

Texas Education Funding: Present, Past, and Future

by James Golsan,
Bill Peacock, and
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“Unfortunately, the state cut public education spending by \$5.3 billion.”

Center for Public Policy
Priorities, February 2012

“Last year, Republicans cut five billion dollars from public education.”

Gilberto Hinojosa,
October 2012

“But many suburban Republicans returned home last year to parents angered by more than \$4 billion in cuts to public education spending.”

Chris Tomlinson,
Associated Press,
May 2012

Issue

Advocates for ever-increasing educational funding have routinely decried the Texas Legislature’s reduction of public education funding by \$4 or \$5 billion during the last legislative session.

However, the truth is that Texas did not reduce education spending for the current biennium by anywhere near that amount. Instead, the 82nd Texas Legislature reduced the combination of state and federal funding for school districts by about \$500 million.

Complaints about education funding cuts also referred only to state and federal funds flowing through the appropriations process at the Texas Legislature. They ignored any changes in local funding which also have an impact whether spending increased or decreased. We won’t know what the level of total education spending was in Texas until after the biennium. The complainants have also ignored the substantial increase in total public education funding over the years.

As the 83rd Legislature takes up the issue of public school finance, it is worth taking a closer look at what the numbers are regarding this issue, present, past, and future.

Education Funding Today

Funding for public education in Texas comes primarily from the state, local school districts, and the federal government. The vast majority of the funds come from the state and local

districts.* The flow of money to the districts is complex. State and federal funds flow through the state appropriations process. The handling of local funds is mixed, largely due to equalized funding formulas adopted in response to over two decades of school finance lawsuits. Some funds go directly to districts from the taxpayers through property tax payments. Though because of the recapture mechanism, also known as “Robin Hood,” local funds often flow to the state for redistribution to other districts.

In its *2012-13 Fiscal Size-Up*, the LBB reported, “Agencies of public education were appropriated \$47.4 billion in All Funds for the 2012-13 biennium, a decrease of \$2.8 billion, or 5.6 percent, from the 2010-11 biennial spending level.”¹ This is a much smaller decrease in funding than claimed by the critics. However, even this overstates the funding shortfall. When the budget gimmicks used by the Legislature to balance the biennium’s budget are taken into account, Texas appropriated only \$500 million less to public schools this biennium than last. State funding actually increased by \$2.5 billion to help make up for the loss of federal stimulus funds (*see Table 1, next page*).

These numbers could change depending on the amount appropriated by the 83rd Legislature in the 2012-13 supplemental budget. The current amount of \$630 million proposed for public education in the supplemental appropriation bill would increase funding for this biennium to \$50.268 billion, an increase of about \$150 million over last biennium.

* According to the Legislative Budget Board’s *Top 100 Federal Funding Sources in the Texas State Budget*, the federal portion of public education was 18.9 percent.

Table 1: Recent Legislative Appropriations for Public Education (in billions)

Year	2002-03	2004-05	2006-07	2008-09	2010-11	2012-13
TEA Appropriations	\$29.166	\$30.043	\$33.596	\$50.257	\$50.119	\$49.639*

Source: Legislative Budget Board.

*Includes a \$2.3 billion payment deferral to the Foundation School Program that was delayed from August 2013 to September 2013.

