

Taxing Texans:

A Six-Part Series Examining Taxes In The Lone Star State

by Richard Vedder, Ph.D.

Part

4

Education Funding:

How Texas Stacks Up

Executive Summary

During the 2000 presidential election campaign, a number of critics attacked the supposedly inadequate level of education funding in Texas. But the data actually reveal that charges of unmet educational needs in Texas are nonsense. At both the elementary and collegiate levels, Texas devotes a larger percent of its tax revenue to education than the national average – between 9 and 10 percent more, in fact.

Indeed, more than 40 cents of each dollar of general government spending in Texas goes for education, while the comparable figure nationally is 34 cents. True, per pupil current spending in Texas (\$6,588) is below the national average (\$7,111). But Texas is only two and a half percent behind the nationwide average of per student spending – a figure that is itself a bit deceiving, as the national average is raised by extremely high spending levels in a few large Eastern and Midwestern states. Moreover, Texas' spending was greater than such large rival Sun Belt states as Florida and California, and above all of its neighbors.

One reason that Texas spends somewhat less per pupil than the national average while spending a significantly higher proportion of its total government expenditures on education is the state's large population of public school students. Nationally, about 17 of each 100 state residents go to primary or secondary public school; in the Lone Star State, it is 19 out of every 100 Texans. Another reason Texas spends less is due to the fact that the cost of living is lower in Texas – the cost of labor, the cost of housing, and incomes overall.

The most contentious issue related to educational financing, however, is the state-local funding mix. Texas does rely somewhat more on local funding than the average of all U.S. states. Nationally, state governments on average put up almost one

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half of the K-12 public education dollars; in Texas, the proportion is only between 41 and 42 percent. But this reliance on local funding might actually be a virtue in that it increases school accountability and student academic performance while decreasing the negative unintended consequences of funding equalization schemes. **At any rate, students in Texas, particularly African-American and Latino students, demonstrate impressive gains in elementary and middle grades that challenge the average achievement of their peers throughout the nation.**

Education Funding:

How Texas Stacks Up

During the 2000 presidential election campaign, a number of critics attacked Texas as a place where industrial polluters run wild, where the rich grow richer while the poor grow poorer, and where basic social service needs go unmet by the government. A major line of attack focused on the state's supposedly inadequate level of education funding.

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In the *Boston Globe*, for example, columnist Thomas Oliphant attacked then-Governor and presidential candidate George W. Bush for using the state's budget surplus "to cut property taxes in a way that benefits wealthy and corporate real estate owners the most," instead of using it to "finally give kids in Texas a statewide chance to go to kindergarten and make preschool similarly available to all who can't afford it."

Critics charged that the state of Texas had shortchanged education to pay for a tax cut that kept the state's tax burden one of the lowest in the country. But what does the data actually reveal about state funding for education?

Keeping Up With the Neighbors

Basically, it demonstrates that charges of unmet educational needs are nonsense. At both the elementary and collegiate levels, Texas devotes a larger percent of its tax revenue to education than the national average – between 9 and 10 percent more, in fact. True, some of this spending is explained by the fact that Texas spends a good deal more than the typical state on capital outlays in education (especially school construction), which is no doubt a function of higher population growth. But the Lone Star State also spends more on current outlays as well. Indeed, more than 40 cents of each dollar of general government spending in Texas goes for education, while the comparable figure nationally is 34 cents.



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Yet proponents of greater education spending still argue that Texas's support of education is inadequate, pointing to the fact that current per pupil spending in Texas (\$6,588) is below the national average (\$7,111), which is true (Figure 4-1 and Table 4-1). Spending per pupil on average nationwide was, however, only two and a half percent higher than in Texas, but even that is a bit deceiving, as the national average is raised by extremely high spending levels in a few large Eastern and Midwestern states (an astounding \$10,504 per pupil in New Jersey, for example). Texas ranked 27th among all states in per pupil spending, and was approximately two and a half percent below the middle of all states (\$6,749). Moreover, its spending was greater than such large rival Sun Belt states as Florida and California, and above all of its neighbors.

