

Investing in Our Future:

What you need to know as Texas re-examines the school finance system

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In January, the newly created Texas Commission on Public School Finance [began studying and making recommendations to improve the school finance system](#). This five-part series prepares readers to engage with lawmakers and the school finance commission by providing background on past school finance commissions, the strengths and challenges of the current finance system, and recommendations for improvements.

- [Part 1: How We Got Here – Lawsuits, Studies, and Inaction](#)
- [Part 2: Leveling the Playing Field – Ensuring Fair Access to Education Funding](#)
- Part 3: Money in Education Matters – Determining the Cost of a High Quality Education
- Part 4: Funding Schools is a Shared Responsibility – Finding a Balance between State and Local Funding Sources
- Part 5: Education Costs Money, but Ignorance Costs More – Developing a Revenue System Capable of Funding High Quality Education Today and Tomorrow

Part 3. Money in Education Matters: Determining the Cost of a High-Quality Education

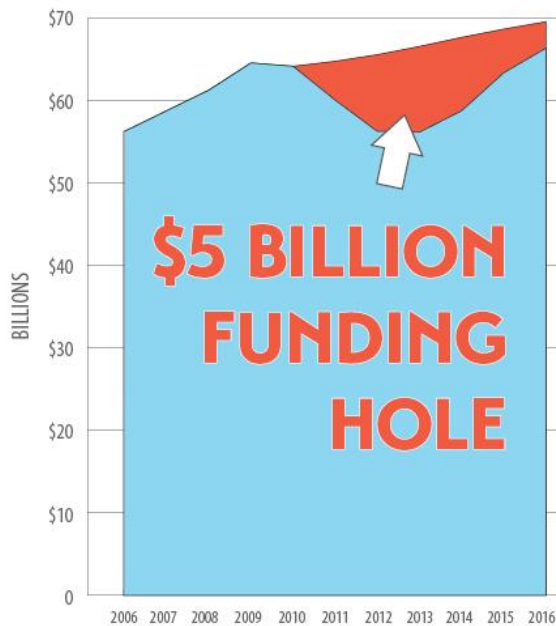
Asking the question “Does money in education matter?” is really like asking “Does school quality matter?” Well-funded schools have a stronger ability to offer high-quality teachers, reduce class sizes and increase arts, technology and STEM curriculum. Teacher quality is often cited as having the largest impact on student success, but even the best trained and most dedicated teachers struggle to be effective in over-crowded classrooms. Improving teacher quality, updating classroom technology and reducing classroom sizes all require better and more sustained funding.

Schools cannot invest with money that they don’t have. As detailed in [Part 1 of this series](#), past efforts by school finance commissions and study groups to determine cost-based funding levels were met with trepidation by state legislators who lacked the political will needed to fully support public education. As a result, many schools have never had access to the level of resources necessary to put the programs and interventions in place that we know improve the likelihood of success for students.

In addition to historical and prolonged underfunding of our schools, in 2011 the Texas Legislature cut \$5.3 billion from the two-year public education budget in response to the economic recession. This cut, which reduced funding by \$500 per student, left local school districts and campuses scrambling to make decisions on how to operate with less revenue despite a growing student body. In 2016, total per-student spending was \$3.2 billion below what it was in 2008, even when adjusted for inflation.

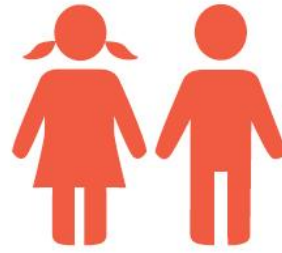
FIGURE 1

MONEY IN EDUCATION MATTERS



Source: Texas Education Agency, PEIMS financial reports.

Well-funded schools are able to:



- Offer small class sizes
- Attract and retain high-quality teachers
- Engage students with arts, music and computer science programs

Note: Increases in funding seen during the 2009 school year and the declines in 2010 and 2011 are due in part to an influx of one-time federal funding through the American Recovery and Reinvestment Act. Therefore, the 2011-16 funding hole is an estimate based on maintaining the per student expenditure level in 2008 as student enrollment increases.

Part 3 of this series explores the research on money in education, the consequences of the \$5 billion funding hole created by the 2011 Legislature, and our recommendation that this commission determine the cost of providing a high-quality education for all students.

