b>	<b>742</b>	<b>\$ 1,812,608</b>

• - first two months of 2017

**The Law states that the scholarship granting organizations, including OSF, should spend a portion of scholarship money on low-income students (defined by Law as those families living at or below 185% of poverty) in the percentage as low-income students in the state. The state percentage of low-income families is 62%. To date, the OSF has awarded 56.7% of funds to low-income students (see table below).**

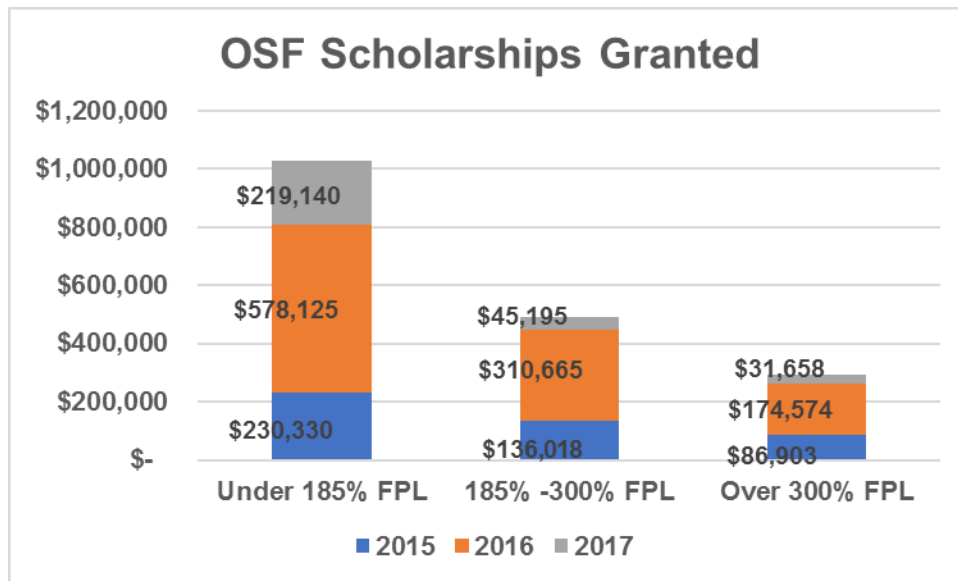
Family Income	2015		2016	
	Amount	%	Amount	%
Under 185% FPL	\$230,330	50.8%	\$578,125	54.4%
185-300% FPL	\$136,018	30.0%	\$310,665	29.2%
Over 300% FPL	\$ 86,903	19.2%	\$174,574	16.4%
<b>TOTAL</b>	<b>\$453,251</b>	<b>100.0%</b>	<b>\$1,063,364</b>	<b>100.0%</b>

Family Income	2017 *		Total (2015-2017)	
	Amount	%	Amount	%
Under 185% FPL	\$219,140	74.0%	\$1,027,595	56.7%
185-300% FPL	\$ 45,195	15.3%	\$ 491,878	27.1%
Over 300% FPL	\$ 31,658	10.7%	\$ 293,135	16.2%
<b>TOTAL</b>	<b>\$295,993</b>	<b>100.0%</b>	<b>\$1,812,608</b>	<b>100.0%</b>

• - first two months of 2017



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	Median	Average
Scholarships	\$ 2,000	\$ 2,443
Family Income	\$ 45,585	\$ 51,699
Family Size	4	4.0

Additionally, it is recognized that the income range of 185-300% of the federal poverty level (FPL) is generally defined as the lower middle class income class in the country. OSF member schools have awarded 27.1% to this group. Thus, the OSF member schools expend approximately 83.8% of its scholarship dollars on low-income or lower middle income class families.

The OSF does not centrally control what families/students receive in scholarships. The OSF's agreement with its member schools is that they should award scholarships based upon demonstrable need, and that percentages and distributions would take care of themselves. This continues to be true from our inception and works well to keep the awarding of scholarship dollars at the local, member school level.

The OSF schools now have just under \$3.0 million available for scholarships. Most of that money will be used during the 2017-18 school year.



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### **VALUE TO OKLAHOMA**

All revenues generated by OSF, net of its operating expenses not to exceed 10% of the funds received, will be expended for tuition scholarships. OSF scholarships help lower-income families afford private schools. From inception through 2016, the average scholarship granted has been \$2,443 per student. Therefore, the tax credits used was around \$1,579 per scholarship, as tax credits average approximately 64% of the dollars donated to the member schools. Currently, the state/local cost of educating a student in public schools is approximately \$8,500.

