

## **Debunking the Myths of Texas Public School Finance** Competition, Not Money, Is the Way to Improve Texas Schools

*Bill Peacock is the editor of ReformTexas.org, a web site dedicated to reforming public education in Texas. He has a B.A. in History from the University of Northern Colorado. He first studied public school finance 1988 while getting his M.B.A. from the University of Houston. He served as the policy analyst for public school finance for Sen. Carl Parker on the Senate Education Committee during the 71<sup>st</sup> Texas Legislature, and later in a similar role for Rep. John Culberson in the Texas House. More recently he has been a consultant on public policy issues including public education. In 2002, he led a review of economics textbooks up for adoption by the State Board of Education, and participated in the Texas Education Reform Caucus's legislative workgroup.*

### **THE PROBLEM WITH PUBLIC SCHOOL FINANCE IN TEXAS**

Texans spend close to \$26 billion every year on public education. Depending on who you talk to, this is either too much or too little. However, there is no debate that the cost of running Texas schools continues to spiral upward. In the last 15 years, the annual cost of Texas public education has more than doubled, having increased 136 percent from the almost \$11 billion spent in 1989. Taxes paid to support the public schools have become a heavy burden to many Texans, particularly homeowners. As a result, the Texas system of public school finance, once the exclusive sphere of legislators and academicians, is now of interest to almost everyone.

Homeowners understand how the “Robin Hood” school funding system ships local taxes off to the state. Teachers know that shifting from a property tax to an income tax to fund public education would make it easier to raise taxes, and thus easier to increase their paychecks. Because of all the money involved, taxpayers, educators and legislators want to ensure that the system is accountable.

There are three distinct, but intertwined, aspects of public school finance.

The first is how the funds for public education are raised. Today in Texas there is a continuous debate about the best way to raise money for public schools. There are two issues here: 1) what type of tax should be used to raise the funds – a property tax? a sales tax? an income tax?, and 2) who should be the principal tax collector? – the local school district or the state?

The second aspect of school finance is the distribution of the funds. This encompasses the myriad of formulas, indexes and mechanisms used to distribute the money to the various school districts, such as the basic allotment, program weights and the local fund assignment.

## Putting the Sides Together

The third aspect of school finance is accountability for the funds. How much does it cost to provide an education? Are the funds being used as they were intended? Are the taxpayers getting their money's worth?

This third aspect encompasses not just quantitative but also qualitative measures. It is one thing to make sure the money is flowing where it was intended. It is entirely another to determine whether it is being used efficiently to provide something of value. Both are valid components of a system of public school finance. Unfortunately, this last aspect is where the debate over public school finance has stumbled.

The debate has stumbled because it is based on the flawed idea that Texas can improve the quality of its public education by improving the mechanics of the current system and putting more money into it. Many of the questions being debated reflect this belief:

- How can more money be put into the system?
- How can the funding formulas be made more efficient?
- How can the tests and accountability system be improved?
- How can the system be made more equitable?
- How can the costs of providing a “thorough and efficient” education be determined?

There is little consideration given to the possibility that the system itself might be flawed and thus adversely affect both the price and the quality of a public school education.

For instance, cost studies are valued for their ability to determine the cost of providing an education so that adequate funding can be provided. Little interest is shown in how the system might be changed to actually *reduce* the cost. Another example is accountability. Everyone wants to make the system more accountable, but only a few want to debate to whom it should be accountable.

When it comes to quality, the focus is on issues outside of the finance system such as teacher certification, pre-kindergarten and reading or math initiatives. There is little scrutiny of the finance system itself to see how it might inhibit quality.

While the mechanics can always be improved, the major problem being ignored within the system of Texas public school finance is how it distorts and hinders the consumers' role in the delivery of education to the public.

While it is the children who actually attend school, it is their parents, as decision makers, who are the ultimate consumers of education. However, because of the characteristics of the system of public school finance in Texas, public education is unlike other services and products that parents choose for their children. Parents are allowed to determine where their children go to church, what kind of clothes they wear, and what kind of food they eat. And they get to choose how much they pay for each of these products or services. But this is not the case when it comes to public education.

## **Putting the Sides Together**

Parents who participate in the system of public education have little choice about where their children go to school. They have little choice in the educational curriculum used to teach their children. And they have no choice over how much they will pay for the cost of public education. It costs what it costs. Good or bad, it makes no difference.

The public school finance system in Texas has been designed to reduce or eliminate consumer choice. Parents have been relieved of their role of evaluating both the quality and the cost of an education. The consumers of a public education are not the ones who pay the bills. In many important ways, the payment for services has been divorced from their consumption. Additionally, public schools in many cases function as monopolies. All of these factors introduce distortions into the public education system that reduce quality and raise prices.

To overcome these problems, Texas legislators and education officials have introduced various systems designed to replace the role of parents in choosing the provider and price of the education of their children. Texas has become a national leader in accountability systems. Student testing and reporting have indeed provided parents, legislators and education officials a great amount of information about the education being provided. But there are two problems with the system of accountability.

First, the information provided is not always the information consumers desire. For instance, the Texas Assessment of Academic Skills (TAAS) test provides little information parents might desire about the quality of a high school education, since it measures learning only to the 9<sup>th</sup> or 10<sup>th</sup> grade, and does not measure high achievement levels. The information from the accountability system is designed to give legislators and education officials what they desire, not what parents want. In fact, it is even used to hide from parents the truth about the quality of education being provided. An example of this is that it is against the law to report information from the TAAS in ways that could be used to evaluate individual teachers.

The second problem with the system of accountability is that even when parents are provided with meaningful information, there is little they can do other than complain, unless they are capable of paying the costs of moving to a neighborhood with better public schools or sending their children to a private school.

