

## FAST FACTS ON PUBLIC EDUCATION

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### HOW MUCH DOES TEXAS SPEND ON PUBLIC EDUCATION?

The first question many people ask about public school finance seems like the simplest: how much does Texas spend to educate our 4.2 million schoolchildren? The answer is important in the current debate about how to raise and distribute money for public education. Before we can decide whether we need to spend more, we have to know how much we are spending now.

Governor Perry says, “The total amount of public education revenue and receipts that were available for spending in the 2002-03 school year was \$40.7 billion or \$10,400 per student, based on ADA [average daily attendance].”<sup>[1]</sup> This figure is higher than the calculation of per-student spending by the Texas Education Agency (\$7,088 in 2002-03) or almost any other source, since it includes many sources of revenue that are usually not included in school-finance discussions.

The Governor also states that Texas ranks 12<sup>th</sup> among the 50 states in “K-12 total revenues and receipts per student, adjusted for cost of living differences.”<sup>[2]</sup> Like the total dollar claim, this ranking misrepresents the situation of Texas compared to other states, since it relies on both an exaggerated total number and a flawed measure of the cost of living in large Texas cities. In fact, Texas public education spending is below the national average, even when adjusted for local costs.

This *Fast Facts* describes other, more accurate, measures and comparisons of public education spending and explains how the Governor arrived at his total.

### CPPP CALCULATIONS

#### *NUMBER OF STUDENTS*

The number of students in Texas public schools can be counted in two ways: *enrollment*—the number of students signed up in Texas schools—and *average daily attendance*—the number who are actually present on an average day. Average daily attendance (ADA), which is usually used in school-finance calculations, is about 95 percent of the total enrollment.

For fiscal year 2004, average daily attendance is projected to be 4.01 million students. This number will be used in calculating per student spending in the following sections.

Enrollment growth is a major factor in the increasing cost of Texas’ public education system. Since 1999, average daily attendance has grown by more than 367,000 students—a 10 percent increase—with an average increase of nearly 73,500, or 1.9 percent, each year.

### *STATE AND LOCAL FUNDS*

For purposes of school finance equity, the most important measure of spending on public education is the amount of state and local revenue distributed through the Foundation School Program (FSP)—the basic program for distributing money to school districts. This is the measure considered when calculating the state's share of the cost of education (currently estimated by the Legislative Budget Board to fall to 36.2 percent in fiscal year 2004).

For the current 2004 fiscal year, FSP state aid is expected to total almost \$9.5 billion, while local funding is expected to contribute almost \$16.7 billion—a total of \$26.1 billion. Textbook funding and other state K-12 grants will total \$1.9 billion in 2004. For the 2004-05 biennium, total state and local funding is expected to be \$57.3 billion.

Since 1999, total FSP state aid has grown by only \$140 million—an increase of 2 percent. During the same time period, local funding has increased by \$5.3 billion or 47 percent. These changes are not adjusted for inflation, which would reduce the comparative purchasing power of current spending. In the past five years, the state share of total FSP and local funding has fallen from 45 percent to a projected 36 percent—a drop of one-fifth.

In fiscal 2004, state aid (the Foundation School Program) is expected to be \$2,356 per student, while local funding is expected to average \$4,159 per student—a total of \$6,515 for each student in average daily attendance. With other state K-12 funds (such as for textbooks) added, the per-student state/local funding average rises to \$6,998 for fiscal 2004.

Since 1999, on a per-student basis FSP state aid has fallen by \$198—a drop of 7.8 percent. In the same period, local funding per student has increased by \$1,039 or 33.3 percent. These changes are not adjusted for inflation, which would reduce the comparative purchasing power of current spending.

### *FEDERAL FUNDS*

Federal money is usually not included in school-finance calculations, as it is earmarked for specific uses. Most federal dollars are dedicated to education for low-income students ("Title I"), special education, and school meals programs. This money is intended to supplement state and local spending, rather than supplant these efforts. Federal funding has increased recently due to the No Child Left Behind Act and increased support for special education.

Federal funds appropriated by the state budget will account for \$3.5 billion, or only 11 percent, of operating funds received by school districts in fiscal 2004.

For the 2004 fiscal year, federal funding is expected to total \$863 per student in average daily attendance.