Therefore, the OSF could scholarship 2,217 students at a "cost" to Oklahoma of \$3.5 million in tax credits (\$3.5 million / \$1,579). If these students attended public schools – the cost would be almost \$19 million (2,217 x \$8,525). The net taxpayer savings is estimated to be over \$15.4 million.

To validate these figures, the Opportunity Scholarship Fund, with the participation of other SGOs in the state, has commissioned a fiscal impact study by Russell Evans, Executive Director of the Steven Agee Economic Research Institute in Oklahoma City. Upon completion of this study, the tax credit scholarship program will have a more conclusive, independent report on the economic impact of the tax credit scholarship program to the State of Oklahoma. This report should be available in the first half of 2017.





## ISSUES OF BOARD CONCERN

The Opportunity Scholarship Fund has experienced significant growth in 2016. Due to this growth, the tax credit scholarship program in Oklahoma has maximized its tax credits available through the Law. Failure to expand the tax credit cap and to ensure that the scholarships awarded go to the target families of low- and low-middle income families will stunt the potential of the value of this program.

### Legislative Needs

There is one issue of immediate concern. That is the passing of SB 445 or HB 1898 – similar bills that will allow tax credits of up to \$5.0 million starting in 2017 and the protection of our donor’s tax credits. With the passing of one of these bills, the donor will be assured that they will receive 100% of the tax credits promised them through this Law over two years, should the tax credit cap be exceeded in one year. When the political climate allows, there are three significant improvements that should be debated and considered.

1. Forthrightly address the statewide cap (see page 2 of this report). To-date, there are four active SGOs in Oklahoma that have reached 100% of the statewide tax credit cap of \$3.5 million. It is possible that more SGOs will start up operations in the state and, if that is the case, they will create more pressure on the tax credit cap.

As to not impair the tax credit scholarship program, relief of the tax credit cap through a higher allotment that will meet the donor demand exhibited in the last year is necessary. Also, parity of a dollar-for-dollar tax credit rather than the 50% or 75% tax credit allowed today will help simplify the program and eliminate the confusing and cumbersome way the program is having to be administered today by the Oklahoma Tax Commission.

2. Expand the application of the tax credits to an array of appropriate business taxes levied by the state of Oklahoma.
3. Debate the value and practicality of converting to the Georgia “subscription-based” model where tax credits are pledged until the allotment of tax credits have been reached and no additional pledges can be received that year from taxpayers.



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### **Board Membership**

The current Board membership is a good mix of interests and skill sets. However, the Board requires expansion to secure meaningful and effective business presence.

### **Operating Fee Assessment**

Since the program began, the OSF has assessed member schools 10% of donations to be used for operating expenses. To date, the Operating Fund has accumulated a net current balance of over \$410,000. In past meetings, the Board was presented with recommendations to remedy the accumulation of cash, minimizing the OSF's cash balance and ensuring funds are getting to families in need.

At the February 2017 board meeting, the board approved the reduction of the fee charged to member schools from 10% to 7.5% starting January 1, 2017. It also asked the board president and executive director to come back to the board with a recommendation for rebating some of the OSF's cash back to the member schools.

In the future, the board may consider (1) reducing the amount assessed on donations greater than \$50,000 and/or (2) creating a limited and targeted Board-driven scholarship program that will enhance OSF and not conflict with member schools.

### **Add Charter Schools**

With the school choice environment changing dramatically on the federal level, charter schools will play a bigger role in the total education picture than it has previously. Public charter schools receive much less revenue per pupil than do traditional public schools. If these charter schools could raise additional funds, modifying the vehicle provided in this legislation through the Education Improvement Granting Organizations (EIGO), they could achieve resource parity with traditional public schools at little to no cost to the taxpayer.



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### **SUMMARY**

Our member schools have started embracing the tax credit scholarship program in 2016. Many of the member schools are realizing the benefits of the tax credit scholarship program; the other member schools are just scratching the surface of the potential that participating with the OSF can do to assist them with providing scholarships to students and families. The growth trajectory of the tax credit scholarship program, and OSF specifically, will be tempered by the available tax credits to be issued and identifying and enrolling low- and lower-middle income students into a school of their choice.

To continue the momentum of the tax credit scholarship program in Oklahoma, we need to continue cultivating the donor relationships with educating the public on this important program. Additionally, it is imperative to work with our member schools on attracting and retaining low- and lower-middle income students to ensure that we are targeting these scholarships to the families needing them the most.

Respectfully submitted to the Board by:

Robert A. Sellers, CPA  
Executive Director  
March 1, 2017