True accountability comes from the ability of parents to choose the price, content and provider of their children's education. That is, accountability is dependant upon consumer choice. Another name for this is competition.

The public school establishment wants to avoid competition. Many legislators, state education officials, school board members, administrators, teachers and lobbyists will say and do whatever it takes in order to avoid competition because they really don't want anyone to look too closely at how the public schools are operated. They don't want to be accountable to parents or taxpayers, but only to themselves.

Of course, they deny this.

## Putting the Sides Together

Competition is fine, they claim, but it needs to be “fair competition.”<sup>1</sup> National Education Association (NEA) President Bob Chase expressed this when he said:

I’m all for a marketplace solution to the teacher shortage. But please don’t distract us with ill-considered half measures, such as paying math and science teachers more than other teachers. We might as well hang a sign in the teachers’ room saying “In this school, if you don’t teach math or science your work is literally ‘less valuable.’ This is insulting – and wrong... Instead of robbing Peter to pay Paul, we need to pay all teachers a competitive, professional salary.”<sup>2</sup>

The truth is public schools have gained monopolistic control of the educational market for most Americans, so they don’t have to compete to sell their product. Teachers have eliminated competition among themselves through collective bargaining and salary schedules. Even private service providers like bus services have been frozen out of the market.

It is not surprising that the education establishment would go to such lengths to insulate itself from the sovereignty of consumers in the educational marketplace – something that practically every other worker in America has to face every day. Ludwig von Mises explains why when he says, “consumers determine ultimately not only the prices of the consumers’ goods, but no less the prices of all factors of production. They determine the income of every member of the market economy.”<sup>3</sup>

Competition would remove the ability of those involved in public education to set their own pay through the political process. Instead, their salaries would be dependant on the quality of their work as judged by the parents of the children they teach.

In order to avoid this possibility and maintain their control over the system, members of the public education establishment in Texas have developed several myths about public school finance. These myths are used to misinform the public and obstruct those attempting to change the system. In this way, the myths serve as barriers to close scrutiny of Texas school finance that could bring change and restore consumer choice, or competition, to the system.

This paper will examine and debunk four of these myths. Then the paper will examine how restoring parental control over the education of their children, eliminating the single salary schedule for educators and eliminating weighted adjustments from state funding formulas would bring the beneficial effects of competition to the Texas system of public school finance. By taking these steps, Texans could develop a system of public education that is truly excellent, accountable and affordable.

## Putting the Sides Together

### THE MYTHS OF TEXAS PUBLIC SCHOOL FINANCE

#### *Myth #1 - More Money is Needed to Improve Educational Quality*

According to this myth, more money is needed to attract good teachers. More money is needed to help at-risk children. More money is necessary to improve dilapidated facilities. More money is needed for everything to improve educational quality.

It is this myth that underlies all of the myths about public school finance. If it can be established that money is the key to educational quality, the focus shifts from the fundamental structure of the system to the mechanics of raising and delivering additional funds to the system.

But this myth does not stand up to the facts.

In 1987, Texas spent close to \$11 billion per year on its public schools. By 1999, that number had almost doubled to \$20.6 billion. Over the last four years, another \$5.2 billion in new spending has been added. As a result, Texans now spend about \$26 billion a year to fund the education of their children.

**Table 1.**  
**Growth of Education Spending in Texas**

Fiscal Year	Combined State and Local Funding (in billions)	Increase (in billions)
1999	\$20.672	
2000	22.108	\$1.436
2001	23.584	1.476
2002	24.953 <sup>4</sup>	1.009
2003	25.876 <sup>5</sup>	0.923
Total		\$5.204

Source: Legislative Budget Board.

The new money has been spent on items such as increased salaries, health care, new buildings, remedial education, dropout prevention and a statewide accountability system. Yet for all this new spending, there is little evidence that Texas public schools are doing a better job of preparing students for college and high-skilled jobs.

If the TAAS test was the only measure of success, one might think that the quality of education in Texas was improving. According to the Texas Education Agency, the passing rate on all TAAS tests from grades 3-10 has improved from 67.1 percent in 1995-96 to 82.1 percent in 2000-01.<sup>6</sup>

Yet passing the TAAS test means only that a student has a minimal ninth or tenth grade education. Other indicators of higher-level achievement paint a far more dismal picture.

## Putting the Sides Together

For instance, the passing rate of the students who take the end-of-course Algebra 1 test has hovered around 50 percent over the last few years, while the passing rate on the U.S. History and the English II exams is about 70 percent.<sup>7</sup>

Additionally, the scores of Texas students on the ACT and SAT have remained virtually the same since 1995-96. Those scores are below the national level. And a smaller percentage of students are taking these tests today than in past years.<sup>8</sup>

The bottom line is this: educational costs in Texas keep going up, but the overall quality has failed to improve. Adding more money to the system will not improve the quality of public schools in Texas.

### *Myth # 2 – We Must Increase Teacher Pay to Improve Educational Quality*

The popularity of this myth is no surprise. Everyone understands the value of a good teacher. No one wants to entrust his or her child to a bad teacher. Parents see teachers putting long hours and a lot of effort into helping their children and want to reward their efforts.

This myth plays on the emotions of the public to hide one of the fundamental problems with the Texas system of public school finance – good teachers and bad teachers are paid the same. If this problem is to be properly evaluated, it must first be established whether Texas teachers are well paid or not.

A report published last year by the State Board of Educator Certification (SBEC) claims that there was a shortage of 45,000 teachers in Texas for the 2001-2002 school year.<sup>9</sup> Further, it was claimed that the size of the shortage could double by 2010 if something is not done.

