



Paul Hill's Expert Report: Inefficiency of Texas Public Schools

by The Honorable
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Key Points

- Texas' education system fails the efficiency test.
- It is difficult to determine the efficient use of education resources with the current financial reporting system for Texas schools.
- Mandates dictated to the entire school system in response to interest groups are seldom in the best interests of the students.
- Regimentation in the school system prevents useful innovation from changing the current structure.

In 2013 Judge John Dietz, Travis County District Court, began to hear yet another case about public school finance. This follows in a long line of lawsuits from the late 1980s where school districts have sought a declaration that the Texas system of public schools is unconstitutional due to claims of either inequitable or inadequate funding for public education. The Texas Supreme Court has issued six rulings on school finance in these cases determining whether the state satisfies Article 7 of Texas' Constitution, which requires the state "to establish and make suitable provision for the support and maintenance of an efficient system of public free schools."¹

*In each of these cases, the focus has been on money, and how that money is distributed among districts. However, the current case has the potential to change this trend. For the first time, a party in the lawsuit (*The Efficiency Intervenors*) began advancing the argument that the real problem is that the Texas public school system is constitutionally inefficient, at least in part because they lack competition.² Numerous experts submitted reports supporting this argument; the Foundation is publishing a series of summaries of these reports. Below is the summary of the expert report filed by Paul Hill.*

Dr. Paul Hill focuses on efficiency in the school system, which he claims has been ignored in the litigation surrounding past education reform in Texas in favor of "adequacy." He argues that the courts to date have focused on the funding level for a system that is inefficient, and that the system should be changed, regardless of any change in the funding level. Hill explains that an efficient system is required in order to best meet the needs of Texas students. He states that "the 'efficient' term adds something important, i.e. a concern with using taxpayer money and students' time to the greatest benefit to the state and thereby protect[ing] the 'rights and liberties' of the people."³

Hill has found several systemic barriers to school efficiency in Texas which must be changed for there to be significant improvements in educational results. Hill says that three things in today's public education system militate against efficiency:

1. Costs are hidden and unknown;
2. Schools are forced to do many things that detract from their main work, and tie up resources that could be used more aggressively; and
3. There are many barriers to experimentation with new ideas and transfers of funds from less- to more-efficient schools and programs.

The reporting method that is used for the education finance system is too broad to be useful, and prevents costs from being analyzed. The categories that expenses are divided into contain massive amounts of information, making it difficult, if not impossible, to constructively process. Hill notes that schools are actually keeping and tracking a great deal of data, but it is not being entered into a system that allows it to be used effectively. He suggests that "our system does not require, or even allow, schools to count the cost of what they do. Even if school leaders wanted to make the most effective use of every penny, they would not have the basic information they would need, about what different people, resources, and processes cost."⁴

continued

A financial reporting system which concretely nails down where funds are going would permit analysis and enable more productive uses of funds. This would allow meaningful information to be used regarding things such as teacher pay, how much funding is going to the students, and what amount is wrapped up in overhead, so that rational cost-benefit decisions can be made.

In addition to the uncohesive structure of school finance, Hill also took issue with the *ad hoc* manner in which state mandates were handed down to individual school districts. He says, “In general, schools are required to do things that have been mandated without any consideration for their cost or consequences for school performance.”⁵ These mandates are often enacted at different times, without determining how they will affect current programs. Frequently, the mandates are in response to the demands of small groups, not in response to a measured look at the entire system. He particularly points to teacher tenure, labor laws, and other state mandates as being inefficient. There isn’t one in particular that Hill points to as being individually responsible for the massive inefficiency that is occurring; rather, he argues that as a whole they allocate funds unnecessarily or requiring spending that benefits interest groups without proper attention paid to student outcomes. He says:

Nobody would seriously argue that all these mandates were put in place to make schools more effective or efficient. In fact, no single rationale can explain them, other than they are designed to protect adults. ...

There are some mandates that were initially justified as increasing school effectiveness—or example, class size limits, teacher licensing, seat time requirements, and mandates that drive salary decisions and protect school employees at the expense of students. ... However none of [these] mandates were based on evidence that the required actions made all schools more effective, or were more effective than other possible actions costing then same amount.

