



Texans Need More Education for Their Money

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Key Points

- The education debate should focus on how to increase student achievement, not on how much money is spent.
- Real total public education spending is up since 2004.
- Texas taxpayers contribute plenty of money for public education, but need more education for their money.
- By increasing education freedom through student-centered funding, Texans can best learn and prosper from higher graduation rates and more job opportunities.

Introduction

Does Texas need more money for public education? This question can cause heated debates, which were on full display during the 85th Texas Legislature’s regular and special sessions.

In an effort to promote more public education spending, many people claim public education funding in Texas has fallen substantially over the last decade. For instance, [Marder and Villanueva](#) argue that public education was underfunded by \$3.2 billion in the 2015-16 school year if the real (inflation-adjusted) per-student spending in the 2007-08 school year had held constant. When looked at over time, real public education funding per student in Texas has substantially increased.

Although most of the debate has centered on how much money has been or should be spent, the focus should not be on taxpayer dollars spent, but really on how best to increase student achievement. The facts show that Texans need more education for their money, not more money for education. Texans can prosper by revamping the school finance system through education freedom, not by pouring more money into a broken system. Student-centered funding will ensure that dollars flow to the child and the classroom, not to bureaucratic bloat and infrastructure.

This paper considers four key points highlighting the importance of focusing on the quality of education delivered rather than the quantity of education funding.

Education Spending in Texas Is on the Rise.

To determine changes in public education spending over time, let us use data for total public education spending from all sources, including local, state, and federal funds. These data reflect taxpayers’ total cost for maintenance and operations (M&O) and bond issuances meant for facilities funding (I&S). **Table 1** shows real total public education spending and per-student spending from all sources.

Although public education spending has fluctuated in this period, real total spending increased 29.7 percent and real per-student spending grew 7.6 percent since the 2004-05 school year. Smoothing out the annual fluctuations by comparing the average spending over the period with our initial school year, real average total spending was 14.6 percent higher, and real average per-student spending was 3.6 percent higher.

Table 1. Texas’ spending on public education since the 2004-05 school year (real 2016 \$)

School Year	Total Public Education Spending	Per Student Spending
2004-05	\$49,936,608,405	\$11,391
2005-06	\$51,650,485,537	\$11,464
2006-07	\$53,835,495,970	\$11,762
2007-08	\$57,170,178,834	\$12,291
2008-09	\$61,167,094,728	\$12,937
2009-10	\$61,264,507,075	\$12,698
2010-11	\$58,405,027,811	\$11,889
2011-12	\$54,934,861,074	\$11,035
2012-13	\$54,973,548,649	\$10,867
2013-14	\$57,120,781,370	\$11,122
2014-15	\$61,754,759,068	\$11,841
2015-16	\$64,767,380,510	\$12,257
Real % Change (2004-16)	29.7%	7.6%

Notes: Data are from the Texas Education Agency (2017a) for total public education spending and total students, Fed FRED for consumer price index, and authors’ calculations for real and per student data.

Spending Fluctuations Do Not Mean Public Education Is Underfunded.

Because the Texas Legislature determines a biennial budget, **Table 2** presents biennial data from 2004-05 to 2016-17 for spending of state funds, federal funds, and all funds (state and federal), and includes the school district property tax levy and total education spending on a biennial basis from 2004-05 to 2014-15. Using biennial data allows us to look at education spending at the granular level and account for variations that are sometimes used to criticize the state.

[Marder and Villanueva](#) claim underfunding for public education in part by noting that state funding to public education was cut in the 2011 school year. However, there are several problems with this analysis. First, it uses dollars appropriated and not actual expenditures, which understates the amount of money schools actually received. Spending is typically higher than initial appropriations because of supplemental bills in the following session that cover underfunded amounts or because some funds were not expected when appropriations were made, such as the federal funds from the American Recovery and Reinvestment Act (ARRA). **Figure 1** illustrates the

Table 2. Texas’ public education-related biennial budget (real 2016 \$)