The most popular reason proposed for the teacher shortage is that Texas teachers are not well paid.

“Low salaries is the main reason that we have 53,000 classrooms in Texas with inappropriately certified teachers in them. . . . We must improve the salaries, benefits and working conditions of teachers so that we have all of the certified, qualified teachers we need in our classrooms,” said Donna New Haschke, president of the Texas State Teachers Association (TSTA).<sup>10</sup>

The TSTA cites a poll showing that sixty-nine percent of respondents believe raising teacher pay is the best solution for improving public education, with sixty-four percent supporting higher pay even if it requires a tax increase.

There are actually two myths about teacher pay to be dealt with here. The first is that increasing teacher pay will alleviate the shortage of teachers in Texas. And the second is that there must be an increase in teacher pay because teachers are underpaid.

## Putting the Sides Together

### *The Teacher Shortage.*

“There is no teacher shortage, it is a myth,” said Chris Patterson, director of education policy for the Texas Public Policy Foundation, which released its report, “The Myth of a Teacher Shortage.”<sup>11</sup>

“Many schools have a surplus of certified teaching applicants and are turning them away,” Patterson added. “A number of districts are even luring teachers out of the classroom with early retirement packages.”

Even the SBEC study admits, “[t]o the best of our knowledge, no school or school district has any classrooms that do not have an adult assigned to instruct the students.”<sup>12</sup>

Additionally, the “Demand Study, 2001-2002,” showed that Texas schools were able to hire more teachers than they thought they needed.<sup>13</sup>

In order to get around this fact and justify the high numbers they use when they speak about a teacher shortage, the public education establishment focuses on the number of classrooms supposedly lacking *certified* teachers.

However, there is growing evidence that certified teachers have no advantage over non-certified teachers when it comes to turning out better educated students.

In the summary of its report on teacher certification, the Abell Foundation says, “teacher certification . . . is neither an efficient nor an effective means by which to ensure a competent teaching force. Worse, it is often counterproductive.”<sup>14</sup>

There are two reasons for this. First, the lengthy process of teacher certification serves as a barrier to entry for many would-be qualified teachers. Second, teacher certification is generally focused on process and credentials instead of the ability to effectively communicate knowledge to students.

### *Teacher Pay*

The second part of the myth about teacher pay is based on the false idea that teachers are underpaid, and that only by increasing teacher pay will Texas attract the quality teachers necessary to improve educational quality in Texas schools.

However, the facts indicate that Texas teachers are well compensated no matter what standard is used.

**Table 2.**

**Average Teacher Pay in Texas**

FY 1999 Average Pay	FY 1999 Annualized Pay	FY 2003 Average Pay	FY 2003 Annualized Pay	2000-03 Average Increase	2000-03 Inflation
\$34,336	\$41,203	\$41,630	\$49,956	21%	10.1%

Source: *Teacher Salary Trends*, American Federation of Teachers and calculations of the author.

## Putting the Sides Together

The average salary for Texas teachers in the 2001-02 school year was \$39,230, according to the Association of Texas Professional Educators. Add in step increases and a \$1,000 salary pass-through for health care expenses, and the average teacher should be making around \$41,000 this year.

Since 1999, when the average Texas teacher made \$34,336, teachers have received a pay raise averaging at least \$7,000. That's a 20 percent increase. Inflation during that time was approximately 10 percent.

**Table 3.**

**Sampling of FY 2003 Teacher Pay in Texas**

District	Salary for Beginning Teacher*	Salary for 10 Year Teacher*	Salary for 20 Year Teacher*	Top District Salary
Austin	\$33,200 (39,840)	\$37,930 (45,516)	\$43,930 (52,716)	\$53,750 (64,500)
Dallas	37,000 (44,400)	N/A	N/A	61,050 (73,260)
Houston	34,588 (41,505)	39,198 (47,901)	45,243 (54,291)	58,578 (70,293)
Mesquite	35,500 (42,600)	39,000 (46,800)	44,200 (53,040)	53,700 (64,440)
Ft. Bend	35,000 (42,000)	40,183 (48,219)	47,203 (56,643)	58,039 (69,646)

\*Annualized salary in parentheses. Does not include salary supplements or stipends except for level of education.

Source: Salary Schedules from each of the districts.

Many teachers make far more than the average. A first year teacher for the Dallas Independent School District, fresh out of college, will make \$37,000 this year. The top salary at D.I.S.D. is \$61,050. Top teachers in the Austin, Houston, Mesquite and Fort Bend school districts are paid from \$53,700 to \$58,578.

And they make that while working just ten months a year.

If teacher salaries are annualized to reflect twelve months of work, the average salary becomes \$49,956. The top teachers in Dallas would make \$73,260 if they worked for a full year.

It is important to annualize teacher salaries in order to accurately compare teacher pay to the private sector, where employees must work year-round. Teacher groups often dispute this by saying that teachers work long hours during the school year, and attend professional workshops during their time off in the summer. But many workers face similar demands of long hours and work on weekends and holidays.

Texas teachers are also well compensated when compared to teachers in neighboring states and to the private sector. Only Colorado teachers make more than Texas teachers in

## Putting the Sides Together

this region.<sup>15</sup> And Texas teachers make, on average, 34 percent more than the average private sector worker for twelve months of work.<sup>16</sup>

There are plenty of teachers in Texas, and, on average, Texas teachers are well paid.

*Myth # 3 – We Must Reform Texas’ Tax System in Order to Keep Up with the Needs of the Public Schools*

This myth is built on top of the first two. If the state needs more money to improve educational quality and increase teacher pay, then a tax system that will provide these funds must be developed.

The following are just two of many examples of people who believe we must reform the Texas tax system in order to provide “adequate” funding for the public schools.

