



Key Issues

- 1. The current financial crisis**
- 2. How Texas compares with other states**
- 3. Growing student populations**
- 4. School closures threaten communities**

1. Why Are Texas Schools in Financial Crisis Now?

Texas schools are in financial crisis due to a projected \$27 billion hole in the state budget. In short, the state simply does not have enough money to continue funding public education at current levels without increasing taxes, which many elected officials have sworn they will not do.

Why is the state budget shortfall so big? A key factor is an ongoing structural problem created in 2005 when the Texas Legislature reduced property taxes by one-third. State legislators increased the business tax and cigarette tax at the same time, but these changes did not produce enough money to offset funds lost due to property tax cuts. (This is known as a “structural deficit” because it does not depend on how well the economy is doing. Though the size of the gap may fluctuate, it will persist in boom or bust because of the way the tax law is structured.)

In addition, the national economic downturn caused a drop in state sales tax collections, which are only now starting to rebound. And one-time general revenue funds and federal stimulus funds – both of which were used to help balance the previous state budget – are no longer available.

Finally, enrollment in Texas schools and community colleges continues to grow, while at same time, declining property values have resulted in falling local property tax revenues. Together, these factors amount to a perfect budget storm – and a perfect mess for Texas schools.

On the plus side, the state does have a Rainy Day Fund with over \$9 billion, and money has also been accumulating in the Permanent School Fund. It is crucial that legislators use these resources to help our schools until state and local revenues can rebound. The Legislature could also choose to reduce some of the costly state mandates it has placed on Texas schools, to allow more local control and greater fiscal flexibility during the current crisis.

In short, there are tools that could help Texas schools in the current budget crisis. But it will take strong public pressure to give our leaders courage to use them.

2. How Does Texas School Funding Stack Up Against Other States?

State rankings for school funding vary by year and the methodology used, but Texas has consistently trailed most states in per-pupil education spending.

A comparison by the National Education Association shows Texas spent an average of \$9,227 per student in the 2009-10 school year, placing it \$1,359 below the national average.

This figure puts Texas in 37th place for school funding, compared to other states and the District of Columbia. It also represents a significant slip from ten years ago, when Texas ranked 25th in the U.S. and was only \$281 below the national average in per-pupil spending.

In other rankings for recent years, Texas has placed as low as 43rd or, with the inclusion of capital costs, as high as 36th. But by any measure, we're well behind the majority of U.S. states in per-student funding.

<http://politifact.com/texas/statements/2011/jan/31/wendy-davis/state-sen-wendy-davis-says-texas-ranks-44th-educat/>

Texas Legislative Budget Board/Texas Fact Book: <http://www.lbb.state.tx.us/>
<http://www.nea.org/home/1125.htm>

3. How Many New Students Can Texas Expect?

According to the Texas Comptroller's office, the State Data Center estimates that the number of public elementary and secondary school students will grow by about 900,000 between 2010 and 2040.

Texas already has the nation's second-largest elementary and secondary school enrollment, accounting for 9 percent of the U.S. total. The state's 1,031 public school districts, plus 332 charter campuses, serve approximately 4.6 million students, 20 percent more than ten years ago.

Texas has also seen a significant increase in the number of economically disadvantaged students in its public schools. In the decade between 1997 and 2007, the number of economically disadvantaged students rose from about 1.8 million to approximately 2.5 million. Today, more than 55.5 percent of all Texas students are identified as economically disadvantaged.

As our student population continues to grow, we must ensure that our state funding formulas keep pace with increased school enrollments.

<http://www.window.state.tx.us/specialrpt/tif/public.html>

4. School Closures Hurt Property Values, Disrupt Communities

As the state budget crisis forces more Texas schools to close their doors, expect an attendant loss in property values for Lone Star homeowners. A number of academic studies have found that what common sense already tells us: when a school closes, property in the surrounding area loses value.

Real estate agents say it's hard to sell a property near a vacated school due, citing buyers' fears about whether the property will be neglected or who may lease it.

And 2009 report by the National Association of Realtors noted that the quality of the school district an important factor for many prospective homebuyers, and that buyers generally question the quality of a district marked by closed campuses.

<http://www.californiahomeloan360.com/node/38333>

Area businesses may also experience a drop in sales when teachers, students and parents are no longer there to patronize their establishments. Besides the obvious drop in income, the loss of daily customers may also hurt commercial property values as well.

Of course, these declines in property values are reflected in local property tax bills. And while a smaller bill may have immediate appeal, it ultimately means lost resale value for the homeowner – and lost tax revenue for municipalities.

Other community impacts can't be measured in dollars and cents, but may be just as important. Neighborhoods that experience school closure often see young families move away and a general drop in civic engagement. <http://www.ajc.com/news/how-school-closure-impacted-449907.html> Both parents and students report disruptions in social networks when students are split up to go to new campuses, losing friendships that may take years to reestablish elsewhere.

Clearly, the costs of school closures are significant, both financially and emotionally. Texas leaders should use every tool at their disposal to make sure our public school doors stay open.

-Prepared by Save Texas Schools, 2011