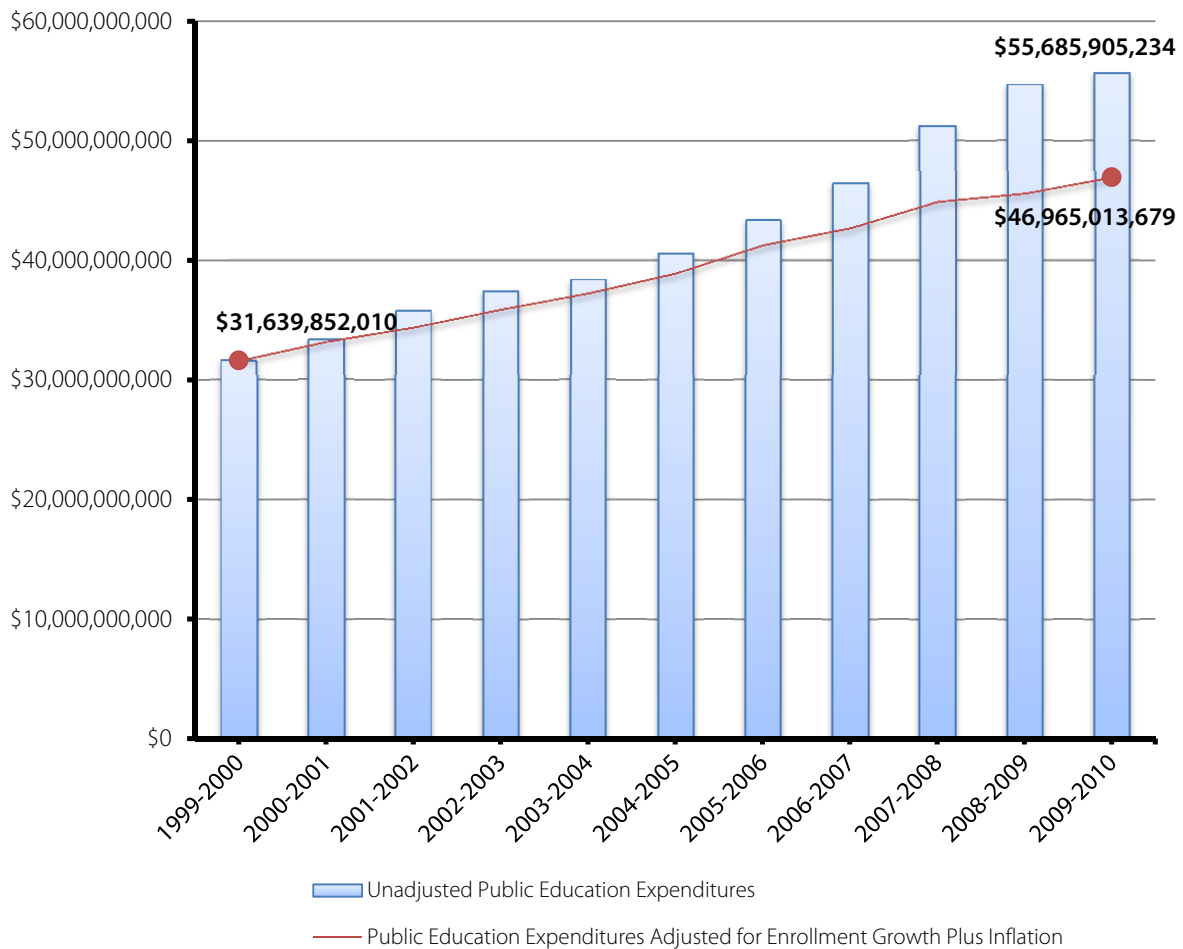
Education Funding Over the Years

Over the course of the past decade, public education spending as a whole has experienced tremendous growth, far greater in fact than that of population (enrollment) growth plus inflation. As depicted below, actual public education spending in Texas has increased \$31.6 billion in the 1999-2000 school to \$55.7 billion in the 2009-2010 school year. However, if there had been a strict spending

limit in place, such as one tied to population growth plus inflation, total public education spending would have only increased from \$31.6 billion in 1999-2000 to \$47 billion in 2009-2010.