"This study [on Texas tax reform] clearly points to numerous options which could enhance the... ability to respond to increasing needs beyond the current public education funding mechanism." – Ray Perryman.<sup>17</sup>

"The current system, which relies so heavily on [property] taxes, is running out of capacity." – David Thompson.<sup>18</sup>

The essence of these arguments is that Texas needs to "reform" its tax system because its heavy reliance on the property and sales taxes means it can't provide enough money to pay for the needs of public schools.

But the truth is that the current tax system provides for the needs of public schools as well as any tax system can. What it can't do – nor can any other system – is keep up with the wants and desires of the public education establishment.

Since 1999, spending on Texas public schools has increased \$5.2 billion per year, a 25 percent increase. During that same period, enrollment growth and inflation grew less than 17 percent combined.

Why did education spending outpace enrollment growth and inflation?

Because almost \$3 billion of the increase came from new programs and pay raises passed by the Texas Legislature. In other words, 57 percent of the increase in education spending over the last four years was a product of legislative desire rather than increased educational needs.

At the same time they increased spending levels, legislators sought to satisfy taxpayers and voters who don't like the high taxes associated with new spending. So they reduced property tax payments for many taxpayers. They raised the homestead exemption by \$10,000, cut taxes for seniors and put a cap on increases in property taxes.<sup>19</sup>

## Putting the Sides Together

Thus, at the same time legislators increased education spending, they hindered the ability of the tax system to pay for it. That is the problem the system of public school finance is facing.

**Table 4.**  
**Increased Education Costs in Texas Due to New Spending**

New Spending	Year Implemented	Approximate Biennial Cost
\$3000 teacher salary increase	FY 2000	\$1.70 billion
Debt Equalization	FY 2000	1.00 billion
\$1000 school district employee salary increase	FY 2003	1.18 billion
\$900 school district employee insurance allotment	FY 2003	1.03 billion
Minimum-effort requirement for health care	FY 2003	250 million
Salary Schedule Step Increase	Annually	800 million <sup>20</sup>
<b>Total Biennial Cost</b>		<b>\$5.96 billion</b>

Source: Legislative budget estimates and appropriations bills for fiscal years 2000-2003.

In a presentation last year to the Joint Select Committee on Public School Finance, John Kennedy, of the Texas Taxpayers and Research Association, made the following points:

- All the major tax bases work reasonably well during times of sustained economic growth but all struggle to keep up with spending demands during economic downturns.
- Barring some jolting economic shock, growth in revenues from the current state tax system more than keeps up with the underlying growth in school spending caused by enrollment growth and inflation.
- There is no tax base that will automatically produce sufficient revenue to keep up with combined effects of enrollment growth and inflation in addition to policy choices that increase the cost of public education.<sup>21</sup>

The data Mr. Kennedy presented supports his findings.

For instance, since 1991 the property tax base has kept up with the growth of the average daily attendance of the schools plus inflation. And the Texas tax system has produced revenues that have tracked the growth in the adjusted gross income of Texans, the gross state product and education spending in Texas.

What is notable, however, is that the growth in spending on public education far exceeds the growth in the average daily attendance plus inflation. Instead, spending seems to track more closely with tax revenues.

In other words, the Texas Legislature has chosen to fund the system of public education not based on the needs of the public schools, but according to available revenue. That is,

## Putting the Sides Together

they spend every penny they can get their hands on. This works as long as revenues keep increasing. But when revenue collections falter, the legislature is faced with the hard choice of either trimming the fat from the years of excessive spending or raising taxes to cover up its prolific spending.

Texas doesn't need to reform its tax system. What Texas really needs are legislators who are willing to make sound policy decisions. Otherwise, even an income tax won't provide enough money to pay the bills.

### *Myth # 4 – We Must Determine the True Cost of Public Education in Texas*

Perhaps the most popular myth circulating around Austin today is that the state must do something to determine the cost of providing an education.

This is popular amongst both liberals and conservatives. Liberals like the idea because it has led to an increase in spending on public education almost everywhere it has been tried. Some conservatives, desperate to do almost anything to slow skyrocketing educational costs, believe that determining this figure and providing the requisite funding will put an end to the calls for increased funding for the public schools.

In order to make this determination, proponents have called for the state to fund an adequacy study to determine what it costs to provide a “thorough and efficient” education.<sup>22</sup>

About a dozen states have already begun this process. The Center for Fiscal Equity in New York, one state that has begun such a study, says that an adequacy study “determines the actual amount of money needed to provide every child a reasonable opportunity to meet state education standards by, first, identifying the specific resources and conditions necessary and, then, systematically calculating the amounts necessary to fund each of these prerequisites.”<sup>23</sup>

There are two flaws underlying the myth that we need an adequacy study to improve educational quality in Texas. The first is that the Texas system of public school finance is already based on the concept of determining the cost of education. The second is that it is impossible for the state to accurately determine what a thorough and efficient education costs because it can't determine what a thorough and efficient education is.

### *The Foundation School Program*

For over fifty years, Texas has sought to determine what it costs to provide a basic education.

Texas adopted the concept of a foundation school program as the basis for its system of public school finance in 1949.<sup>24</sup> The foundation school program is designed:

... to ensure an adequate, minimum educational program for all children. The state establishes a foundation level and sets, for each district, a calculated

## Putting the Sides Together

contribution level called the Local Fund Assignment (LFA), which is stated in the form of a tax rate. The greater the district's property wealth, the higher the LFA. State aid makes up the difference between the LFA and the foundation level.<sup>25</sup>

Until the 1980's, the foundation level was based mainly on the amount of funds appropriated by the Texas Legislature.

