

LEGISLATORS' GUIDE TO THE 85th LEGISLATURE

S P E C I A L S E S S I O N 2 0 1 7

Funding Public Schools for the 21st Century

The Issue

The Texas Constitution establishes public education through Article VII, Section 1, which states:

A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

Since 1989, the Texas Supreme Court has ruled six times on school finance. In the process, the Court has laid out three tests that the system must fulfill in order to be constitutional. These are illustrated in **Figure 1**, and are explained in detail in [Texas School Finance: Basics and Reform](#).

Critically, the Qualitative Efficiency test had not been addressed by the courts until the most recent ruling in 2016. In 2005, the Texas Supreme Court wrote that it wished to rule upon Qualitative Efficiency, but did not do so because no petitioners at that time appealed to this test, which asks: does the system produce results with little waste? Like the courts, the Legislature must address this test, which requires an appropriate relationship between inputs and outputs.

In the 2014-15 school year, Texas taxpayers spent a total of \$60.98 billion on public education according to the Texas Education Agency's (TEA) 2014-15 *Financial Actual Report*. In the same school year, there were 4,778,559 students attending Texas public schools. As a result, Texans spent \$12,761 per student, whereas the average tuition for accredited private schools in Texas was only \$7,848. According to the TEA's 2014-15 *Texas Academic Performance Reports (TAPR)*, the average elementary and secondary school class size is about 20 students. Therefore, Texans spend about \$255,000 for the average class. At the same time, the 2014-15 *TAPR* shows that the average annual salary for teachers was \$50,715. Resources are not currently allocated in the most efficient manner to help Texas students.

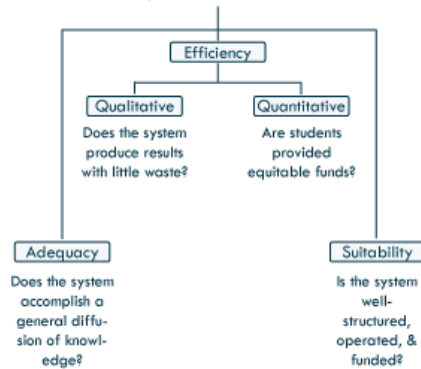
Public education is funded by an unnecessarily complex and inefficient system that is not student-centered. Texas' funding formulas have been cobbled together based on political dynamics, not by what works for students. As a result, the system fails the Texas

Constitution's Qualitative Efficiency test. In addition, the system fails the Quantitative Efficiency test on a student basis. We detail solutions to this problem in our [Basics and Reform](#) study (49-56).

The Texas Supreme Court, which has dealt with school finance reform for the last 30 years, has repeatedly encouraged the Legislature to make structural reforms to the system. Yet Texas has failed to enact any significant reform that would benefit students or taxpayers. In order to meet Texas' constitutional obligation to provide "support and maintenance of an efficient system of public free schools," we must scrutinize how our current system is failing, and make recommendations for meaningful reform. Analysis should include what the purpose is and the relationship between inputs and outputs in public schools, the relationship between public and state funding, and how we can meet or exceed the three tests to achieve a constitutional public funding system.

Figure 1: Constitutional Tests of Texas Public Education

Article VII, Section 1 sets up 3 tests for public education in Texas:



Facts

- Total public education expenditures in the 2014-15 school year amounted to \$60.98 billion. With 4,778,559 students in average daily attendance (ADA), per student spending is \$12,761.
- Only 18 percent of high school graduates from 2010-13 met the SAT or ACT college-readiness standards (Finding of Fact, 160).
- One-third of English Language Learners (ELL) in grades 3-12 failed to progress a grade level in English (Finding of Fact, 352).
- Not one student performance measure examined by the district court demonstrated sufficient student achievement (Conclusion of Law, 71).
- Per Judge Dietz, the system is failing to meet the needs of "hundreds of thousands" of Texas students (Executive Summary at page 3 and 5).

Recommendations

- Implement a student-centered funding structure for public education based solely on the delivery of a general diffusion of knowledge.
- Ensure that allotments are transparent, equitable, and portable.
- Deregulate public schools and allow educators to operate as professionals.

Resources

[Texas School Finance: Basics and Reform](#) by Michael Barba, Kent Grusendorf, Vance Ginn, and Talmadge Heflin, Texas Public Policy Foundation (March 2016).

[Texas Education: Original Intent of the Texas Constitution](#) by Kent Grusendorf, Texas Public Policy Foundation (July 2014).
[How School Choice Affects the Achievement of Public School Students](#) by Caroline Hoxby, Hoover Institution Press (2002).
[Evaluation of the DC Opportunity Scholarship Program: Final Report](#) by Patrick Wolf, Babette Gutmann, Michael Puma, and Brian Kisida, U.S. Department of Education (June 2010).
[School Choice and Climate Survey](#), Grand Prairie ISD (Dec. 2014).
[How ESAs Can Keep Texas the Land of the Free and Home of the Brave](#) by Kent Grusendorf and Nate Scherer, Texas Public Policy Foundation (Jan. 2016).
[What Keeps Texas Schools from Being as Efficient as They Could Be?](#) by Dr. Paul Hill (July 2012).
[Eric Hanushek's Expert Report for School Finance Trial](#) by Kent Grusendorf, Michael Barba, and Dianna Muldrow, Texas Public Policy Foundation (Oct. 2014).

