



II. PUBLIC EDUCATION POLICY

Legislators' Guide to the Issues

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State System of Public Education

THE ISSUE

Public education is the highest priority of Texans and represents the largest investment of state taxpayer dollars. Today, as in decades past, questions pertaining to funding and student performance dominate the legislative debate on Texas public schools.

On school finance, questions center on how much money the state should provide and how the money should be distributed. Sufficient funding (adequacy) and fair funding (equity) shape the debate. Student-centered funding (school choice) represents a critical incentive for improving school performance and student outcomes that must be addressed in school finance reform.

Equally critical questions focus on student performance. How well are public schools meeting state goals for student performance? What proportion of students leave high schools with a diploma? Are students prepared for a post-secondary experience, either skilled vocational training or university education?

These questions serve as the basis of a series of court cases, extending over decades and continuing today as a legal challenge by a group of school districts suing for additional taxpayer funds. Preliminary rulings on "West Orange-Cove" challenge the state Legislature to provide explicit definitions of constitutional obligations and state expectations for student learning to guide financial decisions.

THE FACTS

- ★ Texans invested just over \$30 billion in public education during the 2002-03 school year
- ★ 36 percent of state revenue is invested in public education – Texas ranks second among the 50 states in total education expenditures
- ★ Texas ranks 3rd in the nation for the percentage of total state expenditures devoted to public education
- ★ To pay for public education, the average Texan works 90 days a year – up from 63 days in 1970
- ★ Over four million children attend Texas public schools – Texas has the 2nd largest student enrollment population in the U.S.
- ★ There are 1,224 school districts and charter schools in Texas, providing 571,119 full-time jobs
- ★ Almost 14 percent of students in Texas public schools are enrolled in Bilingual Education or English as a Second Language programs
- ★ Almost 12 percent of students in Texas public schools are enrolled in Special Education



★ Almost 60 percent of students in Texas public schools are economically disadvantaged

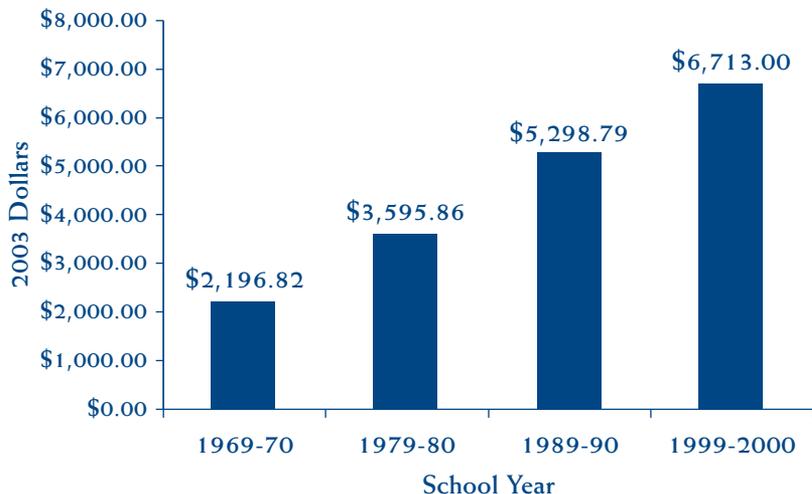
RECOMMENDATIONS

- ★ Explicitly define constitutional obligations for an adequate education in terms of standards for school completion and academic proficiency
- ★ Base standards for school accreditation on state expectations for school completion and academic proficiency
- ★ Create a school finance system that links education dollars with expected education outcomes
- ★ Establish incentives for public schools to spend money efficiently and effectively

RESOURCES

- *Follow The Money: A 50-State Survey Of Public Education Dollars* by Chris Patterson, Texas Public Policy Foundation, October 2003 (<http://www.texaspolicy.com/pdf/2003-10-22-sf-followmoney.pdf>)
- *Effective, Efficient, Fair: Paying For Public Education In Texas* by Richard Vedder and Joshua Hall, Texas Public Policy Foundation, February 2004 (<http://www.texaspolicy.com/pdf/2004-02-25-vedderhall-all.pdf>)
- *Education: Letting Principles Guide The Solution* by Brooke Rollins, Texas Public Policy Foundation, November 2003 testimony before the Texas House Select Committee on Public School Finance (<http://www.texaspolicy.com/pdf/2003-11-03-pp-rollinstestimony.pdf>)