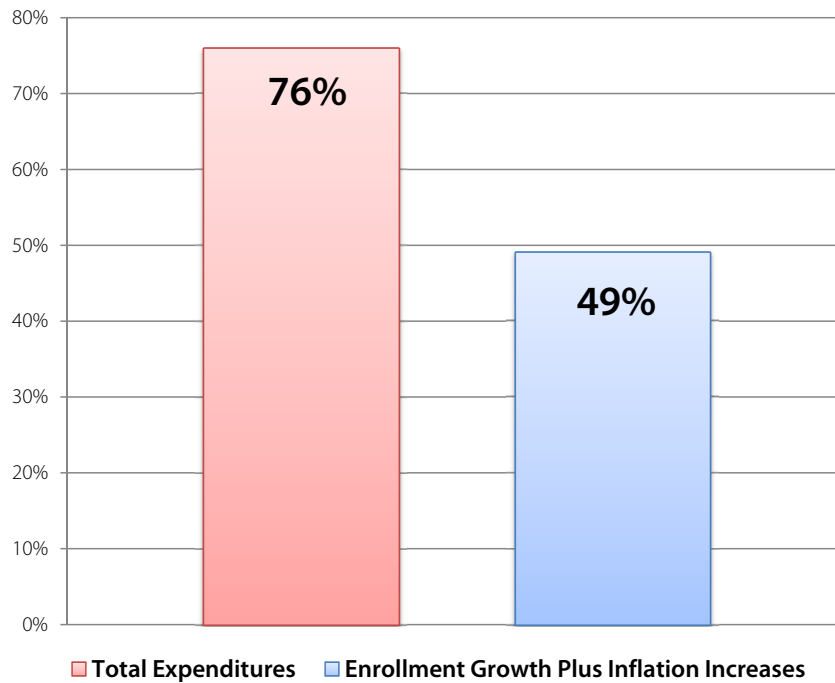
In terms of percentages, public education spending has increased by nearly 76 percent over the last decade. By comparison, the percentage growth of population plus

Texas Education Spending Growth



Source: Office of the Comptroller

Texas Education Spending Growth vs. Population (Enrollment) Growth Plus Inflation, 1999/2000-2009/2010



Source: Office of the Comptroller

inflation increases totaled just a combined 49 percent, as shown in the chart below.

If this spending substantially improved academic performance, the dollars might be justifiable. The problem is it doesn't. Texas' SAT scores from 2000-01 to 2009-10 have actually averaged slightly lower than they were in 1999-2000.

Our 4th and 8th grade N.A.E.P. scores are similarly flat, both in reading and mathematics.² This is not to say our scores, particularly in the lower grade ranks broken out by race, are all bad; Texas actually does quite well in some of the testing areas. The issue is that spending in Texas over the last decade has grown substantially with virtually no impact on the state's academics.

Education Funding Moving Forward: the Need for Efficiency

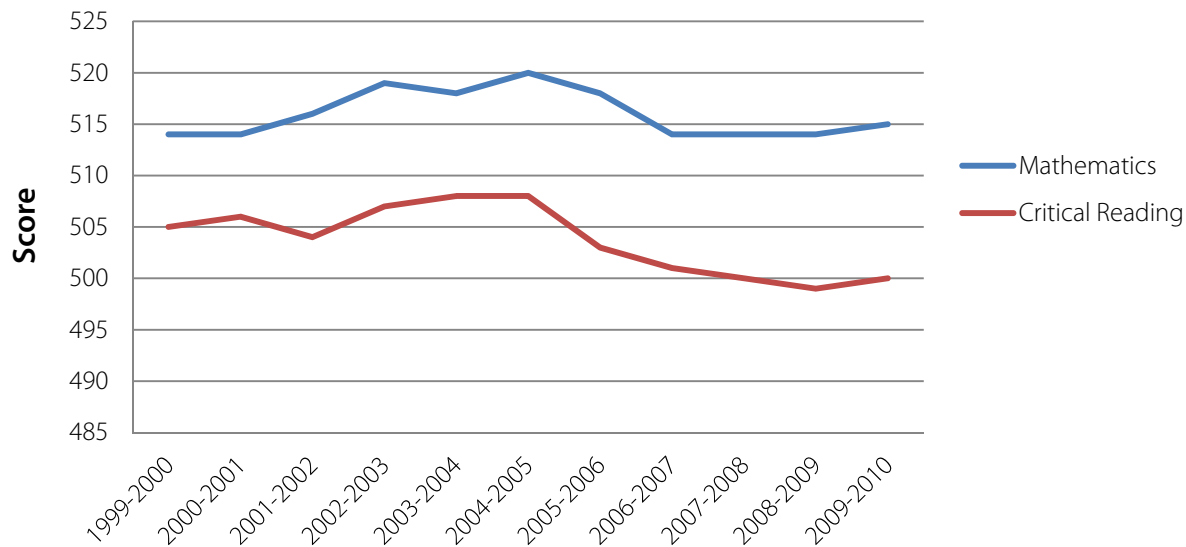
As the spending debate in Texas education goes forward, we should keep in mind the importance of maximizing the dollars we do spend, rather than spending more and more money on our schools in the hopes that their performance

will rise. The state has a constitutional obligation to provide an efficient public education system to its students. Spending more and more money without results is not efficient.