### *STATE, LOCAL AND FEDERAL FUNDS*

State, local, and federal funding for fiscal year 2004 is expected to total \$31.5 billion—an

average of \$7,860 in local, state, and federal operating revenues available per student in average daily attendance.

### STATE COMPARISONS

In assessing whether Texas is spending enough, comparisons to other states are often made, but their utility is limited. For instance, Texas is responsible for educating an unusually large proportion of low-income students and children who do not speak English. These students cost more to educate.

In addition, statewide average numbers do not accurately reflect the experience in the wide variety of school districts in Texas. Districts in urban areas have higher living costs and different student populations than those in suburban or rural areas.

Keeping in mind these limitations, here are how some national organizations rank Texas in spending per student and teacher salaries:

The National Education Association (NEA) ranks states according to current expenditures per student. These are the expenditures for operating local public schools, including such items as salaries for school personnel, student transportation, schoolbooks and materials, and energy costs. Interest on debt and capital outlays for buildings, land, or equipment are not included.

The latest numbers, for the 2002-03 school year, show that Texas spent \$7,152 per enrolled student to operate its schools. Per student in average daily attendance, NEA's current spending estimate would average \$7,670 in 2002-03. This is similar to the \$7,860 per student for 2004 calculated above.

The NEA ranks Texas 32<sup>nd</sup> among the 50 states in current expenditures per pupil in 2002-03. Average spending per pupil across the nation was \$7,829—\$677 or 9.5 percent higher than in Texas. The highest spending state, Connecticut, spent \$11,378 per pupil; the lowest spending state, North Dakota, spent only \$4,773 per pupil.

Because much of the cost of operating schools consists of teacher pay and benefits, some studies rank states solely on teacher pay, or on teacher pay adjusted for cost of living or years of teaching experience.

The American Federation of Teachers (AFT) survey uses an interstate cost-of-living index to adjust the average Texas teacher salary in 2001-02 from 29<sup>th</sup> in the nation to 16<sup>th</sup>. But even the AFT cost-of-living-adjusted Texas teacher salary is only \$44,110, *below* the U.S. average of \$44,367. Furthermore, according to the AFT index, the cost of living in Texas is only 88.9 percent of the U.S. average. However, the AFT survey shows the costs of living varying widely by city (and therefore, by school district), with costs tending to be higher in larger cities: Austin's costs are 106.1 percent of the U.S. average; Dallas and Arlington, 98.5 percent; Houston, 97.2 percent; and Fort Worth and Garland, 96.1 percent. If teacher pay statistics (or any other school spending data) are analyzed in terms of cost of living, the relevant cost of living is that of the local area, not a state average.

## THE GOVERNOR'S NUMBER

The Governor cites the National Education Association's (NEA's) *Ranking & Estimates*, a well-accepted source of school-finance data.<sup>[1]</sup> However, his use of these numbers is questionable.

The Governor accurately cites the NEA's estimate that Texas public schools received \$17.6 billion in local revenue and \$14.4 billion from the state in 2002-03. These numbers are significantly higher than numbers used by the Texas Education Agency (TEA) or Legislative Budget Board (LBB), as explained above, because they include many types of revenue not usually referenced during school-finance discussions. For instance, the NEA includes as state revenue all funds for operation of TEA, state contributions to the Teacher Retirement System, and the cost of textbooks, which are paid from a constitutionally dedicated fund.

The Governor also includes \$3.3 billion from the federal government. As mentioned earlier, federal money is usually not included in school-finance calculations, since it is generally earmarked for specific uses such as Title I, special education, and school meals.

In addition, the Governor lists \$5.4 billion in "bonds and other income," which matches the NEA's number for "nonrevenue receipts," which is primarily the amount received from the sale of bonds. Because Texas' fast growing population requires some school districts to continuously build and expand facilities, Texas has an above-average need to issue bonds. Including bond revenues leads to double-counting, since the money used to repay the bonds is included in the state and local revenue figures. This double-counting inflates the amount the Governor claims to be spent on K-12 by \$5.4 billion, or 15 percent.

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<sup>[1]</sup> <http://www.governor.state.tx.us/priorities/education/files/factsandfigures.pdf>

<sup>[2]</sup> *Ibid.*

<sup>[3]</sup> <http://www.nea.org/edstats/images/03rankings.pdf> Summary Table I, "Estimated Revenue and Non-revenue Receipts, 2002-03"