



Educational Freedom and School Choice



The Issue

Every Texan should have the freedom to select the best school for their child. In Texas, 94.4% of school students attend a public school. This gives the government a virtual monopoly over K-12 education. There is a remarkable difference between Texas' K-12 schools and its higher education system. In the latter, colleges and universities must compete for enrollment by meeting student needs. Ultimately, the choice is in the consumer's hands.

In the K-12 system, on the other hand, students are assigned to a school based on their zip code. Such a system leaves students with little choice over their education. A family's only alternatives are to move to a different neighborhood, send their child to a private school, or homeschool. All three of these alternatives require an extraordinary time or financial commitment from parents. For example, homeschooling is exceptionally difficult for a single working parent. Similarly, private school tuition is difficult to afford for a low-income or large family.

Why shouldn't all families have freedom of choice, especially if allowing them to do so would provide taxpayers with huge savings? Some parents, rich or poor, have children who do not feel safe at their assigned school. Some students have special needs which might be best met with a different setting. Some parents may have religious concerns over what is being taught. Freedom demands that individuals make individual choices. It would be irrational to demand that every Texan purchase their groceries at HEB, and pay for them even if you didn't eat them.

In economic terms, it is very difficult to address diverse needs with a uniform product: how difficult would it be for automobile manufacturers, restaurants, hairdressers, and barbers to satisfy all of their clients with a single, uniform product or service? Fundamentally, preserving freedom and liberty is the very purpose of public education as it is established in Article VII, Section 1 of Texas' Constitution. It would be contradictory if the education established to protect freedom and liberty eroded both.

Texas teachers also deserve greater freedom. An often heard complaint is that teachers are not treated as professionals. Just as students are trapped in a one-size-fits-all system, teachers are too. A more robust choice system would enable greater freedom for teachers to practice their profession in environments which they choose. In addition, teachers could earn considerably more money if universal school choice were adopted in Texas. As several experts testified in the 2013 trial, districts now have monopsony power over the teacher labor market and therefore keep salaries artificially low. With additional competition for their services teachers would earn more. In fact, Dr. Jacob Vigdor, an expert witness hired by the school districts that are suing the state for more money, testified that Texas should not pass school choice because then school districts would have to pay teachers higher salaries.

The empirical evidence is overwhelming: With school choice traditional public schools would improve, students would be better served, teachers would make more money and enjoy better working conditions, the Texas overall economy would receive a major boost, Texas' system of public free schools would be more efficient, and depending on how the choice program were structured, taxpayers could save billions. A focus on these principles could make Texas the national leader in K-12 education.

Two ways to achieve this objective are **Taxpayer Savings Grants** and **Taxpayer Savings Credits**.

Taxpayer Savings Grants would make Texas the nation's education leader. Herbert Walberg, a Harvard economist, has said that this plan "may be the last, best hope for American K-12 education." The voluntary program would allow parents to seek out a school beyond the one to which their child is assigned. In accordance with Article VII, Section 1 of the Texas Constitution, by which the state has the duty to provide the public with an education, parents would be given a grant for their child's education.

As proposed by SB 1575 and HB 3497 in the 82nd Texas Legislature, the grant would provide 60% of the state average Maintenance & Operation (M&O) expense. With the most recent average M&O expenditure at \$8,276 per student, parents would receive about \$5,000 per child. Based on the most aggressive participation rates, the program would roughly offset current public school enrollment growth.

The Taxpayer Savings Grant program would also provide significant savings to the state. Using the best projections, the savings would be about \$2 billion in the first biennium. Using more moderate participation rates from TEA and LBB, the savings would still be substantial. Per the TEA projections, \$2 billion could be saved over about five years, and with the most conservative participation estimates of the LBB, \$2 billion would be saved over about seven years.

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Taxpayer Savings Credits are another alternative to provide Texas children the ability to search out and enroll in a school that meets their particular needs. This credit would allow parents or businesses to claim a credit against their tax bill if they pay for tuition or provide financial assistance to fund scholarships. Parents who don't pay enough property taxes to get an adequate credit would then be able to draw on these funds by applying for scholarships for their child.

Like the Taxpayer Savings Grant, the maximum scholarship could be set at 60% of M&O expenditures, or about \$5,000. Some combination of a corporate and individual tax credit has been adopted in 13 states: Alabama, Arizona, Florida, Georgia, Indiana, Iowa, Louisiana, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, South Carolina, and Virginia. The credits in these states have led to the establishment of scholarship funds totaling about \$550 million in the 2013-14 school year. These scholarship tax credit programs give families greater access to high-quality schools by providing incentives for businesses and individuals to get involved in education reform.

The Facts

- Teachers now earn less than they could due to the monopsony power districts have over the labor force. Additional competition for teachers' services will positively impact teacher pay.
- Studies indicate that where school choice has been implemented public schools have improved. Additionally, school choice will offset public schools' enrollment growth.
- The purpose of the education clause in the Texas Constitution is the preservation of the liberties and rights of the people.
- School choice has the potential to save taxpayers billions while at the same time providing superior educational opportunities to Texas students.
- At present, Texas has very few policies that encourage competition and efficiency in its public schools.
- With passage of either the Taxpayer Savings Grant or Taxpayer Savings Credit the financial effect on a public school will be exactly the same as if a student moves out of the district.

Recommendations

- Assure that every Texas child can choose schools that best meet that individual child's needs.
- Maximize parental freedom and educational opportunity for all Texas students.
- Enact the Taxpayer Savings Grant Program.
- Enact the Taxpayer Savings Credit Program.

Resources

School Choice for Texas: Empowering Parents & Improving the Futures of Texas Students by James Golsan, Texas Public Policy Foundation (Jan. 2013).

Expert Witness Report of Allan Parker for Efficiency Interveners (Oct. 2012).

Budget Impact of the Texas Taxpayers' Savings Grant Program by Joseph Bast, et. al., The Heartland Institute (Apr. 2011).

How Teachers in Texas Would Benefit from Expanding School Choice by Joseph Bast, et. al., The Heartland Institute (Apr. 2011).

