

TEXAS PUBLIC POLICY FOUNDATION

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**LEGISLATOR'S
GUIDE**
to the issues



TEXAS PUBLIC POLICY
FOUNDATION

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

TEXAS PUBLIC POLICY FOUNDATION
901 Congress Ave., Austin, TX 78701
(512) 472-2700 Phone (512) 472-2728 Fax
www.TexasPolicy.com

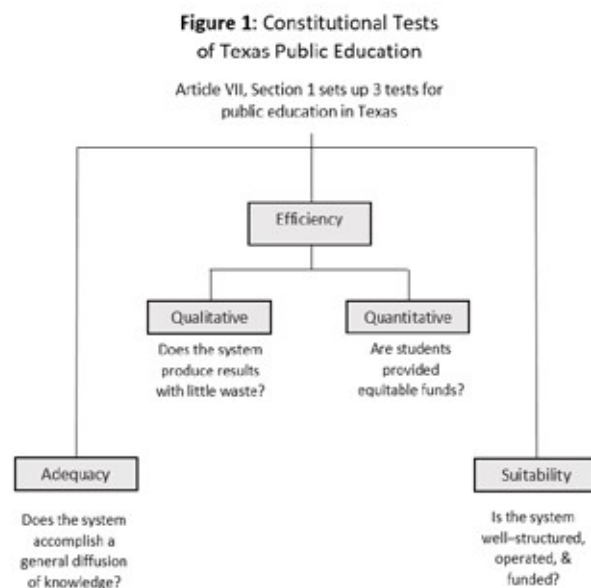
Funding Public Schools for the 21st Century

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](#).



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

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Funding Public Schools (cont.)

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).

Experts

Kara Belew, *Senior Education Policy Advisor, Center for Innovation in Education*
kbelew@texaspolicy.com AREAS OF EXPERTISE: State Budget, Taxes, Public Education Finance and Policy, Public Education Accountability

Derek Cohen, Ph.D., *Director, Center for Effective Justice and Right on Crime*
dcohen@texaspolicy.com AREAS OF EXPERTISE: Juvenile Justice Reform, Victims' Rights, Overcriminalization, Constitutional Limitations on Corrections

The Hon. Chuck DeVore, *VP of National Initiatives; Senior Fellow for Fiscal Policy*
cdevore@texaspolicy.com AREAS OF EXPERTISE: Tax and Fiscal Policy, Elections, Foreign Affairs, Military Affairs, Energy and Environmental Policy

Vance Ginn, Ph.D., *Director, Center for Economic Prosperity; Senior Economist*
vginn@texaspolicy.com AREAS OF EXPERTISE: State Budget and Tax Reform, National and State Labor Market Trends, Tax and Expenditure Limits, Energy Markets and Policy

Michael Haugen, *Policy Analyst, Center for Effective Justice and Right on Crime*
mhaugen@texaspolicy.com AREAS OF EXPERTISE: Civil Forfeiture, Overcriminalization, Substance Abuse Policy

The Hon. Talmadge Heflin, *Director, Center for Fiscal Policy*
theflin@texaspolicy.com AREAS OF EXPERTISE: State Budget and Taxation, Economic Stabilization Fund, Local Government Spending, Pension Reform, Federal Funds

Haley Holik, *Attorney, Center for Effective Justice and Right on Crime*
hholik@texaspolicy.com AREAS OF EXPERTISE: Juvenile Justice, Grand Jury Reform, Constitutional Limitations on Search and Seizure, Overcriminalization

Marc Levin, Esq., *VP of Criminal Justice and Right on Crime*
mlevin@texaspolicy.com AREAS OF EXPERTISE: Adult Corrections, Juvenile Justice, Overcriminalization, Victim Empowerment and Restitution, Law Enforcement, School Discipline

Thomas Lindsay, Ph.D., *Director, Center for Innovation in Education*
tlindsay@texaspolicy.com AREAS OF EXPERTISE: Higher Education, Culture Wars (Political correctness, cultural decline, etc.), America's Founding Principles, Online Learning, Federalism, Tenth Amendment, Interstate Compacts

Brandon J. Logan, Ph. D., *Director, Center for Families & Children*
blogan@texaspolicy.com AREAS OF EXPERTISE: Child Welfare Policy, Foster Care, Adoption, Family Law, Parental Rights

Bryan Mathew, *Policy Analyst, Center for Local Governance*
bmathew@texaspolicy.com AREAS OF EXPERTISE: Local Economic Regulation, Local Economic Development, Municipal Annexation, Housing Affordability, Property Rights, Special Districts

Stephanie Matthews, *VP of Public Affairs*

smatthews@texaspolicy.com AREAS OF EXPERTISE: Workforce Development, Charter Schools, School Choice, Virtual Learning

Jennifer Minjarez, *Policy Analyst, Center for Health Care Policy*

jminjarez@texaspolicy.com AREAS OF EXPERTISE: Medicaid Reform, Mid-Level Providers, Medical and Dental Licensure Reform

Bill Peacock, *VP of Research*

bpeacock@texaspolicy.com AREAS OF EXPERTISE: Electricity Markets and Renewable Energy, Insurance, Technology and Telecommunications, Tort Reform, Property Rights, Economic Development, Consumer Issues

Randy Petersen, *Senior Researcher, Center for Effective Justice and Right on Crime*

rpetersen@texaspolicy.com AREAS OF EXPERTISE: Policing Policy, Diversion Programs, Civil Asset Forfeiture

James Quintero, *Director, Center for Local Governance*

jquintero@texaspolicy.com AREAS OF EXPERTISE: Budgets, State and Local Spending, Debt, Taxes, Transparency, Pensions

Kevin D. Roberts, Ph.D., *Executive Director*

kroberts@texaspolicy.com AREAS OF EXPERTISE: K-12 Education Growth, Increasing Public School Efficiency, Education Choice, Higher Education, Tenth Amendment

Emily Sass, *Policy Analyst, Center for Innovation in Education*

esass@texaspolicy.com AREAS OF EXPERTISE: K-12 Education, Education Choice, School Finance, Civic Education, Charter Schools

Deane Waldman, Ph.D., *Director, Center for Health Care Policy*

dwaldman@texaspolicy.com AREAS OF EXPERTISE: Health Care, Medicaid, Telemedicine, Scope of Practice, Regulatory Issues

The Hon. Kathleen Hartnett White, *Distinguished Senior Fellow-in-Residence; Director, Center for Energy & the Environment*

khwhite@texaspolicy.com AREAS OF EXPERTISE: EPA Regulation, Energy and Environmental Policy, Free Market Environmental Policies, Endangered Species Act, Water Rights

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