**Inflation-Adjusted Spending Per Pupil,
Texas Public Schools, 1970-2000**



Education Standards & Performance

THE ISSUE

After 10 years of intensive, expensive public education reform, students in Texas public schools score near the national average on measures of elementary and middle school performance, but are well below the national average in high school graduation and at the bottom of the nation on measures of post-secondary readiness.

While state-developed assessments show rising student achievement and a decreasing gap between student groups, independent evaluations of student outcomes show stagnant or declining performance – despite increasing real, per student spending 20 percent in the 1990s, and despite new state curriculum standards, new instructional materials, and new state assessments. There is no evidence that an increased proportion of students is completing high school, and no more students are graduating with the academic proficiency required to be successful in skilled vocational training or higher education. Independent measures provide no evidence that the achievement gap between student groups has demonstrably narrowed.

The reasons for the disappointing progress of Texas public schools are clear:

- ★ The state's "college preparatory" curriculum – the Recommended High School Program – is not sufficiently rigorous;
- ★ Passing state assessments does not mean students are on grade-level, according to either state or national standards;
- ★ Academic proficiency of elementary and middle school students is not sufficiently strong to prepare students to succeed in a true college preparatory course of study in high school;
- ★ Too few students master basic literacy skills by grade 3, particularly Hispanic and African-American students, and this failure has been shown to increase the likelihood of their dropping out; and
- ★ Focusing resources on simply passing state assessments leads some school districts to neglect higher academic standards.

THE FACTS

- ★ Texas scores on the National Assessment of Educational Progress (NAEP) are near the national average, although lower in reading and science
- ★ 17 percent to 33 percent of students in Texas public schools drop out, depending on the measure – a number far above the national average
- ★ The most highly educated of Texas students – those who take college readiness tests – score at the bottom of the nation



- ★ Texas' SAT and ACT scores remain unimproved over the past decade
- ★ The percentage of Texas students taking college readiness tests is declining
- ★ The achievement gap between student groups has not significantly narrowed and in some cases is growing, according to the NAEP, ACT, and SAT

RECOMMENDATIONS

- ★ Strengthen the academic rigor of state curriculum standards
- ★ Couple or replace state assessments with a standardized, nationally normed test
- ★ Focus grades 1 through 3 on reading and mathematics, increase time on task, and assess frequently
- ★ Assign under-performing students to highly effectively teachers and use instructional programs of proven effectiveness
- ★ Administer the three transitional ACT assessments at grades 8, 10, and 12 to assess progress toward post-secondary readiness
- ★ Establish high standards for school completion, post-secondary readiness, and closing the achievement gap as the basis for school accreditation
- ★ Develop an explicit, realistic measurement of high school completion that is based on achievement of a high school diploma

RESOURCES

- *Paying For Education – What Is The True Cost?* by Chris Patterson, Texas Public Policy Foundation, May 2004 (<http://www.texaspolicy.com/pdf/2004-05-sf-payingforeduc.pdf>)
- *Testimony On Post-Secondary Readiness* by Chris Patterson, Texas Public Policy Foundation, May 2004 (<http://www.texaspolicy.com/pdf/2004-05-10-testimony-patterson-pp.pdf>)

Education Spending & Learning

THE ISSUE

Efforts to reform the state's school finance system provoke fundamental questions about education spending, learning, and the relation between the two. School districts and professional educational associations claim that schools need more money to meet state demands for higher student performance. Looking at current expenditures, various studies identify different costs for schools to provide the education needed for students to pass state assessments. A study commissioned by the Texas Legislature determined that it takes about \$6,400 per student annually for schools to reach a passing rate of 55 percent on state assessments (the minimum rate set for school accreditation). All of these studies are based on the erroneous assumptions that current investment of education funds is efficient and that there is a relationship between spending and learning – i.e., more money results in higher student performance.