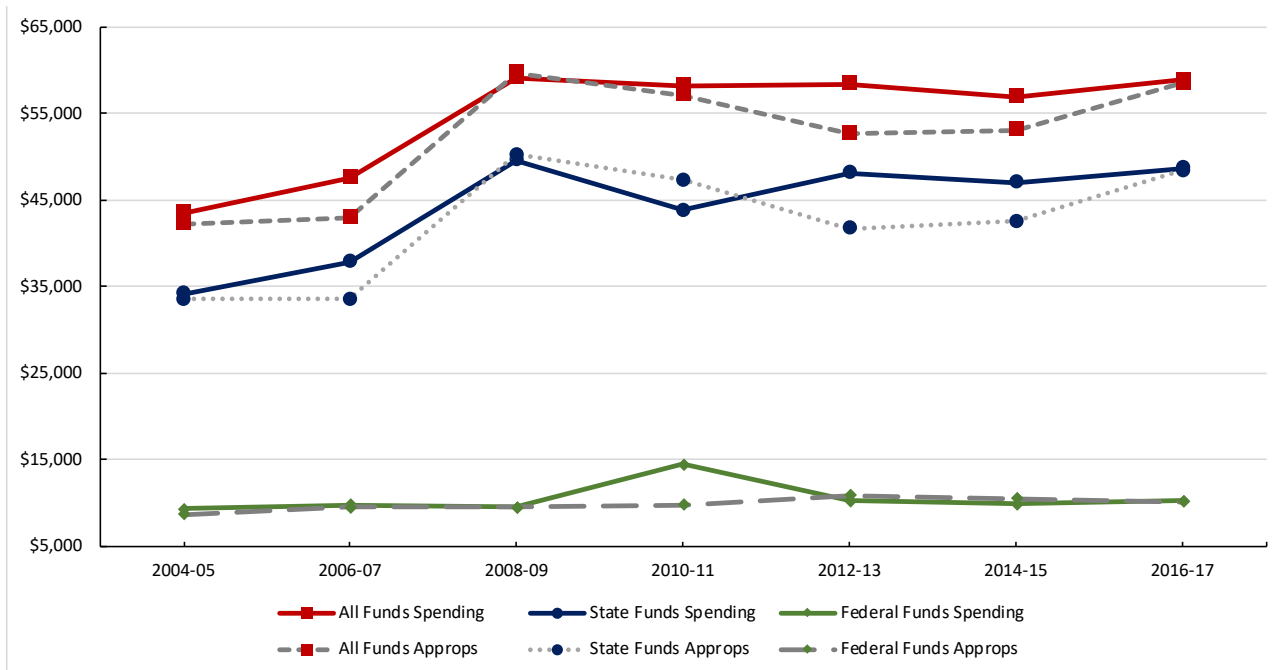
Biennium (Millions of \$)	All Funds Spending	State Funds Spending	Federal Funds Spending	School District Levy	Total Public Education Spending
2004-05	\$43,533	\$34,234	\$9,298	\$48,391	\$98,789
2006-07	\$47,600	\$37,836	\$9,765	\$46,713	\$105,517
2008-09	\$59,141	\$49,628	\$9,514	\$48,037	\$118,331
2010-11	\$58,262	\$43,829	\$14,434	\$47,200	\$119,625
2012-13	\$58,402	\$48,143	\$10,258	\$49,739	\$112,999
2014-15	\$56,922	\$47,033	\$9,889	\$55,703	\$ 118,878
2016-17	\$58,896	\$48,678	\$10,218	NA	NA
Real % Change (2004-17)	35.3%	42.2%	9.9%	15.1%*	20.3%*

*Notes: Biennial data are in millions of dollars from the LBB (2017) for appropriations and spending, Texas Comptroller for school district levy, and Texas Education Agency (2017a) for education spending, and authors’ calculations for real data. All Funds combines state and federal spending. *Latter two data are not available (NA) yet for 2016-17, so we calculated the real percent change through 2014-15.*

differences between appropriations and spending for public education from state, federal, and all funding sources in each biennium.

Secondly, focusing on only appropriated funds in one year does not account for fluctuations in spending over different years or in revenues from different sources. For instance, while it is true that total education spending was down in the 2010-11 school year, spending for the 2010-11 biennium was actually up over spending for the 2008-09 biennium because of a massive two-year influx of federal funds—due to the federal spending in the ARRA.

Figure 1. Texas’ public education biennial budget, excluding local funds (real 2016 \$)



Notes: Biennial data are in billions from the LBB (2017) and represent public education expenditures in all funds, state funds, and federal funds from 2004-05 to 2016-17.

