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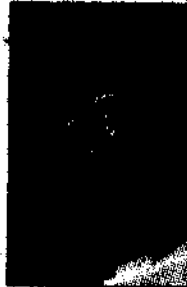
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## School finance issues focus of TPPF seminar

By CYNTHIA CALVERT  
*Editor*

Legislators and journalists heard experts from around the country discuss the tricky issue of Texas school finance last Wednesday. The seminar was organized by the Texas Public Policy Foundation (TPPF), a non-partisan foundation founded by ultra-conservative San Antonio physician Dr. James Leiniger.

Panelists offered little in the way of spe-



Shapiro

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cific recommendations for the issue looming before the Texas Legislature, but did concur that money is not the cure-all for an excellent education.

State Senator Florence Shapiro (R-Plano), who chairs the senate education committee, moderated the panel and began by admitting that while all eyes are on her leadership, at the moment she has no plan. "My friends in the media probably thought I would present my school finance plan today — well, this is my plan," she said, gesturing toward the panel.

Dr. Caroline M. Hoxby, professor of economics at Harvard and a widely-recognized expert on school finance, said there are six major problems with the way Texas finances public education. It is not constitutional, in her opinion, because a statewide property tax is embedded in the current plan, which is against the state constitution. Second, the distribution of aid is inefficient because the ability to pay is measured by property value, not income or consumption.

Third, aid distribution is inefficient because need is also

measured by WADA, or the weighted average daily attendance. Fourth, taxation is inefficient because the ability to pay the tax is measured by property value, not income.

Fifth, a property tax is the least efficient tax for state aid to schools because it punishes successful districts and makes the school finance system unstable. Lastly, the current system must include a cap on the property tax rate (\$1.50) but many districts have already hit it. In 1994-95, she said, only 15.6 percent of districts were within 5 cents of the cap. In 2001-02, 71.3 percent of all Texas districts are close to the cap.

Hoxby said a better system is feasible if Texas were to use income to measure need and the ability to pay. For state aid, Texas must use a tax that is efficient for redistribution such as a flat tax or a sales tax. For local supplementation, use the tax that is most efficient for local services — the property tax.

Additionally, she advocated putting funds for education in a constitutionally separate account, returning all property tax no longer used for state aid to taxpayers and allowing districts to go beyond the new cap only with a supermajority vote.

Dr. Eric Hanushek, a senior

fellow and educational economic researcher at Stanford, added that the current school finance system has been affected by the last 30 years of unproductive turmoil in the courts. Several landmark court decisions have created law that demanded education provide equity but that

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— Sen. Florence Shapiro

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goal has not yet been met. "The worse place to make educational policy is in the courts," he said.

Equity discussions have now "morphed" into adequacy discussions, which Hanushek said is the same discussion. Even after all the court decisions, there is no evidence of overall

quality improvement in public education.

Some principles of school finance, said Hanushek, include a basic one: we are not going to drive this system by pumping money into it. We cannot take spending as a reasonable indicator of a good school, he said, and centralized regulation is not the answer, certainly not in the areas such as teacher quality and class size. Adequacy, according to Hanushek, is a political choice, not a technical issue. "The idea is to provide good schools. The problem is we can't specify the exact elements that make a good school. When we do decide, it will still be a political decision on how far we want to go."

He did say that school finance should be outcome-based. Incentives count, he continued. He suggested that a student's funding should follow him if he leaves public school. Hanushek advocates an expansion of school choice, including charters and private schools, and exit vouchers.

Dr. Harrison Keller, who holds a Ph.D. from Georgetown University, is also an expert in school finance. He currently serves as the education policy advisor to Speaker Tom Craddick. Keller explained that there are four pressures on the

Texas school finance system: fiscal capacity, part of the system is outdated, the formula known as Robin Hood, and the restrictions placed by the state constitution.

Texas adds 70,000 more students every year into the system. Just to stay in place, the state must add \$700 million each biennium. Keller said adjustments for cost factors, for hiring teachers and for educating different types of students, are weighted as a result of political deals, not on policy. Robin Hood, said Keller, is clumsy and inefficient and must be restructured. Finally, he said that finding a solution, which will require a constitutional amendment, won't be easy. "How much education do we want to buy? Is it acceptable for educational opportunities to vary across the state?" he asked.

Dick Lavine, the final panelist, is the senior fiscal analyst at the Center for Public Policies in Austin. Lavine discussed the need for a statewide "adequacy study." This would provide a new cost of education index (CEI). He said we should do statistical analysis and compare a school district's funding to the outcomes, gather expert opinion and study other successful programs. Lavine said Texas must maintain the equity

of the current system. "Don't abandon something that's working," he said. "We can improve on it."

In the question and answer session, Keller offered that there are two reasons schools do well: resources and the input of the family. "Successful schools have students with good backgrounds and motivated parents. It is difficult to measure that, and we can't apply that to other schools. It is difficult to come up with enough money, even if there is any amount of money that can create success for all schools. A lot of other factors matter besides resources," he said.

Hanushek concurred, adding that it is the people (teachers, staff and administrators) that are the key element.

Lavine agreed with that, too. "Money matters, but it is not all that matters."

Shapiro said it is the job of the state to level the playing field. "There is going to be more money spent by the state. There will be some change in our taxing structure — that is a given. If any of you can think of a way without conducting an adequacy study, I'm all ears," she said.

*Next week: School choice: Part two of the TPPF education seminar.*