

Article III: Education

The need to find cost savings in the Texas budget will lead policymakers to look closely at the \$32 billion of GR spent on Texas public schools each biennium. The inefficiencies in the education system promise to yield significant savings to help budget writers balance the budget within available revenue. But the savings cannot be achieved unless the state, school districts, and institutions of higher education are willing to radically change the ways they do business.

In coming up with our recommended budget savings, the Foundation undertook an agency by agency, program by program, and line by line review of the state budget. In many cases, this resulted in specific recommendations for certain agencies or programs—many of which are highlighted in the descriptions below. At other times, it resulted in recommendations of across the board savings at agencies. In all cases, the impact on Texas taxpayers and the economy of higher taxes to support spending at present levels during these tough economic times were taken into account.

Recommendations

Improve Education Efficiency and Foster Competition by Reducing State Mandates and Non-essential Education Personnel

Agency: Texas Education Agency

Savings: \$6.6 Billion

Description: State spending for public schools is close to \$20 billion a year. Total Texas public school expenditures increased 334.5 percent from 1987 to 2007, an increase of 142 percent when adjusting for inflation. One of the reasons for this is that Texas' education staff increased 71.5 percent between 1989 and 2009, while student enrollment only increased 44.5 percent. Another reason for the increase in spending is that school districts employ almost one non-teaching employee for every teacher. Taken all together, it is clear that Texas is not spending its education dollars wisely or efficiently, in large part because the money is not getting to the students in the classroom.

First, the state must reduce mandates on local schools that increase costs and reduce local control while decreasing edu-

cational quality. At the top of this list are class size limits, the teacher salary schedule, and restrictions on the hiring and firing of education personnel. Salary schedules for teachers do not foster competition and innovation in education, as the teachers are rewarded for longevity rather than excellence, and there is ample research showing that eliminating the current class size ratio or raising it from 22:1 to 25:1 will not negatively impact education quality in the classroom. Taking these steps alone would allow fewer, more highly qualified, and better paid teachers to teach more children at billions of dollars in savings each biennium.

Second, a decrease in non-teaching personnel in public schools by 25 percent could yield savings of about \$5 billion each biennium—without taking one teacher out of the classroom. Though the state should not mandate what positions districts must cut, a general reduction in state funding to districts would allow them to adjust their own staffs. Reduction of state mandates will allow districts to find financial efficiencies more easily.

Finally, Comptroller Susan Combs' "Financial Allocation Study for Texas" (F.A.S.T.) report on education spending is an excellent tool available for school districts eager to improve in efficiency. It allows them to examine how well their money is currently being used, and provides a list of best practice districts for schools to emulate in their efforts to become more fiscally responsible.

These savings should come through reductions in formula funding through the Foundation School Program. While the Legislature may also find cost savings in other programs administered through the Texas Education Agency, they should not come at the expense of the current merit pay and drop out recovery programs.

Eliminate Regional Education Service Centers

Agency: Texas Education Agency

Savings: \$42.75 million

Description: The state funds 20 Regional Education Service Centers. According to the Texas System of Education Service Centers: "Regional education service centers provide high quality, cost-effective support programs for local

schools and districts... Examples of support programs include professional staff and curriculum development, financial, personnel, transportation, food, custodial, data processing, testing and assessment, special education, printing, media, purchasing, technology, alternative and charter schools, and other programs traditionally associated with central office administration." With the pending budget shortfall, the state can no longer afford to independently fund these entities. Many of the programs of the service centers are funded through federal funds and contracts with local school districts. The state and districts can work to obtain federal funds independently, and can contract with each other and private suppliers for other needs.

Eliminate the Pre-Kindergarten Grant Program

Agency: Texas Education Agency

Savings: \$208.6 million

Description: Whether pre-kindergarten is of true benefit to children is highly debatable. What's more, when one combines existing state pre-kindergarten programs, Head Start Students, and students in private schools, up to 85 percent of Texas pre-kindergarten age students attend some form of pre-kindergarten. With so much pre-kindergarten available, there is no need for the state to increase its prekindergarten spending. Cutting the pre-kindergarten grant program is a fiscally responsible choice that does not negatively impact education quality in Texas.

Reduce State Contribution to Teachers' Pension Fund to Constitutional Minimum, 6 percent

Agency: Teachers Retirement System

Savings: \$200 million

Description: In difficult budget cycles, it is unreasonable to ask that state contributions to district personnel be maintained at elevated levels. For this reason, we recommend reducing the state's contribution rate to the constitutional minimum, 6 percent, thereby saving taxpayers over \$200 million for the biennium.

Reduce the Scope, Programs, and Functions of the Texas Higher Education Coordinating Board

Agency: Texas Higher Education Coordinating Board

Savings: \$231.54 million

Description: The Texas Higher Education Coordinating Board is an administrative body that administers many programs of questionable assistance to students in the classroom. With those programs being reduced in scope,

the need for an independent board of its size falls dramatically. The \$231 million in savings represent a reduction of over 50 percent in all of the Coordinating Board's administrative functions and programs, except for the Texas Grants program. This financial aid program is kept at 100 percent funding in order to keep money flowing directly to students in the classroom. We also would suspend the appropriations to the Research University Development Fund during the 2012-13 biennium. The Research University Development Fund was created in 2009 in order to provide incentives to help Texas' emerging research universities become nationally-recognized "Tier One" research institutions. However, while this may be a long-term goal for Texas, the state must focus on its core responsibilities during the budget shortfall.