To the contrary, decades of national and international research have demonstrated no empirical, scientific relationship between money and learning. While increased education spending generally correlates with lower student performance, a cause-effect relationship has yet to be demonstrated. The United States, for example, spends more than other industrialized nations on public schools, and our students score at the bottom of international tests. Kansas City and Washington, D.C., cities with the highest per pupil spending, post the lowest test scores in the nation. Even in Kansas City, where courts mandated steep increases in spending and strict equalization, there was no significant improvement in student performance.

Statistical analyses of the relationship between spending and learning in Texas public schools proved no exception to national and international research. Two independent studies found economic status of the student population was far more important in determining education outcomes than the amount of money that Texas public schools spend. Neither study found that increasing district spending increased student performance; in some cases, higher spending was associated with lower student achievement.

However, *targeted* increases on instructional spending are associated with higher student performance, according to research. When schools put instructional spending first – instead of spending on administration, technology, and facilities – educational outcomes improve. Spending by Texas school districts offers an explanation for languishing student performance; spending on non-instructional activities has risen remarkably over the past decade, dwarfing classroom spending.

While real, per student funding has tripled for Texas public schools over the past three decades, there is no evidence student performance has improved. Nor have schools offered any evidence that current funding is insufficient for them to meet state requirements. On the contrary, there is ample evidence that discretionary, optional spending continues unabated while schools claim to be forced to cut essential programs. In fact, there is no way that schools could prove they have insufficient funds to meet state requirements because



they do not differentiate between optional and necessary spending in their accounting systems. Wiser spending, not more money, is needed to improve Texas public schools.

THE FACTS

- ★ It is scientifically impossible to determine the cost of an adequate education or the provision of any level of education – science can only determine how much schools spend
- ★ Student performance is generally not improved by increasing school funding, across-the-board pay increases for teachers, increasing the number of teachers with advanced degrees, or decreasing class size
- ★ Increasing the percentage of funding from local sources does increase student performance
- ★ Decreasing administrative spending and increasing instructional spending does increase student performance
- ★ How money is spent is much more important than how much money schools can spend
- ★ Texas spent more than \$6,700 per student in 2004, but only 50 percent of those dollars reached the classroom
- ★ Austin ISD increased instructional spending 27 percent from 1997 to 2002 but increased extracurricular activities spending 134 percent and data processing spending 344 percent

RECOMMENDATIONS

- ★ Define an “adequate” or required education in terms of explicit standards for student performance rather than in terms of spending
- ★ Prioritize instructional spending and redirect more of the education dollar to the classroom
- ★ Create incentives for districts to spend money more effectively and efficiently
- ★ Require districts to establish accounting systems that differentiate between spending on state required and optional activities

RESOURCES

- *Effective, Efficient, Fair: Paying For Public Education In Texas* by Richard Vedder and Joshua Hall, Texas Public Policy Foundation, February 2004 (<http://www.texaspolicy.com/pdf/2004-02-25-vedderhall-all.pdf>)
- *Assessing Performance: Spending And Learning In Texas Public Schools* by Sanjiv Jaggia and Vidisha Vachharajani, Texas Public Policy Foundation, March 2004 (<http://www.texaspolicy.com/pdf/2004-03-19-BH-Educ.pdf>)
- *The High Costs Of Texas Public Education: A Study Of Three Texas School Districts* by Milton Holloway, Texas Public Policy Foundation, March 2004 (<http://www.texaspolicy.com/pdf/2004-03-25-holloway-costs.pdf>)
- *Building For The Future: A Look At School Facilities Funding In Texas* by Wendell Cox and Byron Schломach, Texas Public Policy Foundation, April 2004 (<http://www.texaspolicy.com/pdf/2004-04-facilities.pdf>)

Public School Finance

THE ISSUE

School finance reform is inarguably the most important and complex challenge facing the Texas Legislature. It is complicated by the intimate connections between education funding, public school outcomes, local property taxes, the state tax system, the state budget, and the state economy. The issue raises fundamental questions about constitutional obligations for public schools, local control and the role of state government, and the efficiency and effectiveness of public schools.