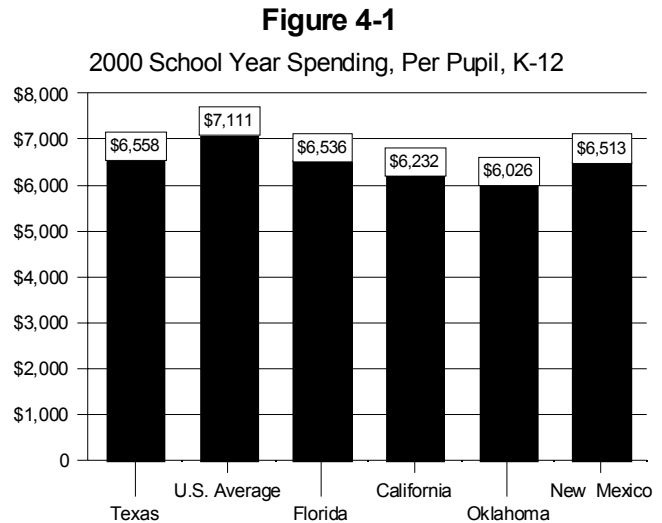


Table 4-1. 2000 Public School Spending (Per Pupil)

State	Per Pupil Spending (\$)	Rank Among States
Alabama	5,118	46
Alaska	10,711	2
Arizona	4,866	48
Arkansas	5,625	45
California	6,232	37
Colorado	5,695	44
Connecticut	10,286	4
Delaware	8,653	10
Florida	6,536	30
Georgia	6,387	33
Hawaii	6,777	25
Idaho	5,756	42
Illinois	6,720	26
Indiana	7,254	18
Iowa	6,386	34
Kansas	7,149	20
Kentucky	7,053	21

Table 4-1. 2000 Public School Spending (Per Pupil)

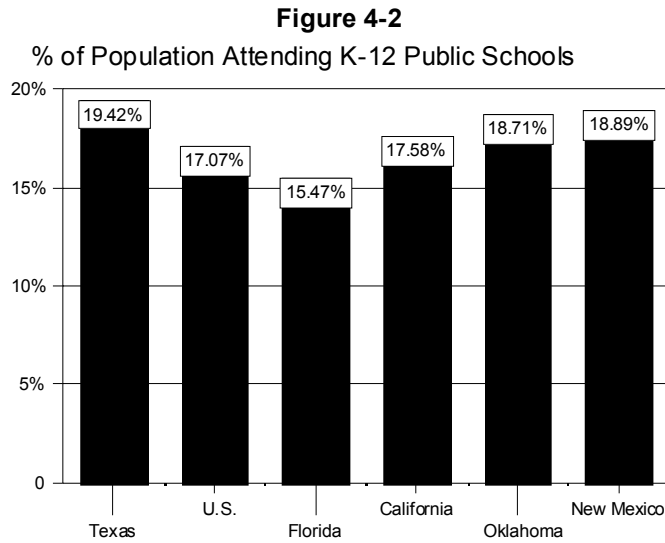
State	Per Pupil Spending (\$)	Rank Among States
Louisiana	6,039	39
Maine	8,173	11
Maryland	7,704	15
Massachusetts	9,366	6
Michigan	8,099	12
Minnesota	8,015	13
Mississippi	4,905	47
Missouri	6,234	36
Montana	6,801	24
Nebraska	6,576	28
Nevada	6,283	35
New Hampshire	6,840	23
New Jersey	10,504	3
New Mexico	6,513	31
New York	10,807	1
North Carolina	6,185	38
North Dakota	4,621	49
Ohio	7,152	19
Oklahoma	6,026	40
Oregon	9,910	5
Pennsylvania	7,823	14
Rhode Island	8,773	8
South Carolina	6,400	32
South Dakota	5,737	43
Tennessee	5,780	41
TEXAS	6,588	27
Utah	4,282	50
Vermont	7,352	17
Virginia	6,543	29
Washington	6,992	22
West Virginia	9,238	7
Wisconsin	8,718	9
Wyoming	7,391	16

Source: Statistical Abstract of the United States, 2001.