However, beginning in 1984, the legislature began putting the concept of cost studies into law. HB 72 instructed the State Board of Education (SBOE) to develop a Price Differential Index (PDI) and to study the "average accountable costs to school districts in providing quality education programs, personnel, and facilities that meet the accreditation standards prescribed by law and rule."<sup>26</sup>

In 1989, the Cost of Education Index (CEI) replaced the PDI, and the SBOE was instructed to study "minimum basic accountable costs per student... the estimated costs per students to school districts of providing exemplary education [and the] basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program."<sup>27</sup>

Since 1989, various governmental agencies, including the Legislative Education Board (LEB), the Legislative Budget Board (LBB) and the Foundation School Fund Budget Committee (FSFBC) have been charged with determining varying costs with providing education in Texas. Most recently, in 2001, the LBB was directed by the legislature to determine "a basic allotment... that, when combined with the guaranteed yield component... represents the cost per student of a regular education program that meets all mandates of law and regulation."<sup>28</sup>

There is no shortage of studies that attempt to determine the cost of providing a "thorough and efficient" education in Texas. The only thing that is different today is the cost and the methodology of the proposed adequacy study.

The Austin *American-Statesman* reported that the adequacy study would cost about \$1 million dollars, and take a somewhat different approach from most other states:

In other states, consultants either study successful schools or use focus groups of professional educators to determine how much money is adequate for students to meet state standards. Those approaches usually lead to more money for education.

Texas is considering a statistical approach that looks at how every public school achieves the state's education goals. It will consider everything from graduation rates to test scores to class size. The researchers will isolate the most cost-efficient schools for each goal to decide how much money the state should spend.<sup>29</sup>

However, there is no indication that this study would provide better information on the cost of providing an education than any of the studies previously done in Texas.

## **Putting the Sides Together**

### *A Thorough and Efficient Education*

There is certainly nothing wrong with the state attempting to give itself a reasonable basis for determining how much money it should appropriate for the public schools. Nor is there anything wrong with the state attempting to hold schools accountable for their use of taxpayer money. But at best these can be only rough estimates.

The truth of the matter is that only parents can determine the quality, efficiency and thoroughness of the education their children receive.

What might be considered a stellar education by one parent could be thought a waste of money to another. A setting that provides a quality educational environment for one student might not be at all conducive to learning for another.

There is simply no way for the state to come up with a funding and accountability system that determines what a quality education is and how much it would cost for every student in the state. The proposed study will produce the same information, the same upward pressure on costs and the same inefficiencies as the studies before it. The state is too big and the students too varied for the outcome to be any different.

No one but a parent can determine the value and quality of the education their child is receiving.

## **RESTORING COMPETITION TO THE SYSTEM OF SCHOOL FINANCE**

Once the myths have been adequately dispelled, it is then possible to reasonably examine the many reforms that Texas could take to restore competition, or consumer choice, to its system of public school finance. This paper will examine only three of them. But they are the three that will serve to alter the fundamental structure of the system and lay the groundwork for all other needed reforms. The three reforms are implementing parental choice, eliminating the single salary schedule and removing weighted adjustments from state funding formulas.

### *Parental Choice*

Parental choice is the single most important reform that could be made to Texas' system of public school finance. Tying the funding formulas to the decisions of parents would radically alter the nature of the public schools. Many of the current cost drivers would be reduced or eliminated if educators responded to the desires of parents instead of to the desires of education officials in Austin.

While there have been many different approaches to introducing parental choice into the Texas system of public education, there are a few key elements that must be in any plan for it to introduce true competition into a system and be successful. They are:

- A similar amount of funding must follow a student to any school of a parent's choice, public or private,

## Putting the Sides Together

- There must be no regulation of the admission's process, testing regimen or tuition of private schools which participate in the process,
- Parental choice must be widely available,
- Once a student is eligible to participate in a system of parental choice, the student should remain eligible.

There are three fundamental ways in which a plan for parental choice following these principles would improve public education in Texas:

### *1. Competition Through Parental Choice Would Restore Accountability in Texas Public Education.*

Over the last twenty years, the Texas system of public schools has become the national model for accountability. From the Essential Elements and TAAS, to TEKS and TAKS, Texas has a system that measures the level of compliance of school districts across the state with educational standards. In fact, Texas was used as the model for the recently passed federal education bill, better known as the "No Child Left Behind Act."

As the name of the federal legislation implies, the Texas system of accountability has had success at identifying low achieving children and helping them to come up to average.

The problem is that too many children are still being left behind. Nearly 40 percent of Texas high school students fail to graduate.<sup>30</sup> At the top, the system does not adequately identify and promote excellence in education.<sup>31</sup>

This is to be expected, however, when the system is designed to hold schools accountable to education officials in Austin rather than to parents.

Parental choice would bring true accountability to the system by restoring the crucial role of parents in the education of their children.

True accountability comes from parents who know what is best for their children, who care whether or not their children are receiving the best and who are able to hold their local schools accountable by removing their children when they are not receiving a good education.

Statewide testing may hold schools somewhat accountable for their overall performance, but they will never hold them accountable for their performance on a child-by-child basis. Only parents have the knowledge, the desire and the resources to do that.

Whether it is the qualifications of a teacher, the quality of textbooks, the proper class size or the quality of a school at issue, the resolution of these questions are best left to the parents in collaboration with the local district. It is through this process that competition will return to the system as educators vie with one another for the business of providing children with a quality education.

## **Putting the Sides Together**

### *2. Competition Through Parental Choice Would Restore Affordability in Texas Public Education.*

Affordability is not a new concept to anyone. It is a part of the everyday lives of all Texans. It affects what grocery stores they shop in, what restaurants they eat in, what clothes they buy – the list is endless.