The 83rd Texas Legislature will be presented with many opportunities for reform, from school choice and enhanced home-rule school districts to more charter schools and local control. Not only do many of these increase local and parental control, they are also a more efficient way of operating our public schools.

The issue of efficiency was one of the issues covered during the lengthy school finance litigation process. The parties that sued the state included not only hundreds of school districts, MALDEF (Mexican American Legal Defense and Education Fund), and other plaintiffs seeking more funding for education, but a group calling for increased efficiency in Texas schools through competition and increased school choice. District Judge John Dietz recently ruled in the trial that funding for public education is adequate and is expected to issue his final ruling soon.

Texas SAT Performance, 1999-2010



Source: The College Board, "State Profile Report: Texas", 2011

However, it is important as the appeal process moves forward that the Texas Supreme Court not decide that the solution to a very complex school finance problem is simply to pump more money into the system. As previously noted, Texas has tried that approach before with poor results. Efficiency in education funding is the key to not repeating our past mistakes.

The Texas Supreme Court has opined in the past that efficient "conveys the meaning of effective or productive results and connotes the use of resources so as to produce results with little waste." However, it has functionally interpreted the term in context of school finance to mean "[c]hildren who live in poor districts and children who live in rich districts must be afforded a substantially equal opportunity to have access to educational funds."³

Justice Scott Brister, in his dissenting opinion in *Texas vs. West Orange Cove Consolidated ISD*, noted that the focus on this aspect of efficiency leaves us with the result that "efficient' has meant only 'equal ability to raise taxes.'"⁴ Brister went on to question whether the rulings that the Texas courts were handing down were aiming to bring changes to the structure of the system itself, such as incorporating more parental choice into the state's school system, as opposed to simply deeming that the existing system was

inefficient. This claim highlights the fact that even though efficiency has been the focus of much of the legal wrangling over the years, it is more of a means to an end than the ultimate goal.⁵

In their amicus brief in *West Orange Cove*, the American Civil Liberties Union and other friends of the court point to "full-funding equity" as the desired outcome of the litigation battles:

Only full-funding equity can create a system that is enduringly constitutional. It is by now apparent that without intervention from this Court, the Legislature will always unconstitutionally underfund certain districts. ... But we know, from everything our history tells us, that without a rule of full-funding equity some groups of students will be left without the education that is their constitutional entitlement.⁶

Equal ability to raise taxes is likely not what the drafters of the Texas Constitution meant in 1876 when they called for "an efficient system of public free schools." Today, everyone knows how to create efficiency—by competition. But as the Texas Supreme Court said in the 2005 lawsuit, "perhaps public education could benefit from more com-

petition, but the parties have not raised this argument, and therefore we do not address it.”⁷

Now, however, they have raised it, and there are a number of changes Texas could make to get moving in a more competitive direction. The first of these would be to empower parents with public and private school choice. Texas should look toward the examples set by states like Indiana and Louisiana, which have enacted such reforms on a large, statewide scale. Louisiana in particular has not only incorporated private education scholarships into the state’s education structure, but has also expanded its Recovery Charter School District, and strengthened their “parent-trigger” law.

Texas has room for improvement in all of these areas, but the Legislature has been slow to make favorable choice moves in recent years. If the current round of school finance litigation were to end with a recommendation from the courts that Texas incorporate more competition into the public education system, the legislature could be more inclined to enact such laws for Texas.

