



## Myths About Texas School Finance

1. The Issue: Texas has dedicated \$7.1 billion new dollars to education between 1999 and 2004. That should be more than enough additional funding to support schools.

The Facts: Texas schools undertake a substantial obligation to educate 4.2 million students. In 2002-03, Texas school districts spent \$36 billion to educate these 4.2 million students. After adjusting for enrollment increases (about \$4 billion was needed between 1999 and 2004 just to fund new students), per-pupil education support grew at an annual rate of 3.9 percent between 1999 and 2004. The additional money represented by the 3.9 percent was used to cover the higher cost of health and other insurance, pay for increased utility costs, and raise salaries. Districts also used these funds for more special instructional programs and support services to a student population that includes increasing numbers of limited English proficient and economically disadvantaged students.

Over 90 percent of the \$7.1 billion new dollars came from local property taxes, not state aid. In fact, the state's share of school funding has been slipping for the past 12 years. In 1990-91, the state share was 47 percent. By 2002-03 it was 39.7 percent. This year (2004-05), the state share of school funding is estimated to be 36.3 percent.

2. The Issue: The Robin Hood school finance system is the root of education funding problems in Texas, and it should be eliminated.

The Facts: "Robin Hood" is the name given to the system used to provide funding through an equalized system for Texas' public schools. Texas heavily relies on local school district property taxes to fund public schools. The value of property varies widely from district to district across the state. Because of this variation, a district with high property wealth can raise much more revenue for every penny of its tax rate than another district with lower property wealth. For years, a great disparity existed between the amount of revenue the highest property wealth districts could raise compared to the lowest property wealth districts. To remedy this disparity the Legislature enacted a system to provide each district with the ability to raise substantially equal revenue at similar tax rates. Under this system, districts over a certain property wealth level must share their wealth with lower wealth districts. Currently, 135 school districts must share their wealth while about 900 districts receive money under the Robin Hood system. These 900 districts that receive money under Robin Hood educate 88 percent of Texas' public school students. Thus, for the vast majority of Texas school districts, Robin Hood has helped in a time when the state's share of school funding has slipped and enrollments continue to grow.

"Recapture" or "Robin Hood" was a legislative response to a court requirement to provide funding through an equalized system for Texas school districts. Robin Hood does not increase property values or drive up tax rates. These outcomes are a result of a strong

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Texas economy and increased demands for government services at all levels. Elimination of Chapter 41 and Robin Hood will not diminish the need for equalization in Texas education finance. However, if Robin Hood ends, legislators will have to reduce state aid to schools by about \$1.2 billion per year or find other revenue sources that would generate that money.

3. The Issue: There is plenty of evidence that schools are failing. Look at what is happening to the economy.

The Facts: Texas has plenty of evidence that schools are succeeding not failing. Texas public schools have demonstrated over time the ability to radically improve the performance of all students on rigorous state standards. For example, according to RAND Corporation, an evaluation of raw scores from 1999-2000 on a national test called the National Assessment of Educational Progress (NAEP), shows Texas to rank 27 out of 47 states. According to RAND, when comparing the performance of various states, it is important to control for family characteristics that impact learning, such as parental education, family income, age of mother at birth, family size, number of parents in the home, and ethnicity. When the results were controlled for these family variables, Texas ranked first out of 47 states for scores for students from similar families. That year, Texas had the fifth highest scores on NAEP for black students from similar families. Texas ranked first out of 46 states for white students' from similar families scores and ranked ninth out of 46 states for Hispanic NAEP scores for students from similar families.

The state's story of success with fundamental school reform and overall school improvements has been recognized at the national level. During the decade of the 1990s, Texas posted the second largest improvement on the NAEP. North Carolina was the only state with more improvement. The Princeton Review rated Texas as having the second best assessment program in the nation. Achieve Inc., a non-partisan organization, reported in July 2002 that Texas is a model of reform for other states.

Texas educators have the vision to continue this story and history of success, but success has a price. With the increased demands of this information economy and changing demographics, Texas cannot afford *not* to appropriately and significantly fund public education. Without the appropriate resources, student performance and student learning in Texas will suffer.

4. The Issue: Texas school districts report that they lack money needed to implement all federal mandates under the No Child Left Behind (NCLB) Act, but a report several months ago showed Texas returned an unspent \$11 million to the U.S. Department of Education. If schools lack money, why are they returning it?

