

## Motor Vehicle Collections Lawsuit

The Plaintiffs believe that the Oklahoma Tax Commission has incorrectly construed HB 2244 that went into effect July 1, 2015. In months where motor vehicle collections have been “under collected” the Commission has apportioned to districts based on Average Daily Attendance. For the last twenty years at least that has never been the primary basis for apportionment and has only been used to apportion the amount left over in over collection months. The funds should be apportioned based on the amount received the preceding year which is also the amount the State Department of Education is required to use as each district’s “chargeable” in the state aid formula. Because these funds have been consistently apportioned based on preceding year amounts for over twenty years the amounts per ADA now vary greatly because districts have grown or declined in student population at very different rates. However no district has been financially disadvantaged because all have been able to fully or closely collect the chargeable amount used to calculate state aid over the last twenty years—until this year.

Because of the Commission’s incorrect construction of the amended statute districts have received motor vehicle collections apportionments based on ADA for 6 of the 10 months distributed through April, yet all districts were charged by the state aid formula with collecting the same amount received last year. The result is that districts that have experienced ADA growth over the last 20 years are over collecting their chargeable amounts and districts that have experienced little or no growth in ADA are under collecting their chargeable amounts. These distortions are shown in the spreadsheet that is one of the links on this page. They are also demonstrated in the Exhibits filed by the petitioners in the court case which is linked also. Contrary to what many believe these losses and gains are not offset by the state aid formula in the following year, rather they directly lower or increase each district’s ending fund balance.

The plaintiffs filed a petition asking the Oklahoma Supreme Court to assume original jurisdiction for a quick determination so all school districts could plan for FY 2017 knowing how this important revenue source would affect them. Unfortunately the Court declined to do so which decision has nothing to do with the merits of the issue. Therefore the plaintiffs will begin a more involved and lengthy district court process soon.

If the plaintiffs are successful in the litigation we intend to ask the court to correct these wrongful apportionments. We believe the correct way to apportion the revenues in “under-collection” months, for example if revenues are 95% of the same month the preceding year, is to give every district a proportionate amount, 95% in this example, of the amount it received the year before. With this method all districts will end the year collecting the same proportion that is charged against it in the state aid formula. We will not ask the district court to order the return of any funds from school districts that have benefited from the Tax Commission’s error, rather to allow the state aid formula to balance out our total revenues over a two year period. An example of how this would work is also a link on this page. However all school districts should understand that the plaintiffs can only advocate for recovery of their own losses and cannot be certain how the district court may decide to accomplish that. It is possible that non-participating districts could be left out.