The public education establishment has tried to shield the system of public education from the concept of affordability through the myth that more money is needed for the public schools.

If Texans will ignore this myth and focus instead on parental choice, Texas schools will become more affordable. The competition introduced by parental choice will bring new, innovative, affordable ways to educate children. Old-fashioned ways of teaching like phonics, addition and subtraction, memorization, etc. will be recognized as low tech, low cost, sophisticated educational strategies.

Parental choice will make the price of an education affordable just like it has with the prices of food and clothing. As the providers of education learn that their customers have a choice about where to send their children, they will respond by improving the price of their product in order to make it more attractive. They will do this because they'll realize that their livelihood depends on their ability to supply an affordable product to the public.

### *3. Competition Through Parental Choice Would Restore Quality in Texas Public Education.*

Accountability, combined with affordability, would make quality a top priority for the public schools. Because parents would be able to choose any provider, schools would have to find ways to compete on quality instead of on price alone.

Far from being hurt by this competition, children will thrive in a system that provides educational opportunity for all Texas school children. In fact, the children being hurt the most – those who are trapped in failing schools – will be the ones who benefit the most.

Parents and children would be able to walk away from the bad schools. In fact, under a system of parental choice, many bad schools would cease to exist. At least under the same management. There is no incentive in the current system nearly as powerful as this for improving educational quality.

## **The Single Salary Schedule**

Parents cannot reform the Texas public schools on their own. They need the help of school boards, principals and teachers. Unfortunately, like most other “Right-to-Work” states where teacher salaries are not subject to collective bargaining, Texas uses a single salary schedule to set minimum compensation for teachers. This system handcuffs the best efforts of public school administrators to bring reform to the schools. Left in place, it

## Putting the Sides Together

would diminish the benefits that parental choice would bring to public education in Texas.

In a single salary schedule, the minimum pay is based on the years of service that the teacher has accumulated. For each additional year of service, the teacher moves one “step” up the “ladder,” or schedule. Teachers work about 10 months a year. Table 5 shows the salary schedule that is in place in Texas for the 2002-2003 school year.

The effect of this salary schedule is that most school districts pay teachers off a single salary schedule with many steps. This is the case even though they may pay salaries far greater than required by the schedule, as seen in Table 3.

Even though the data clearly indicate that teachers are well compensated compared with most Americans, teacher organizations still ask, “Why don’t we pay teachers what other professionals make in our country?”<sup>32</sup> Indeed, the American Federation of Teachers annual survey includes a comparison of teachers’ salaries with other professionals.<sup>33</sup>

Not only do teachers want to be compensated like professionals, they also say they want to be treated as professionals. The vision statement of the Association of Texas Professional Educators on their web site makes this clear, “As professionals, our members are committed to supporting quality public education and the professional rights and obligations of the education community.”<sup>34</sup>

**Table 5.**  
**Texas Single Salary Schedule**

Years of Experience Credited	Monthly Salary	Annual Salary (10 month contract)
0	2,424	24,240
1	2,481	24,810
2	2,539	25,390
3	2,596	25,960
4	2,717	27,170
5	2,838	28,380
6	2,959	29,590
7	3,072	30,720
8	3,178	31,780
9	3,279	32,790
10	3,373	33,730
11	3,464	34,640
12	3,549	35,490
13	3,628	36,280
14	3,705	37,050
15	3,776	37,760
16	3,844	38,440
17	3,908	39,080
18	3,968	39,680
19	4,026	40,260
20 & Over	4,080	40,800

Source: Texas Education Agency.

While teachers demand the pay and respect of professionals, they don’t want to be exposed to the job risks that other professionals face. Instead, they push for the single salary schedule, which compensates them in a manner more like union members than professionals.

The risk other professionals face, and that is reduced for teachers because of the single salary schedule, is competition.

## Putting the Sides Together

### *The Effects of the Single Salary Schedule on Competition and the Quality of Education in Public Education.*

The single salary schedule reduces competition and quality in the public schools in several different ways. For one, it provides an automatic pay raise for every single teacher in Texas every year. It doesn't matter if they are good or bad, it doesn't matter how their students perform, it generally doesn't even matter how the economy is doing. Teachers get a raise regardless of the circumstances.

Competition is also reduced by the single salary schedule because teachers get a raise without having to compete for funds with their fellow teachers.

Michael Podgursky, of the University of Missouri – Columbia, has categorized these effects as “three rigidities or inefficiencies associated with the single salary schedule” that reduce competition.<sup>35</sup>

The first type of limited competition identified by Podgursky is “differences by field.” Teachers do not have to compete with one another across fields of expertise. Since districts do not adjust teacher pay based on differences in supply and demand in different fields of expertise, schools can experience short-term and long-term shortages in certain fields. Short-term shortages occur when schools cannot lure qualified teachers from other jobs. Long-term shortages occur because students and other potential teachers do not have the incentive to undergo the necessary training to become certified as a teacher. “Paying all teachers in the district off the same schedule virtually guarantees shortages by field,” says Podgursky.<sup>36</sup>

The second type of limited competition identified by Podgursky is “differences by quality of teaching performance.” All teachers, good and bad, get paid the same under the single salary schedule. “Hence weak teachers have the same financial incentives to remain employed in the district as do the effective teachers.”<sup>37</sup> This is perhaps the worst effect of the limited competition caused by the single salary schedule, since much of the research over the last 25 years indicates that “high-quality teachers raise student performance – indeed, it appears that the most important thing a school can do is to provide its students with good teachers.”<sup>38</sup>

The third type of limited competition identified by Podgursky is “differences by school.” Because of the single salary schedule, districts do not pay different salaries to teachers based on the needs of different schools. As Podgursky puts it, “One ironic result of ‘equity’ in teacher pay within the district is inequity in per pupil expenditures. Because their teachers have less seniority and fewer graduate credits, the average teacher pay, and thus expenditure per pupil, will tend to be lower in high poverty schools.”<sup>39</sup> Schools with the highest concentrations of at-risk students are unable to attract the best teachers to teach them because of the single salary schedule.