You might wonder how Texas can spend somewhat less per pupil than the national average while spending a significantly higher proportion of its total government expenditures on education. While several factors are at work, by far the most important

is the fact that **a larger proportion of Texas' population attends public school than is typical nationally.**

Nationally, about 17 of each 100 state residents go to primary or secondary public school. But in Texas, the figure is well in excess of 19, greater than in any of its neighbors (Figure 4-2).

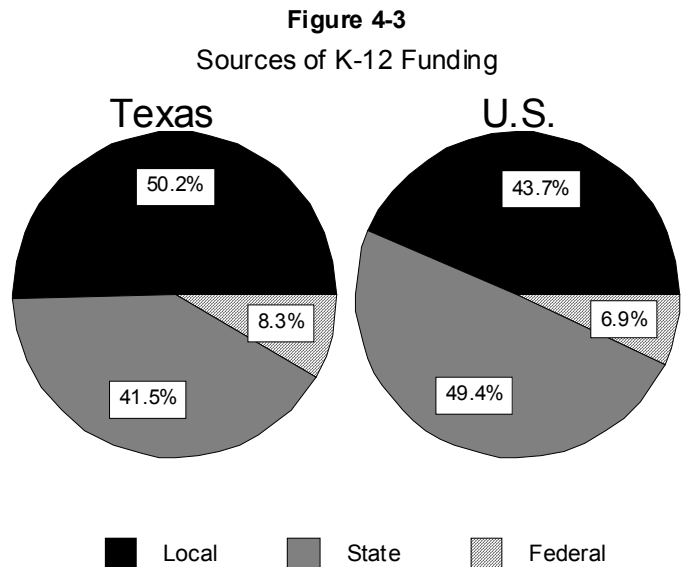


While politicians in both California and Florida complain about the burden associated with providing public services to a growing population, Texas has a larger – and growing – population of public school students to fund.

Another reason Texas spends less is due to the fact that the cost of living is lower in Texas – the cost of labor, the cost of housing, and incomes overall.

By far the most contentious issue related to educational financing, however, is the state-local funding mix. It is argued that heavy reliance on local funding leads to geographic inequities, as poorer areas have a difficult time providing funding for their schools equal to that of more affluent parts of the state.

As Figure 4-3 shows, Texas does rely somewhat more on local funding than the average of all U.S. states (though it also receives a bit more federal funding as well). Nationally, state governments on average put up almost one-half of the K-



12 public education dollars; in Texas, the proportion is only between 41 and 42 percent. While it is fashionable to attack excessive reliance on local funding, Caroline Hoxby presented an impressive article in the November 2001 issue of the *Quarterly*

Journal of Economics that suggests that heavy reliance on local funding *increases* school accountability and student academic performance, and that school funding equalization schemes often have profoundly negative unintended consequences. So it is possible to view the state's heavy emphasis on local funding for education as a positive, in that it maximizes educational resources and learning opportunities for Texas youth. At any rate, students in Texas, particularly African-American and Latino students, demonstrate impressive gains in elementary and middle grades that challenge the average achievement of their peers throughout the nation.

So when they tell you Texas shortchanges its students, don't believe them.

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About the Author

Richard Vedder is Distinguished Professor of Economics at Ohio University. Educated at Northwestern University and the University of Illinois, Dr. Vedder has served as an economist with the Joint Economic Committee of Congress and has taught at several other universities, most recently as John M. Olin Visiting Professor of Labor Economics and Public Policy at the Center for the Study of American Business at Washington University in St. Louis.

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