

Funding Public Schools

The Issue

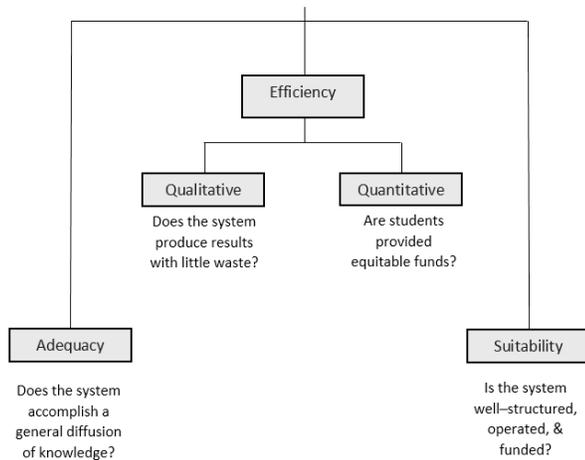
The Texas Constitution establishes public education through Article VII, Section 1, which states:

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 seven times on school finance. In the process, the Court has laid out four 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*.

Figure 1: Constitutional Tests of Texas Public Education

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



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 2016-17 school year, Texas taxpayers spent a total of \$68.3 billion on public education according to the Texas Education Agency's (TEA) *2016-17 Financial Actual Report*. In the same school year, there were 5,341,009 students attending Texas public schools. As a result, Texans spent \$12,787 per student, whereas the average tuition for accredited private schools in Texas was only \$7,922. According to

the TEA's *2016-17 Texas Academic Performance Reports*, 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 *2016-17 TAPR* shows that the average annual salary for teachers was \$52,525. Resources are not currently allocated in the most efficient manner to help Texas students in the classroom.

Court decisions and legislative expediency have resulted in the ungainly system of wealth equalization referred to as "recapture" or "Robin Hood." Were the source of education funding to be shifted from property taxes to some other revenue source, Robin Hood could be eliminated with no reduction to the entitlements of property-wealthy or property-poor districts. See the "Property Taxes" entry for more details on one possible method.

As the District Court ruled in 2014, "hundreds of thousands" of Texas students are being underserved by the system. According to the judge in the case, "all performance measures considered at trial demonstrated that Texas public schools are not accomplishing a general diffusion of knowledge." And while correctly concluding that the education funding structure is woefully flawed, the suggestion that more money would resolve the systematic problems was off track.

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 concluded in *West Orange Cove II* that "Pouring more money into the system may forestall [constitutional] challenges, but only for a time." The Texas Legislature must offer a solution to the fundamental problem of our system, which is that the system is not student-centered. This can be accomplished by reforming the student allotment based upon the following principles:

1. Shift the focus from equity for districts to equity for students.
2. Assure that the student's allotment is portable.

Structural efficiency would be improved when the allotment is made portable. Funds should be portable based upon parental discretion. Such a system encourages continued dialogue between parents and school districts, and public schools begin to adjust their course offerings based on parent feedback. Early adopters of educational choice, such as Grand Prairie ISD, have found that parent satisfaction increases, and about 9 in 10 GPISD teachers want to expand the choice system.

In such a system, education finance would be transparent, efficient, and equitable. Educational consumers—parents and students—would have flexibility in the ways they allocate their

education dollars within the public school system. Furthermore, educators should be freed of most unnecessary regulations that excessively burden them today. By restructuring school finance in this manner, a real market for educational services will be created within individual schools, within school districts, and throughout the state, thereby resulting in significant improved efficiencies and effective resource allocation.

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. These reforms would offer Texas children the lasting promise of excellent education and equal opportunities for success.

The Facts

- Total public education expenditures in the 2016-17 school year were \$68.3 billion. With 5,341,009 students in average daily attendance (ADA), per student spending is \$12,787.
- The average tuition of an accredited private school in Texas is \$7,922.
- 1,340 public schools in the state of Texas were identified as PEG schools (academically failing) by TEA for the 2018-19 school year.
- A “disastrous” 14-25% of public school students fail to graduate from high school.
- Only 18% of high school graduates from 2010-13 met the SAT or ACT college-readiness standards.
- One-third of English Language Learners (ELL) in grades 3-12 failed to progress a grade level in English.

Recommendations

- Implement a student-centered funding structure for public education. Ensure that allotments are transparent, equitable, and portable.
- Deregulate public schools and allow educators to operate as professionals.

Resources

[*Texans Need More Education for Their Money*](#) by Vance Ginn and Stephanie Matthews, Texas Public Policy Foundation (Dec. 2017).

[*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).

[*Eric Hanushek's Expert Report for School Finance Trial*](#) by Kent Grusendorf, Michael Barba, and Dianna Muldrow, Texas Public Policy Foundation (Oct. 2014).