The Research is In: Money in Education Matters

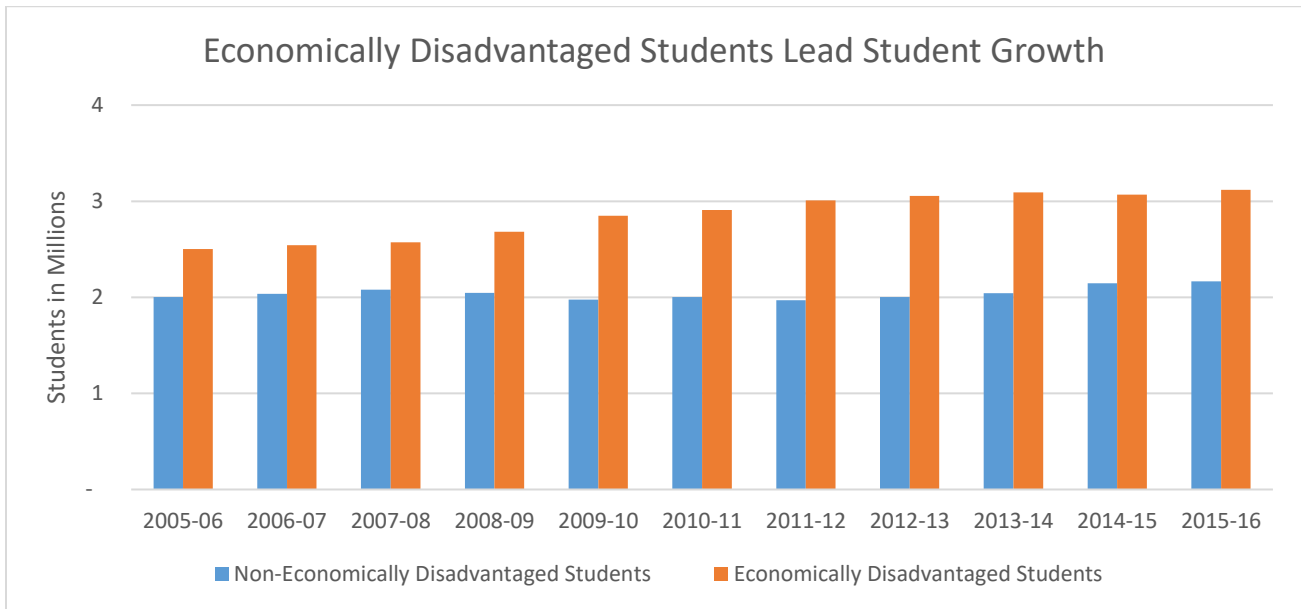
The fact “money in education matters” is firmly documented in decades of empirical, peer-reviewed research. The latest research shows that factors related to parental background outweigh school resources. After taking family background into consideration, school quality does play a meaningful role in improving educational outcomes for women, minorities, and other disadvantaged groups.¹

Research also shows that positive outcomes tied to teacher characteristics were stronger for minority children than for white children. Attracting and retaining high-quality teachers takes resources often unavailable at schools with high concentrations of low-income students. Because race and poverty often overlap, Black and Latino students are frequently in schools with high teacher turn over and inexperienced teachers. During the 2014-15 school year, more than half of Black students in Texas attended schools with more than a 20 percent teacher turnover rate.²

In a 2014 study, the Boston Consulting Group found that how much a state spends per student is significantly correlated with achievement for all students, particularly for low-income students.³ For example, a \$1,000-per-student funding increase for low-income students is correlated with a .42 point increase in 4th grade National Assessment of Education Progress (NAEP) scores.

Fifty-nine percent of children in Texas schools are economically disadvantaged, meaning they participate in the federal free or reduced lunch program. From 2008 to 2016, the number of economically disadvantaged

students grew 21 percent while the total student population increased by only 14 percent⁴; yet, total 2016 per-student spending is \$608 below 2008 pre-recession levels.