This also highlights the fluctuations of funds from different sources. State funding might have decreased in the 2010-11 biennium, but that followed a massive increase of almost \$12 billion in the previous two years. Meanwhile, local funding also fluctuates. Education funding always fluctuates by year and by source and does so for various reasons, as explained in the details below ([Barba et al.](#); [Dietz, 2-3](#)):

- 2004-05 to 2008-09: In 2005, the Texas Supreme Court ruled the school finance system unconstitutional because the local property tax system was essentially a statewide property tax. The Texas Legislature held a special session in 2006 to correct this by increasing state funding over time to buy down property tax rates. They also enacted the business margins tax to replace lost education funding from local property taxes ([Ginn and Heflin](#)). The combination of these events led to a large increase in total public education spending in the 2008-09 biennium. The school district property tax levy ultimately declined only \$1.7 billion in the 2006-07 biennium, which was much less than the anticipated \$14 billion cut ([LBB 2012, 2](#)) because appraisals increased at a rapid rate, contributing to an increase in total public education spending.
- 2010-11 to 2014-15: The Great Recession resulted in less economic activity in Texas, which meant fewer state taxes collected and a large budget hole, leading to budget cuts across the board. The federal government attempted to fill the holes in state budgets, including for education, by passing ARRA in 2009. The influx of ARRA and other federal funds on public education in Texas was more than the state funding decline, thereby leaving total education spending higher than the previous period. By 2011, the ARRA money disappeared leaving an inflated period in education spending looking like a cut when those dollars were a one-time revenue source. The 2011 Texas Legislature delayed one quarter of the education payment because of a shortage of funds. This action made the 2012-13 appropriations look like a large decrease, but

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actual spending in that period was up as the 2013 Legislature backfilled the delayed payment in a supplemental bill. Total education funding dipped along with per-student spending, but those amounts quickly increased in subsequent years.

- 2016-17: Total expenditures and per-student spending are up since the 2004-05 biennium. State funds, federal funds, and all funds (state and federal) are all up in terms of appropriations and spending in the same period.

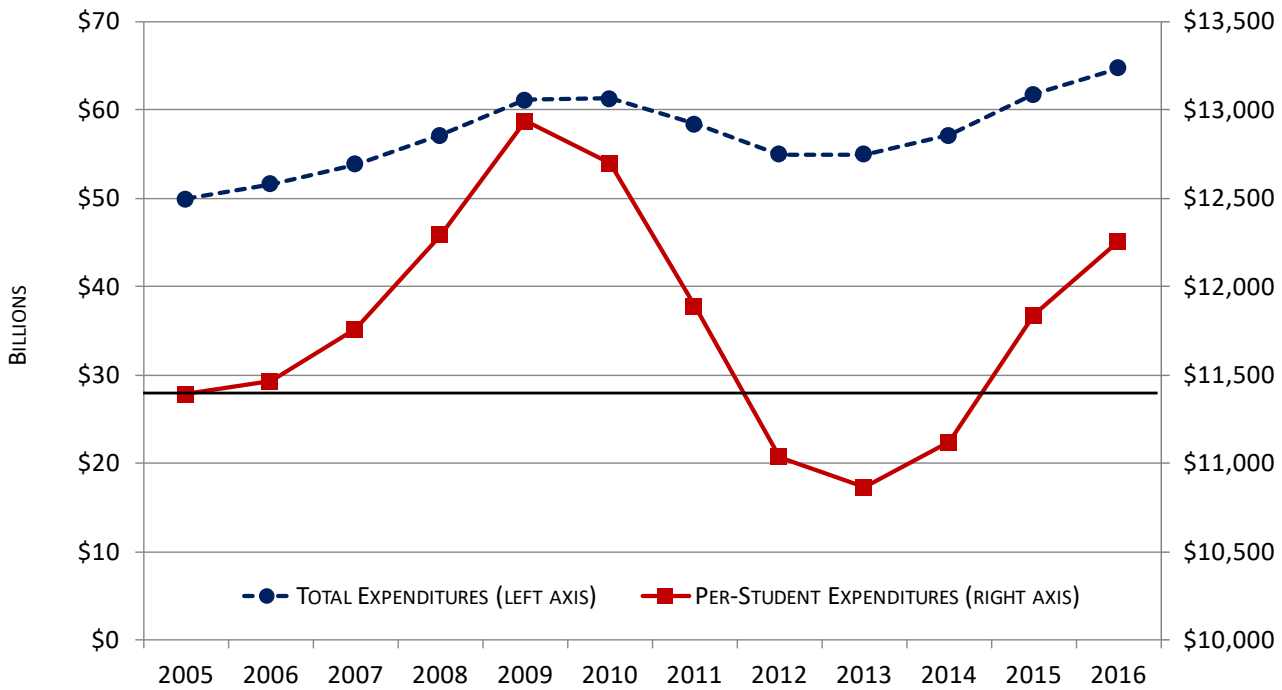
Cumulative Public Education Spending Is Up \$23.4 Billion from 2004-05 Levels