During the 78th Texas Legislature, policymakers shouldered the task of school finance reform for the purposes of providing tax relief and increasing the state's share of public education funding. This proved a daunting task, remaining unresolved after a special legislative session on school finance following the 78th session. The challenge has become increasingly complicated; some policy leaders now press for the Legislature to completely overhaul both the school finance system and the state tax system.

The broad debate focuses on these questions:

- ★ What is the proper proportion of public education funding that should be borne by the state and the local community?
- ★ How can the state eliminate "Robin Hood" and fulfill its responsibility for equalizing education funding without redistributing local property tax revenues?
- ★ Where can the Legislature find additional state revenue to provide property tax relief by lessening reliance on local property taxes for funding public schools?
- ★ Do public schools need additional funds?
- ★ How can public schools operate more efficiently and effectively?
- ★ How can the school finance system establish incentives for public schools to be more efficient and effective?

These questions are integral to a lawsuit filed by more than 300 school districts against the state. Some districts claim the state provides insufficient funding to meet state mandates and others claim the state's reliance on local property tax revenues for education funding violates the constitutional prohibition against a state property tax. It is likely that this suit, like others filed by districts against the state throughout the last several decades, will stimulate significant reforms of the state's school finance system.

Whatever shape school finance reform assumes, policymakers must address the sharp increases in school spending. Sharply rising expenditures for Texas public schools are unproven as a means to improve public education. Clearly, the primary challenge for school finance reform is to control, prioritize, and target education spending.



THE FACTS

- ★ Real, per pupil spending has tripled in Texas since 1970 – a tripling even after accounting for inflation and enrollment growth
- ★ Texas spent more than \$6,700 per student in 2004, but this investment may reach as high as \$10,000 per student when indirect as well as direct costs are measured
- ★ Texas ranks 20th in the nation for per pupil spending when cost of living is considered, according to the Manhattan Institute
- ★ Although state funding for public schools continues to increase, the percentage of the state budget that goes to education reached its zenith in 1985 at 52.2 percent and declined to 36.3 percent in 2002

RECOMMENDATIONS

- ★ Define constitutional obligations for public education
- ★ Hold public schools accountable for efficient, effective spending and higher student outcomes
- ★ Protect and enhance local control
- ★ Allow local communities to underwrite the greater share of total education funding
- ★ Prioritize state dollars for underwriting the provision of state education mandates
- ★ Establish student-centered funding
- ★ Tie new money for public education to enrollment growth and inflation
- ★ Focus the tax part of the school finance debate on property tax relief
- ★ Let the scientific research on spending and learning guide school finance reform
- ★ Enact fiscally neutral reforms that will improve the state economy, encourage public schools to exercise fiscal prudence, and stimulate higher educational productivity

RESOURCES

- *Effective, Efficient, Fair: Paying For Public Education In Texas* by Richard Vedder and Joshua Hall, Texas Public Policy Foundation, February 2004 (<http://www.texaspolicy.com/pdf/2004-02-25-vedderhall-all.pdf>)
- *Putting The Sides Together: Twelve Perspectives On Texas Public School Finance*, edited by Chris Patterson, Texas Public Policy Foundation, December 2003 (<http://www.texaspolicy.com/PTST/>)
- *The High Costs Of Texas Public Education: A Study Of Three Texas School Districts* by Milton Holloway, Texas Public Policy Foundation, March 2004 (<http://www.texaspolicy.com/pdf/2004-03-25-holloway-costs.pdf>)
- *General Principles For Conservatives – School Finance: Education Spending And Taxation* by the Texas Conservative Coalition Research Institute and Texas Public Policy Foundation, April 2004 (<http://www.texaspolicy.com/pdf/2004-04-TCC-TPPF-First-Principles-SF.pdf>)
- *Four Myths Of Public School Finance* by the Texas Conservative Coalition Research Institute and Texas Public Policy Foundation, May 2004 (<http://www.texaspolicy.com/pdf/2004-05-sf-TCCRI-TPPF-Myths.pdf>)
- *Follow The Money: A 50-State Survey Of Public Education Dollars* by Chris Patterson, Texas Public Policy Foundation, October 2003 (<http://www.texaspolicy.com/pdf/2003-10-22-sf-followmoney.pdf>)
- *Thinking About School Finance In Texas* by Eric Hanushek, Texas Public Policy Foundation, October 2003 (<http://www.texaspolicy.com/pdf/2003-10-22-hanushek.pdf>)