The Facts: ~~When placed in context, the unspent \$11 million is less than one-half of one percent of the \$2.7 billion federal dollars that Texas school districts received during the~~

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year in question. The returned money was appropriated before the implementation of NCLB, so these unspent funds and unfunded NCLB mandates are not related. Hopefully, with NCLB, districts and the state will have the flexibility to move funds to other federal projects if, for example, enrollment in a specific program was lower than expected and less funding is needed. Good fiscal management suggests that when circumstances are uncertain, leaving some funds unspent (rather than overspending) is the conservative and fiscally responsible approach. Finally, when Congress is late passing appropriations bills, funds that were expected to come in the fall may come well after school begins, making it difficult for districts to begin new programs and hire staff in the middle of the school year.

5. The Issue: Too few resources reach the classroom. The Texas Comptroller and the Texas Education Agency have both reported that Texas school districts spend only 51 percent of their resources on instruction.

The Facts: The 51 percent figure represents expenditures recorded by school districts for an accounting code called "instruction." This accounting code does not include many services that directly benefit student learning and success in school. For example, this code does not include media services, libraries, librarians, curriculum development, and professional development for teachers. Likewise this number does not include counselors, school nurses, community services, social work services, and payments to juvenile justice alternative education programs. When spending is categorized as instructional versus non-instructional there is a tendency to associate all non-instructional costs with administration or with inefficiency. But, districts must incur a host of costs to support the classroom such as utility costs, security costs, building maintenance, transportation and a principal.

6. The Issue: Student instruction is the purpose of schools. Other expenditures are a waste of taxpayer money and should be reduced or eliminated.

The Facts: Texas law requires school districts to do many things to support the work of students and teachers. These requirements include testing, employee health insurance, calling and conducting school board and bond elections, and many other functions. While not required in law, most communities also expect the schools to provide transportation, food service, and security services. Another operational activity is data processing that provides the state, teachers, and the public with required information about school attendance, academic progress, and budget activity. In most cases, expenditures not directly tied to student instruction cannot be eliminated or substantially reduced.

7. The Issue: School district administration is excessive.

The Facts: Texas school districts spend 63 percent on instruction (including instructional resources, curriculum, and staff development), 13 percent on instruction related activities

(including principals, counselors, student services), and 20 percent on operations (including transportation, utilities, building maintenance, insurance, security, data processing). This leaves 4 percent for central office administration which includes salaries of central office leadership and funds for tax collection and property appraisal. Put into context, 4 percent is a modest amount of funding to dedicate to leadership of complex organizations like school districts.

Evidence from the private sector offers a context for considering whether Texas schools have too many administrators. The Educational Research Service recently reported on data from the Bureau of Labor Statistics on staffing ratios from other industries. In Texas, the ratio of non-administrative employees to each administrative employee is twelve to one. This ratio shows districts achieve a significantly higher administrative staffing ratio when compared to many other types of industry, such as transportation (9 to 1), food products (7 to 1), manufacturing (6.2 to 1), communications (3.7 to 1), and public administration (3.5 to 1). Compared to other industries, Texas public schools are more efficient in terms of staffing ratios.

8. The Issue: It has been reported that Texas school districts have \$5.1 billion in fund balances. If school districts have set aside this much money, they shouldn't be asking for more from the state.

The Facts: General advice from business officials is to keep the equivalent of two or three months of operating expense in undesignated reserve. Assuming the \$5.1 billion figure is accurate and represents all fund balances, it constitutes 14 percent of total district budgets and 21 percent of operating budgets. A fund balance for two months of operating expenditures would be about 17 percent; three months would be 25 percent. If the \$5.1 billion amount is unreserved and undedicated, it represents roughly the correct amount of funds that should be held in reserve for unexpected needs. However, at least some of that \$5.1 billion is reserved and includes funds to retire bonded indebtedness, funds set aside for major construction projects, and funds for federal and state programs when they receive the funds in a single grant but plan to spend the money of time.

9. The Issue: Texas needs a program of private school choice and vouchers for Texas students who are trapped in failing schools.

The Facts: Students are not trapped in failing schools. The nationally acclaimed Texas Accountability System bases school ratings on high standards for student academic assessments and dropout rates. Under the new accountability system in 2004, 92 schools were rated "Academically Unacceptable" (the new label for low performance). Of those 92 schools, 26 (or 28 percent) were charter schools. Students in academically unacceptable schools have transfer options through the Public Education Grant (PEG) program. They also have choice options under the new federal law. Most school districts that have two or more campuses serving the same age group offer transfer options to families, so long as the transfers do not violate civil rights laws that affect Texas.

Vouchers offer no guarantees for Texas parents and students. Private schools are not subject to school performance and academic standards, state curriculum requirements, teacher certification and training standards, financial accountability standards, or open meetings and records laws or requirements. In addition, private schools have no requirements to serve all students regardless of ethnicity, gender, religion, disability, language proficiency or other factors.