## **Putting the Sides Together**

### *The Benefits of Eliminating the Single Salary Schedule.*

The single salary schedule makes it difficult for administrators to achieve quality results at the campus and classroom level. Don McAdams, of the Center for Reform of School Systems, explains that the single salary schedule “makes it difficult for them to send salary signals to mediocre teachers that perhaps they should seek a different career. Instead, school districts are forced to either terminate teachers or give them raises. Most scholars who have studied the single salary schedule have concurred that it has the effect of increasing pressure on the best teachers to leave the classroom and increasing pressure on the worst teachers to stay.”<sup>40</sup>

Eliminating the single salary schedule would restore local control over salaries and enhance the ability of administrators to recruit and keep good teachers. Teachers would be held accountable for their performance since pay raises would no longer be automatic. McAdams explains why this is important. “Texas cannot keep expecting more and more from its school districts without giving them more and more control over how they do business. In short, accountability and empowerment go together.”<sup>41</sup>

Without the single salary schedule, districts would also have a greater ability to recruit teachers in hard to fill positions, whether they be for math and science classes or classes in low performing schools in high crime neighborhoods.

Additionally, the freedom to set salaries based on performance rather than years of service would reduce the automatic increases in costs that lead to higher property taxes and increased pressure on the state budget.

Without the single salary schedule, educators would have to compete with one another for salary increases. This would have the effect of increasing the performance of those teachers capable of improving, while helping others to seek careers elsewhere.

Finally, the elimination of the salary schedule would help prevent long-term shortages in the supply of teachers. As people realized the possibility of being well compensated for their talent, training and effort, more would choose teaching as a profession. There haven't been any \$100,000 teachers yet, but there likely would be without the schedule. While taxpayers can't afford to pay every teacher that much, there is no reason that they couldn't afford to pay the very best teachers that much and more.

### **Weighted Adjustments**

The Texas system of public school finance is built upon the basic allotment, which is the base level of funding received by all Texas school districts for each student in average daily attendance (ADA). This is currently set at \$2,537.<sup>42</sup>

But districts receive much more than this per student because the basic allotment is multiplied by several different weighted components. These are the Cost of Education

## Putting the Sides Together

Index (CEI), the Small and Mid-Size Districts Adjustments and the Sparsity Adjustment.<sup>43</sup> This results in the adjusted allotment.

Next, the adjusted allotment is modified by instructional program weights. There are weights for Special Education, Compensatory Education, Bilingual Education, Career and Technology Education, Gifted and Talented Education and the Public Education Grants.

The problem with the weighted adjustments is their interlocking nature. None of the districts or programs affected by these weights have to compete with each other for funds. An increase to the basic allotment increases funding to all of them, whether or not the increase is needed.

In 1990, during the fourth called session of the 71<sup>st</sup> Texas Legislature, Rep. Alan Schoolcraft offered an amendment to pending school finance legislation that would have done away with the weighted adjustments and replaced them with dollar amounts.<sup>44</sup>

If this concept was used today, as costs in one part of the system change, the funding could be adjusted without causing a ripple effect throughout the system. If the proponents of different districts or programs felt the need for a funding increase above the basic allotment, they would have to justify it and compete with others for the funds. Making this change to the public school finance formulas today would make the system more competitive and efficient.

### **CONCLUSION**

The myths of public school finance have been designed to play on the emotions of the public and of the parents of children in the public schools. This makes them powerful weapons in the hands of members of the public education establishment who attack parents, politicians and other reformers seeking to change the status quo. Because of this, these myths serve as great hindrances to the reform and improvement of public education in Texas.

Today, the attacks of the public education establishment are especially vicious toward those who propose parental choice. An example of this is the following statement on the web site of the Association of Texas Professional Educators (ATPE):

“Vouchers would promote further religious and economic stratification in our society [because p]rivate elementary and secondary schools have been founded primarily by... religious denominations [and] wealthier parents wanting to give their children an advantage over other children. Tax-funded vouchers for private schools would increase divisions between rich and poor and among different religions, threatening the future of our American democracy.”<sup>45</sup>

It is hard to know where to begin in analyzing this statement. And perhaps that is not necessary. The statement itself makes it clear that the opponents of parental choice will

## **Putting the Sides Together**

say almost anything about vouchers and those who support them in order to protect the current system.

The vehemence of the attacks against parental choice may be an indication of just how well it would work in improving public education. Members of the public education establishment increase the intensity of their attacks against vouchers because they understand that if the benefits of parental choice and other competitive reforms were seen by the public, they would give lie to the myths of Texas public school finance.

In a competitive system of public education, school districts would use feedback from parents to decide on curriculums, programs and salaries. They might well respond to the competitive pressures by giving principals discretion to make similar decisions at the campus level. The amount of money available for paying for programs and salaries – from administrators to janitors – would be dependant on how many parents chose a particular school system. But far from being disastrous as the establishment would predict, it would bring improvements in the educational system only dreamed of today.

The reason that such improvements in education can only be dreamed of is because the current system has removed true innovation from the system.

People constantly desire to improve their condition. This desire impels people to imagine situations that suit them better and then act to bring them about.<sup>46</sup> But the current system stifles the competition of ideas put forth by innovators and entrepreneurs desiring to improve public education. The only ideas that survive intact are those that fit within the mold of the current system and its myths.