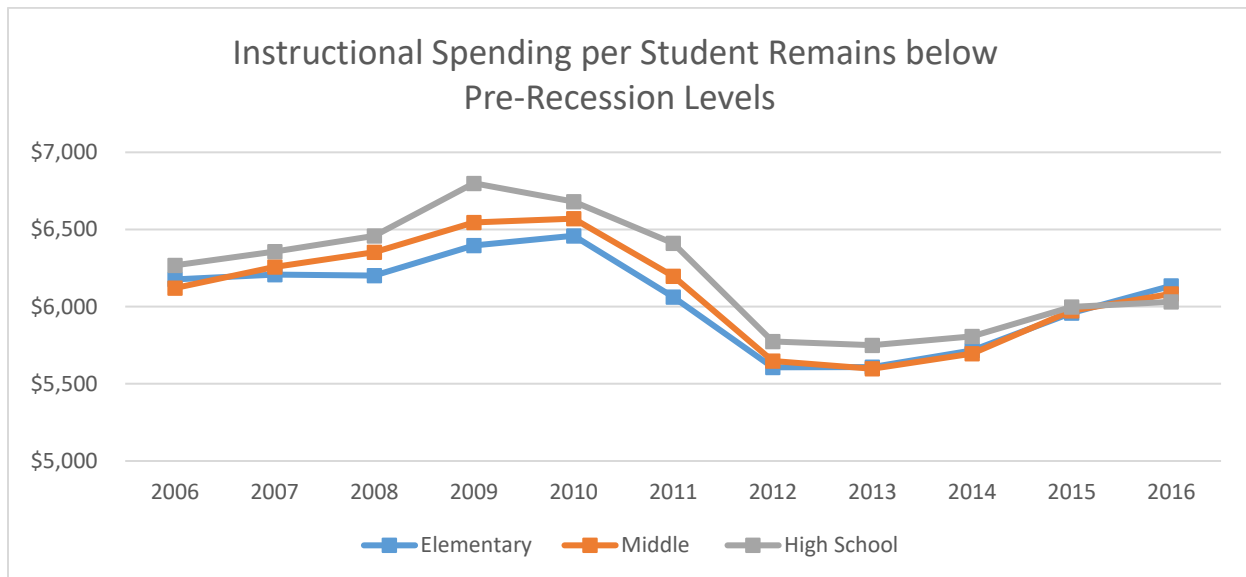


Source: Texas Education Agency. Snapshot Data 2005-06 to 2015-16

Consequences of the \$5 Billion Funding Hole

Money in education matters, so cutting educational spending has [consequences](#). School districts were forced to reduce spending on all educational programs at all grade levels in 2011 due to the phase out of American Recovery and Reinvestment Act funding and then again after the Legislature cut \$5.3 billion from public education funding.

Though spending on educational programs is beginning to rebound, the recovery has not been complete or even between grade spans.⁵



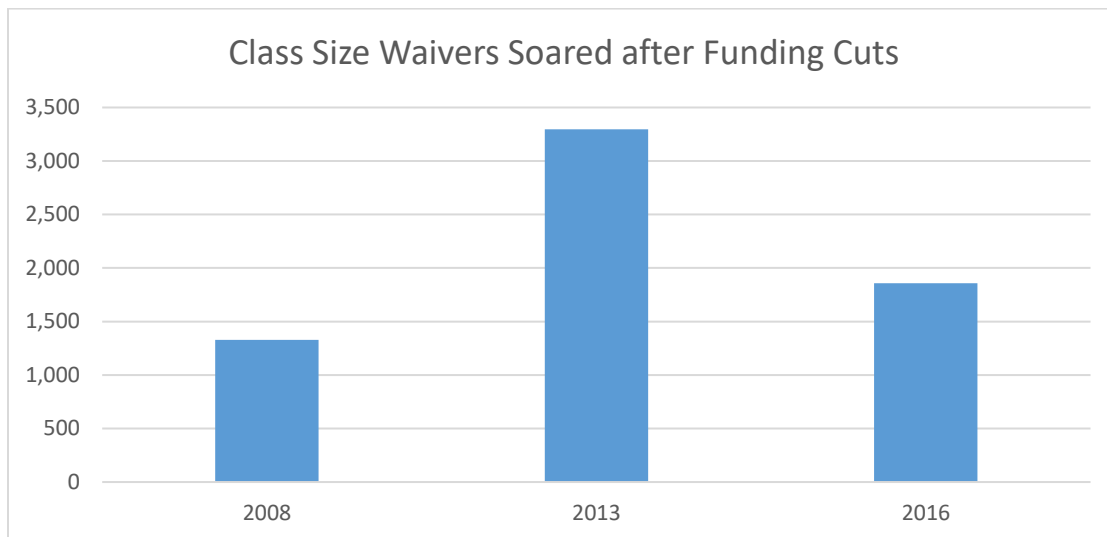
When comparing 2016 instructional spending to 2008 pre-recession levels:

- Elementary schools spent **\$65 less** on instructional programs per student.
- Middle schools spent **\$268 less** per student.
- High schools spent **\$428 less** per student.

Because the majority of school spending goes toward payroll expenses, consequences of the budget cuts are most easily seen in the loss of teachers within the system. In 2013, when spending was at the lowest point, there were 22,490 fewer teachers per student than in 2008. School funding is beginning to recover, however the state still needs to add 18,221 teachers to reach the 2008 student-teacher ratio.⁶

The funding cuts led to a 148 percent increase in the number of class size waivers approved by the Texas Education Agency from 2008 to 2013. Class size waivers allow classrooms in grades kindergarten through fourth grade to go beyond the 22-student limit. There is no class size limit for Prekindergarten, so it is unknown how many students are in overcrowded early education classrooms.