Hill reasons that antagonism in the education system towards new technology and innovative approaches to education deters creativity and drives further inefficiencies. Hill says, “[T]he rules under which public schools operate assume that there is one best way to teach students, and that existing schools should all use it.”⁶ This regimentation stifles innovation that could be the saving grace of the education system. Hill argues that schools should explicitly welcome innovation and out-of-the-box thinking in order to encourage it and give it a fair hearing: “Our current governance system for public education both prevents the tradeoffs necessary for experimentation and discourages schools from picking up good ideas created elsewhere. Such systems clearly fail the efficiency test.”⁷

Charter schools are an example of the experimentation and innovation that Hill is speaking about. Because of the differences in their structure and regulation, they are able to try new approaches that might be difficult in more regimented schools. However, the hostile environment affects these experiments as well. State caps on the numbers of charter schools allowed, and funding policies that give charters less money per pupil than other schools, prevent some innovators, and signal that they are unwelcome. Regarding new ideas and competition, Dr. Hill notes that conventional schools are “extremely resistant to changing the ways they use time, people, and money.”⁸ That must change.

Better targeting of schools and programs to the particular groups of students that they serve would require the expenditures to follow to the child and merging of spending and outcome data in the same school year they were generated. This is because “the most efficient use of resources for one group of students might not be the most efficient for another—this requires a degree of granularity of evidence that current public education accounting systems cannot provide.”⁹ Hill reasons that schools do not need to collect more financial data, as they already note all of their expenses, but he does believe that they need capacities for detailed analysis to find inefficiencies and take action on the outliers.

Holding schools accountable for efficiency would be a significant improvement to the system. Hill argues that even if a school is doing well, if they are doing it inefficiently, the issue should be addressed. If the money were to follow the child, Hill suggests that parents would be in control of it until they settle on a school. At that point, they have no say as to its allocation. This ensures that schools have the ability to efficiently allocate their funds.

As one way to promote innovation, Hill suggests a plan to incentivize parents and students to be more efficient and increase student performance. For instance, students could test out of high school subject matter if they show a certain readiness standard. The students and the school could share the financial savings. Perhaps the money could be placed in a fund for the student's continued education. There is a possibility that this would largely provide financial benefits for wealthy students, but Hill believes that with proper student weighting, this could be avoided.

Hill encourages schools to use one another's services to increase efficiency. Some schools have better programs than others, and these benefits can be transferable. Through online classes and shared tutoring, Hill thinks that this is a viable option for schools that struggle in specific areas.

In order to remedy these inefficiencies Hill suggests several things. First, that there be greater transparency in expenditures at all levels of the system. Second, schools should be held accountable for their efficiency, not just their effectiveness, freeing up funds for spending on where they are truly needed. Third, restrictions which prevent innovators from entering the education field should be lifted, and that the hostile environment should be changed to encourage investments in innovation. Fourth, incentive programs should be instituted in order to motivate students and parents. Finally, schools should be more open to sharing their services with one another.

All of these recommendations are meant to focus the attention and funding of the education system on what should be its top priority. As the last line in his report states: "Whether Texas can re-focus its public education system on efficiency depends on how strongly leaders outside of education are convinced that every penny of public expenditure must be used to the benefit of children. ★"¹⁰

View the full report by Dr. Hill [here](#).

Dr. Paul T. Hill was the founder and now senior staff member of the Center on Reinventing Public Education at the University of Washington and testified as an expert on school finance as a part of the Texas Association of Business, Texans for Real Efficiency and Equity in Education, Joyce Coleman, et.al. Efficiency lawsuit.

¹ Edgewood I, II, III, & IV; West Orange Cove I, West Orange Cove II.

² *Texas Taxpayers and Student Fairness, et. al. v. Michael Williams*, Plea of Intervention by the Efficiency Intervenors.

³ *What Keeps Texas Schools from Being as Efficient as They Could Be?* filed by Paul Hill on behalf of the Efficiency Intervenors, in *Texas Taxpayers, et al. v. Michael Williams*.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

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