Reduce Higher Education Formula Funding and Special Items

Agency: Public Universities, Colleges, and Two Year Schools

Savings: \$2.03 billion

Description: Currently, public universities in Texas receive the bulk of their state formula funding based on the number of students enrolled. Shifting this to an outcomes-based system, in which universities receive their funding based on the number of students they graduate (and how efficiently and productively they can move their students toward completion) could save the state money while simultaneously improving the quality of Texas Higher Education. Until this is implemented, we recommend an across the board reduction in formula funding for the state's two-year institutions of 11 percent, and for the states four-year institutions and medical schools at 12 percent. In addition, we recommend reducing funding for special items by \$816 million, matching Governor Perry's recommendation. This will result in a lower reduction of state funds for two-year institutions. We make this distinction on the grounds that 2 year institutions are more generally focused on classroom education. This is especially true in relation to special items funding. Since these reductions are only in state funds, the reduction in total funds for these schools will be much less. This will allow them to more easily achieve the cost-efficiencies that many businesses and families have had to deal with in the current economy. One simple way to do this is to require faculty that are not teaching full loads to take on an additional class. 

Total GR Savings in Article III: \$10,022,965,993
 (reduction from 2010-11 appropriations)

Texas Education Agency	(\$7,338,770,348)	University of Houston System Administration	(\$647,661)
School for the Blind and Visually Impaired	(\$3,369,917)	University of Houston	(\$52,852,820)
School for the Deaf	(\$3,828,465)	University of Houston- Clear Lake	(\$10,555,900)
Teacher Retirement System	(\$67,510,919)	University of Houston- Downtown	(\$7,972,705)
Optional Retirement Program	(\$35,652,977)	University of Houston- Victoria	(\$5,103,160)
Higher Education Employees Group Insurance Contributions	(\$310,953,657)	Sam Houston State University	(\$18,338,324)
Higher Education Coordinating Board	(\$231,541,871)	Texas State University System	(\$258,309)
Special Items Savings	(\$667,585,845)	Texas State University San Marcos	(\$31,770,500)
Public Community/Junior Colleges	(\$195,770,365)	Sul Ross State University	(\$3,042,373)
Texas State Technical College System Administration	(\$2,227,272)	Sul Ross State University Rio Grande College	(\$1,371,223)
Texas State Technical College - Harlingen	(\$5,115,126)	Midwestern State University	(\$7,014,524)
Texas State Technical College - Waco	(\$7,498,610)	University of North Texas System Administration	(\$609,833)
Texas State Technical College - Marshall	(\$1,216,123)	University of North Texas	(\$36,454,511)
Texas State Technical College - West Texas	(\$2,976,385)	Stephen F. Austin State University	(\$15,929,479)
Lamar State College-Port Arthur	(\$2,479,164)	Texas Southern University	(\$21,400,164)
Higher Education Fund	(\$63,000,000)	Texas Tech University System Administration	(\$258,309)
Lamar University-Orange	(\$2,150,310)	Texas Tech University	(\$43,488,010)
The University of Texas - Austin	(\$89,508,046)	Angelo State University	(\$7,955,261)
The University of Texas at Dallas	(\$11,448,503)	Texas Woman's University	(\$19,114,090)
The University of Texas at El Paso	(\$23,927,997)	Lamar University	(\$13,710,117)
The University of Texas - Pan American	(\$10,640,279)	The University of Texas Southwestern Medical Center at Dallas	(\$37,163,903)
The University of Texas at Brownsville	(\$7,242,185)	University of Texas M.D. Anderson Cancer Center	(\$42,781,678)
The University of Texas at San Antonio	(\$32,134,897)	University of Texas Health Science Center at Houston	(\$39,587,352)
The University of Texas of the Permian Basin	(\$6,804,086)	University of North Texas Health Science Center at Fort Worth	(\$15,826,188)
Texas A&M University - Kingsville	(\$9,892,859)	Texas A&M University System Health Science Center	(\$39,065,424)
Texas A&M University - Corpus Christi	(\$11,491,447)	Texas Tech University Health Sciences Center	(\$42,677,392)
Texas A&M International University	(\$9,356,959)	University of Texas Health Science Center at San Antonio	(\$38,354,384)
Available University Fund	\$0	University of Texas Health Science Center at Tyler	(\$8,401,507)
West Texas A&M University	(\$9,498,143)	University of Texas Medical Branch in Galveston	(\$66,895,166)
Tarleton State University	(\$11,196,542)	Texas Veterinary Medical Diagnostic Laboratory	(\$1,481,705)
Texas A&M University - Commerce	(\$11,338,257)	Texas Transportation Institute	(\$1,391,774)
Prairie View A&M University	(\$16,262,007)	Texas AgriLife Extension Service	(\$11,165,319)
Texas A&M University	(\$83,264,927)	Texas Engineering Experiment Station	(\$3,551,414)
Texas A&M University at Galveston	(\$5,846,099)	Texas Engineering Extension Service	(\$9,896,869)
Texas A&M University System Administrative and General Offices	(\$2,582,641)	Texas Forest Service	(\$12,568,605)
The University of Texas at Tyler	(\$8,309,956)	Texas Agrilife Research	(\$13,320,385)
The University of Texas at Arlington	(\$31,516,249)		
The University of Texas System Administration	(\$2,025,270)		
Texas A&M University - Texarkana	(\$5,054,951)		

About the Texas Public Policy Foundation

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