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General Principles for Conservatives

School Finance: Education Spending and Taxation

Fundamentals

- Constitutional obligations for public education must be defined.
 - Until the Legislature defines “general diffusion,” “suitable provision,” and “efficient,” the debate over school finance will be intractable.
 - *West Orange Cove* reaffirms it is the duty of the Legislature to define the terms.
- Conservatives must decide what they mean by local control. Conservatives should not simultaneously oppose state mandates for education policy and financing but advocate that the state be the majority source of public education funds. Local control must mean more than local administration, or state administration by proxy. Local control should mean funding for the foundation curriculum, competition among all forms of education (including public), and allow local decision-making, especially parental decision-making, to take precedence over state-based decisions.
- Conservatives must challenge the basis of the equity argument. Educational equity is not the same as school funding equity. The equity issue should focus on whether or not children are being educated, not just on how much money is being spent. Parents certainly do not have equal control over their children’s education compared to the school establishment.
 - It may cost a certain sum to deliver a particular type of education, but it does not take the same sum to deliver all types of education, as proven by the experience of all forms of public and private education, including parochial schools, charter schools and home schools.
- Educational achievement is not tied directly to high levels of funding. The assumption that more money means better education is unfounded; only by ignoring experience can one believe quality of education is improved solely with additional dollars.
 - Home schooling and parochial education prove this. A government-funded, monopoly system is, by nature, inefficient and ineffective.
 - Until the state system for funding public education is tied to individual student outcomes instead of the operation of government schools, educational equity will remain unattainable.

- The success of all populations regardless of race, geography or family income to win National Merit Scholarships, pass the ACT & SAT, and get accepted to college indicate that per pupil spending alone is not determinant.

Taxation

- The tax debate should be about property tax relief – not just about new taxes or shifting tax burdens. Property tax relief is not simply changing the way in which taxpayers remit property taxes to government (a statewide property tax). *For relief to be relief, the overall tax burden must be lower after the debate than before.*
- Residents already have control over the local property tax – if they choose to exercise it.
 - Texans choose where to live. Individuals make market-based decisions and move into neighborhoods for a variety of reasons including the property tax rates and system of appraisal.
 - Texans can elect school board trustees who oppose property tax rate increases or support rate rollbacks.
 - Texans can also demand accountability from city and county officials to reform the appraisal process, and express their opinions to appraisal boards.
- There are simple state approaches to property tax relief:
 - A general capping of rates and revenues could alleviate the upward pressure on taxes and put more accountability into the system.
 - Establish requirements for school districts to secure supra-majority voter approval for property rate increases or to establish minimum voter turnout levels at elections.
 - There should also be a supra-majority requirement for raising state taxes.
- Ensure that any tax system is transparent.
 - Two virtues of the current school property tax are that the tax is transparent and tied directly to a governmental function. Taxes that are sent directly to general revenue are more likely to be spent irresponsibly or wastefully.
 - Taxes to fund public education must remain transparent and dedicated to ensure accountability.
- Expanding the base and lowering the rate for almost **any** tax is preferable to creating a new tax for three reasons.
 - First, low rates cause less distortion than high rates. Low rates can be achieved by ending exemptions.
 - Second, exempting certain classes of people or businesses from taxation is a distortion in and of itself. Distortions negatively affect the economy and adversely affect those individuals not exempted. They could also lead to manipulation of the tax system.
 - Third, a broader base allows support for the system of public education to be shared more fairly and equitably. All Texans derive some benefit from the state's educational system.

- Creating new taxes adds administrative costs for the state, businesses and individuals. The state sales tax has one of the lowest administrative costs compared to other forms of taxation.
 - The state sales tax should be a model for other forms of taxation.
 - Any form of income tax typically has high administrative costs and subject to myriad interpretations and disputes.
- Creating new taxes should be tied to eliminating other taxes. For example, oil and gas severance taxes (\$1.115 billion combined in FY '00) and the utilities tax (\$264 million in FY '00) should be abolished as part of any debate involving creation of new taxes.

Spending

- Requests for new money should be carefully scrutinized, not just in light of the cost, but against the background of the appropriate role of government.
 - Real, per-student spending has *tripled* over the last 30 years. *Spending on public education has increased every year for the last 25 years, without exception.*
 - While public education spending must grow due to increased student populations, *increases for other reasons cannot be justified given growth in spending in recent history.*
 - Legislators should ensure that existing funds are spent wisely before adding new funds by utilizing new tools that may deliver education at a lower cost.
- There is no magic funding formula that balances state and local revenues dedicated to public education. It is public policy fiction that the state should pay at least 60 percent of all costs to fund public education, though no clear rationale is offered for that standard.
 - The Constitution requires the Legislature “make suitable provision for the support and maintenance” of a “free” system of schools. The Constitution does not require full or substantial funding on the part of the state – it does not even suggest a funding balance at all.
 - Integral to this notion is the fallacy that there are distinct classes of local and state taxpayers. All taxpayers are local.
- Funding incentives for rewarding excellence will improve public education, increasing the efficiency and effectiveness of public dollars.
- Public schools must be held *more* accountable for spending both local and state tax dollars.
 - An accounting system that differentiates types of spending must be used to identify required from optional, elective spending.
 - Activity-based budgeting should be instituted to ensure first dollars are spent on students and state-mandated programs for students.

- Academics should be fully funded before money is invested in extracurricular activities.
- Schools and school districts must enact financial efficiencies, such as consolidating purchasing and services.
- Responsibility for financial decisions by local schools must be borne by local communities – state aid and bond guarantee for facilities debt must be eliminated.