[Marder and Villanueva](#) claim that public education funding is underfunded by \$3.2 billion in the 2015-16 school year alone, or a cumulative \$5 billion, based on spending per student

remaining the same since their chosen benchmark of the 2007-08 school year. However, making this claim assumes that education funding in that year was at the appropriate level. Putting this into perspective, the 2008-09 biennium was when Texas property owners expected to continue receiving the benefits of a local property tax cut passed by the Texas Legislature in 2006—in response to a

Texas Supreme Court ruling finding the school finance system unconstitutional. A substantial state tax increase imposed on businesses through the new margins tax should have funded sustained local property tax relief. However, something unexpected happened to property owners on their way to the bank. Although all funds from the state’s budget for public education increased by about \$11.5 billion that biennium, the expected reduction in local property taxes never materialized; in fact, local funding for public schools actually increased by just over \$1.3 billion. All of this resulted in a large one-time increase in total public education funding, making the 2007-08 school year a high water mark for education spending. Picking that year as a benchmark results in a biased finding, showing a decline in spending in subsequent years, when education spending merely stabilized after a change to the school finance system.

Figure 2. Texas’ total public education and per-student spending are up since the 2004-05 school year (real 2016 \$).



Notes: Data are in billions from the Texas Education Agency (2017a) (see Table 1). Solid flat line represents the fixed real per-student expenditures of \$11,391 in the 2004-05 school year as student enrollment increases. Above the solid flat line represents surplus funding and below the line represents shortage funding.

The real problem with Texas education spending is not a decline, but the wild fluctuations caused by periods of excessive, unsustainable spending. **Figure 2** highlights the data in **Table 1** for total education spending and per-student spending.

Figure 2 shows that there has been a significant increase in public education spending since the 2004-05 school year. Expenditures during this period have spent much more time above the 2004-05 figure of \$11,391 per student, with the latest level at \$12,257 per student. This means that after tracking spending per student each school year above and below the 2004-05 benchmark, Texas spent \$4.6 billion more on public education in 2015-16, or a cumulative \$23.4 billion more in the period.

Public Education Today Is Not Focused on Students

Even with spending for public education in Texas increasing over time, are Texans getting enough education for their money? There are reasons to believe they are not, primarily because the focus of public education in Texas is not where it should be—on the students.