School Choice

THE ISSUE

After decades of reform, Texas public schools show no improvement in the academic proficiency of high school graduates or the rate of educational completion. After attempting to improve public schools with more money and more resources, many Texans have turned to school choice as a way to improve schools.

School choice is closely intertwined with school finance, representing a proven means to increase public school productivity, reduce education costs, and improve student outcomes. Vouchers can represent a component of school funding or student-centered funding and can serve as the entire mechanism for financing public education.

Vouchers have proven remarkably successful for students who exercise school choice. Ten large, comprehensive, scientific studies of voucher programs show student achievement increases for some or all students who participate in voucher programs. School choice has proven the most educationally beneficial for under-performing and disabled students who have failed to thrive in public schools.

There is also evidence that school choice raises the achievement of all students whether or not students exercise choice. Students enrolled in public schools that compete with charter or private schools out-perform their public school peers in communities where students cannot exercise choice. Decades of state, national, and international research offer scientific evidence that competition among educational providers results in higher academic outcomes for all students at lower educational cost.

School choice is broadly supported by all Texans, particularly African-American and Hispanic voters, according to voter polls. This support is unsurprising, recognizing the history of Texas. The original form of public education established by the 1876 State Constitution was financed by vouchers issued to parents that could be used to enroll children in any municipal or private school of the parents' choice.

THE FACTS

- ★ Standardized test scores of voucher recipients are consistently, statistically positive
- ★ In voucher programs in Dayton, New York, and Washington, African-American students reduced the achievement gap by one-third within just two years
- ★ Students who use vouchers in private schools have higher academic achievement and a higher likelihood of high school graduation, college enrollment and attaining a post-secondary degree – even after controlling for differences in race, ethnicity, and income
- ★ Per pupil operating costs of private schools participating in voucher programs were nearly half of the per pupil expenditure of public school students



- ☆ Student achievement increases 28 percent in public schools when public schools compete with private schools – without any increase in public school spending
- ☆ 60 percent of Texas voters support a school choice program in which scholarships would be given by the state to pay for a child's education at any public, private, or parochial school, according to a 2003 Baseline & Associates Poll
- ☆ School choice represents the highest form of school accountability
- ☆ School choice offers the most effective way to control education costs and improve performance of all students

RECOMMENDATIONS

- ☆ Introduce publicly funded vouchers as a pilot program for under-performing and disabled students
- ☆ Inject competition into the public school system, beginning with public school or inter-district choice
- ☆ Establish student-centered funding and offer school choice as the new form of public education for all children

RESOURCES

- *Paying For Education – What Is The True Cost?* by Chris Patterson, Texas Public Policy Foundation, May 2004 (<http://www.texaspolicy.com/pdf/2004-05-sf-payingforeduc.pdf>)
- *Individual Education Plan: The Case For Choice For Texas Students With Disabilities* by Matthew Ladner, Texas Public Policy Foundation, April 2004 (<http://www.texaspolicy.com/pdf/2004-04-sf-ladner-special.pdf>)
- *Putting The Sides Together – School Choice In Texas?* edited by Chris Patterson, Texas Public Policy Foundation, March 2004 (<http://www.texaspolicy.com/pdf/2004-04-sf-puttingsides-txsc.pdf>)
- *Testimony Commending School Choice As A Component Of School Finance Reform* by Patrick Wolf, Texas Public Policy Foundation, August 2003 (<http://www.texaspolicy.com/pdf/2003-08-22-SFSC-Wolfe-testimony.pdf>)