It would also be possible for Texas to build more efficiency into the existing public education system. There are several cost driving and unnecessary state driven regulations that make it difficult for school districts to get the most bang for their education buck. The first among these would be remove restrictions on the hiring and termination of instructors. These standards also make it extremely difficult to remove ineffective teachers from the classroom. School districts should be able to cut the red-tape of the current certification system by granting professionals, with college or advanced degrees and years of work experience in their fields, the ability to teach in the classroom. The process might involve filling out an application, attending an intensive six-week course, passing a short test, and interviewing with a principal. The intensive class could include teaching fundamentals, interacting with special needs students, information on pertinent state and federal laws, ideas on handling discipline problems, and student teaching opportunities.⁸

Similarly, lawmakers must make it easier for administrators to remove ineffective teachers from the classroom. Laws that make the termination process of an ineffective

A pay scale that rewards excellence must become more common in Texas schools if efficiency is to be grown from the ground up.

teacher unnecessarily complex should be closely examined in the name of improved efficiency at the district level.

Texas should also do away with the non-competitive minimum salary schedule on which teachers must be compensated. Though most school districts pay comfortably above the minimum lines set by the state, the model is used by nearly every school district in Texas, and encourages rewarding instructors for longevity, rather than excellence. This model provides teachers no incentive to perform at their peak (and therefore most efficiently). A pay scale that rewards excellence must become more common in Texas schools if efficiency is to be grown from the ground up.

Finally, Texas should remove its 22:1 K-4 class-size cap. The K-4 class-size cap raises the costs of public education significantly. The Office of the Comptroller, in its 2010 F.A.S.T. (Financial Allocation Study for Texas), explained clearly the manner in which the cap harms Texas education:

Many school officials believe the “22:1” limit interferes with their ability to staff campuses cost-effectively, asserting that classes with up to 25 students can operate without any loss of instructional effectiveness. Some suggest that the 22:1 requirement be based upon average class size rather than applying to all classes, giving districts more flexibility to set class size, allocate resources and limit costs.

For example, a district with 66 students in second grade currently must have three teachers, but the addition of just one more student would require the hiring of another teacher plus the acquisition of additional classroom space.⁹

The Legislature must take advantage of this opportunity to pass meaningful reforms in Texas education that move toward a more competitive, and therefore efficient, Texas public education funding system.

The Comptroller's office goes on to estimate that the total remove of this regulation could save the state \$558 million.¹⁰

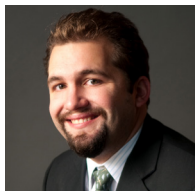
With a growing, highly diverse student population, Texas should give parents the means to pick the best education for their children, as well as giving administrators and educators the tools they need to meet the specific needs of their student body. Every community in this state is different, and faces a unique set of challenges when it comes to K-12 education. These challenges cannot be addressed by simply throwing more money into the system and hoping blindly for better results than those we have been getting.

The Legislature must take advantage of this opportunity to pass meaningful reforms in Texas education that move toward a more competitive, and therefore efficient, Texas public education funding system. ★

Endnotes

- ¹ Legislative Budget Board, *Fiscal Size-Up: 2012–13 Biennium* (Jan. 2012) 218.
- ² Brooke Dollens Terry, "Examining Decades of Growth in K-12 Education," Texas Public Policy Foundation (25 June 2010).
- ³ James Golsan, "Finding Real Efficiency in Texas Public Schools," Texas Public Policy Foundation (Jan. 2012).
- ⁴ Ibid.
- ⁵ Ibid.
- ⁶ Amicus Curiae Brief of the American Civil Liberties Union at 3, *Neeley v. W. Orange-Cove Consolidated Indep. Sch. Dist.*, 176 s.W.3d 746 (Tex. 2005).
- ⁷ James Golsan, "Finding Real Efficiency in Texas Public Schools," Texas Public Policy Foundation (Jan. 2012).
- ⁸ James Golsan and Bill Peacock, "Improving Efficiency and Local Control in Texas Education," Texas Public Policy Foundation (June 2012).
- ⁹ Texas F.A.S.T. Report.
- ¹⁰ James Golsan and Bill Peacock, "Improving Efficiency and Local Control in Texas Education," Texas Public Policy Foundation (June 2012).

About the Authors



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