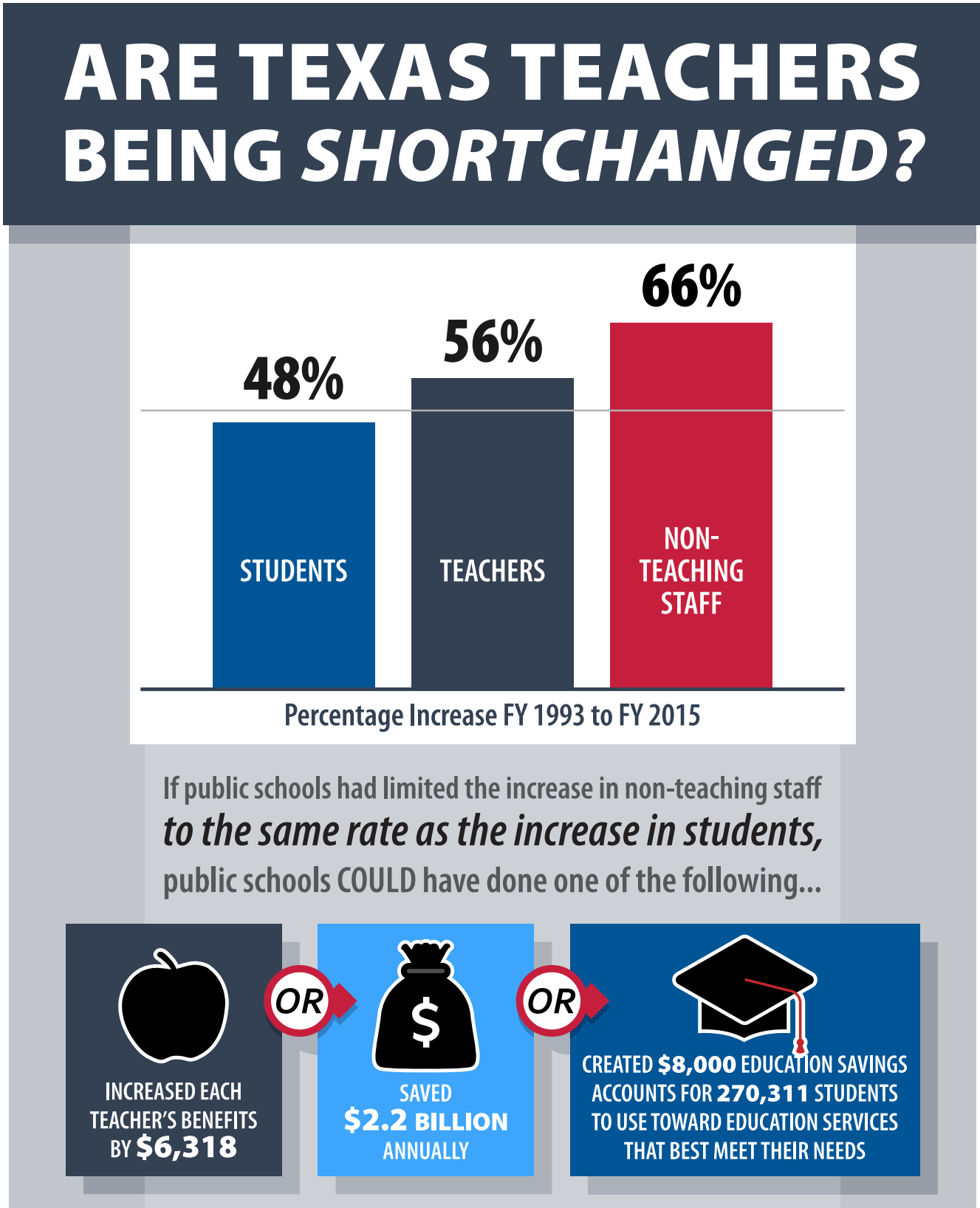
In the 2015-16 school year, Texans spent \$12,257 per student, with a standard classroom of 20 students receiving roughly \$245,000. With an average annual teacher salary of \$51,891 (Texas Education Agency 2017b), teachers received only 21 percent of classroom expenditures. Given that teachers, along with parents, are one of the most important factors in the

quality of education, this misdirection of funds away from the classroom is harming Texas students.

Another example of how public education’s focus on children has diminished is the staffing surge in administrators and other staff as compared with teachers. Using data from the National Center for Education Statistics for the period FY 1993 to FY 2015, Scafidi notes that the number of students has increased by 48 percent while the number of staff has increased by 61 percent. Administrators and other staff employment, not including teachers, has increased by 66 percent compared with only a 56 percent increase in teachers. There is a growing disparity between the number of students being taught in our public schools and the number of non-teaching staff. If public schools had increased the non-teaching staff at the same rate as its increase in students, Scafidi calculates that Texas’ public education system could have saved \$2.2 billion annually or increased each teacher’s benefits by \$6,318. See **Figure 3**.

Finally, the school finance system in Texas is not equitable on a per-student basis. Prior legislative efforts were designed around equity for schools rather than students. To resolve this fundamental problem, the focus should be shifted to equity for students. The Texas Supreme Court, which has dealt with school finance reform for the last 30 years, has repeatedly encouraged legislators to structurally reform the system, and did so even more forcefully in its 2016 opinion. The Foundation recommends moving to student-centered funding that allows

Figure 3. If public schools had increased the non-teaching staff at the same rate as its increase in students, Texas' public education system could have saved \$2.2 billion annually or increased each teacher's benefits by \$6,318.



families to best meet their child's needs and shakes up today's monopolized, inefficient public schools.

Conclusion

Although most of the debate today centers on how much money has been or should be spent on public education, the focus should instead be on how best to increase student achievement. The 85th Texas Legislature's creation in the special session of the Texas Commission on Public School Finance ([HB 21](#)) provides Texas an opportunity to get more education for taxpayers' money. This can be achieved by increasing edu-

cation freedom through student-centered funding so that more students can best learn and prosper from higher graduation rates and more job opportunities. Research finds that reforms increasing education freedom would likely improve performance at public schools ([DeVore](#)) and graduation rates—especially among low-income and minority students ([Wolf](#))—and would increase economic opportunities for Texans ([Ginn and Lueken](#)). After we get past the myth that more government spending is the solution to these problems, many more parents, students, teachers, and Texans can have more opportunities to flourish. ★

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