Excellence. Accountability. Affordability. These ideals will be reached only as innovative ideas in the Texas system of public school finance are allowed to flourish. New ways of raising funds, new ways of distributing them and new ways of accounting for their expenditures are needed if Texas is to truly lead the way in educational improvement. Destroying the myths of Texas public school finance will facilitate the development of a competitive educational system and bring the innovations necessary to lead Texas children toward a better future.

### **ENDNOTES**

---

<sup>1</sup> Association of Texas Professional Educators, 10 Reasons to Oppose Private School Vouchers <http://www.atpe.org/GovernmentalRelations/vouchers10Oppose.htm>.

<sup>2</sup> Bob Chase, “Higher pay for only some not the answer,” *USA Today* (May 14, 2002).

<sup>3</sup> Ludwig von Mises, *Human Action: The Scholar’s Edition* (Alabama: Ludwig von Mises Institute, 1998), p. 271.

<sup>4</sup> Estimated.

## Putting the Sides Together

---

<sup>5</sup> Estimated.

<sup>6</sup> Texas Education Agency, “2001-02 State Performance Report Academic Excellence Indicator System,” Division of Performance Reporting, Texas Education Agency (2002).

<sup>7</sup> Texas Education Agency, “2001-02 AEIS.”

<sup>8</sup> Ibid.

<sup>9</sup> Ed Fuller, “Estimates of the Shortage of Texas Public School Teachers in 2001 and 2002,” Texas State Board of Educator Certification (2002).

<sup>10</sup> Donna New Haschke, from an editorial that was provided to Texas Press Association members at their convention in January 2003.

<sup>11</sup> Chris Patterson, “The Myth of a Teacher Shortage,” Texas Public Policy Foundation (2002).

<sup>12</sup> Fuller, p.4.

<sup>13</sup> Institute for School-University Partnerships, “Teacher Demand Study, 2001-2002.” Institute for School-University Partnerships, The Texas A&M University System (2002).

<sup>14</sup> The Abell Foundation, “Teacher Certification Reconsidered: Stumbling for Quality” (2001).

<sup>15</sup> American Federation of Teachers, AFL/CIO, *2001 Survey & Analysis of Teacher Salary Trends* (2002).

<sup>16</sup> *2001 Survey & Analysis of Teacher Salary Trends*.

<sup>17</sup> Ray Perryman, *Financing the Public Schools of Texas: Some Issues of Growth, Equity and Efficiency* (2002).

<sup>18</sup> David Thompson, Letter to the Texas Joint Select Committee on Public School Finance, May 9, 2002.

<sup>19</sup> John Kennedy, “Keeping Up with School Costs: Is it a Tax Base Question?” Texas Taxpayers and Research Association (May 9, 2002).

<sup>20</sup> Estimated.

<sup>21</sup> Kennedy (May 9, 2002).

<sup>22</sup> <http://www.senate.state.tx.us/75r/senate/members/dist8/dist8.htm>.

<sup>23</sup> Center for Fiscal Equity, “Ensuring All Children The Opportunity To Meet State Standards: A Costing-Out Primer,” <http://www.cfequity.org/costingoutprimer.htm>.

<sup>24</sup> In 1949, the Texas Legislature passed the Gilmer-Akin Act, which first placed this concept into law.

<sup>25</sup> Texas Center for Educational Research and Texas Association of School Boards, *A Guide to Texas School Finance*, 2001, p. 24.

<sup>26</sup> Texas H.B. 72, 68th Legislature, Second Called Session (1984).

<sup>27</sup> Texas S.B. 1019, 71st Legislature (1989).

<sup>28</sup> Joint Select Committee on Public School Finance, “History of Cost Studies in Texas” (2002).

## Putting the Sides Together

---

<sup>29</sup> Laylan Copelin, “Battle begins over school funding plan,” *Austin American-Statesman* (February 6, 2003).

<sup>30</sup> Roy L. Johnson, “Texas Schools Have Weak Holding Power: Texas Public School Attrition Study: 2001-02” Intercultural Development Research Association (2002).

<sup>31</sup> Texas Public Policy Foundation, “Legislators’ Guide to the Issues, 2003-2004” (2002), Education Section, Figure 8.

<sup>32</sup> Anonymous letter to the editor, *Advocate* Texas State Teachers Association (Winter 2000).

<sup>33</sup> *2001 Survey & Analysis of Teacher Salary Trends*.

<sup>34</sup> <http://www.atpe.org/AboutATPE/index.html>.

<sup>35</sup> Michael Podgursky, “The Single Salary Schedule for Teachers in K-12 Public Schools” Department of Economics, University of Missouri – Columbia (August 2002) p. 3.

<sup>36</sup> Podgursky, p.4.

<sup>37</sup> *Ibid.*

<sup>38</sup> Dan Goldhaber, “The Mystery of Good Teaching” *Education Next* (2002).

<sup>39</sup> Podgursky, p. 4.

<sup>40</sup> Don McAdams, email to the author, Center for Reform of School Systems (July 2002).

<sup>41</sup> McAdams, email to the author.

<sup>42</sup> Texas Center for Educational Research and Texas Association of School Boards, *A Guide to Texas School Finance*, 2001, p. 5.

<sup>43</sup> *Ibid.*, p. 5.

<sup>44</sup> House Journal, 71st Texas Legislature, 4<sup>th</sup> Called Session, p. 30.

<sup>45</sup> Association of Texas Professional Educators, “10 Reasons to Oppose Private School Vouchers” <http://www.atpe.org/GovernmentalRelations/vouchers10Oppose.htm>.

<sup>46</sup> *Human Action: The Scholar’s Edition*, p. 13.