Note: Chart provides expenditures on basic, accelerated, special, bilingual instruction, and career and technical education per student adjusted for inflation at the campus level. Spikes in expenditures seen during the 2009 school year and the declines in 2010 and 2011 are due in part to a temporary influx of one-time federal funding through the American Recovery and Reinvestment Act. Source: Texas Education Agency, PEIMS financial reports.



Source: Texas Education Agency – Class size waiver report.

Multiple studies have shown that reducing class size is an effective strategy for closing achievement gaps and that small class sizes, especially in the early grades, lead to better academic outcomes. An analysis from a study conducted in Tennessee found that standardized test scores increased by four percent points for the first year a child is in a small class and that they maintain this testing advantage in subsequent years. The study also concluded that small class sizes had a greater positive impact on minority and economically disadvantaged students.⁷

Based on the Tennessee experience, California launched a statewide class reduction program in the mid-1990s that offered districts additional funding per student to reach a 20 to 1 ratio. New research from the National Bureau of Economic Research indicates that the program is having a positive and lasting impact.

Small classroom sizes are valued by parents, and reducing classroom sizes also lead to a decrease in private school enrollment.⁸ This shows that parents will choose public education if those schools are able to provide a high-quality environment.

When the Legislature cuts education funding, school districts are left with very few options other than to reduce the number of teachers and increase classroom sizes. Further analysis is needed to determine the full impact of the 2011 budget cuts, though the consequences of the state's decisions to underfund education will become evident in the coming decades as students advance from elementary school toward college and careers. Right now, we know that Texas dug itself a hole in education funding. Every year that the Legislature fails to invest in public education, that amount grows. Past spending gaps become future achievement gaps that could lead to a less prosperous future for Texas.

Recommendation: Determine the Cost of Providing a High-Quality Education to All students

We know that money in education matters, and when the state reduces funding, schools are unable to invest in proven strategies to improve educational success. What is unknown is the amount of funding needed to provide a high-quality education to all 5.3 million Texas public education students.

The 1980's school finance commission, led by Ross Perot, engaged in a process to develop the optimal funding for each school district and determine the costs and staffing levels needed to operate those schools. They also determined how those costs would shift for districts of different sizes and with different student needs.

The new Texas Commission on Public School Finance should build on the experience of the Perot Commission by outlining what elements make up a high-quality learning environment and what outcomes we ultimately want our students to achieve. From there, the commission can determine the costs associated with those goals. Once a target is established, the commission can develop recommendations on how to raise the revenue and methods of distributing funds.

Working through a hands-on cost study would give the commission and the Legislature a greater understanding of the level of resources needed to ensure Texas students are competitive in the evolving global economy.

¹ Baker, Bruce D. *Does Money Matter in Education? Second Edition*. Albert Shanker Institute; 2016.

http://www.shankerinstitute.org/sites/shanker/files/moneymatters_edition2.pdf

² Center for Public Policy Priorities – Texas Kids Count Project. *State of Texas Children in 2016: Race and Equity*; July 2017.

https://forabettertexas.org/images/KC_2016_SOTCReport_web.pdf

³ Boston Consulting Group. *Equity is the Key to Better School Funding*; February 2014.

https://www.bcgperspectives.com/content/commentary/education_public_sector_gjaja_puckett_ryder_equity_key_better_school_funding/

⁴ Texas Education Agency. Snapshot Data 2007-08 to 2015-16. https://rptsvr1.tea.texas.gov/perfreport/snapshot/index_old.html

⁵ Marder, Michael and Chandra Kring Villanueva. *Consequences of the Texas Public School Funding Hole of 2011-2016*. Center for Public Policy Priorities, UTeach, TEGAC – joint publication; October 2017.

https://forabettertexas.org/images/EO_2017_09_SchoolFinance_ALL.pdf

⁶ Texas Education Agency. Academic Excellence Indicator System, Staff Reports 2007-08 – 2011-12; Texas Academic Performance Reports, Staff Report 2012-12 – 2015-16. <https://tea.texas.gov/perfreport/tapr/index.html>

⁷ Baker, Bruce D. *Does Money Matter in Education? Second Edition*. Albert Shanker Institute; 2016.

http://www.shankerinstitute.org/sites/shanker/files/moneymatters_edition2.pdf

⁸ Mahnken, Kevin. *Reducing Class Sizes is Popular with Parents but not Education Experts. New Research on CA Program Might Change That*. The 74; January 2018. <https://www.the74million.org/reducing-class-sizes-is-popular-with-parents-but-not-education-experts-new-research-on-ca-program-might-change-that/>

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