

School Finance

*by William P. Hobby and Mark G. Yudof**

Media stories about environmental disaster abound in the modern world--oil spills, destruction of rain forests, holes in the ozone layer--but now the school finance crisis in Texas must be counted among them. Countless trees are being destroyed to provide the paper for an endless and often poorly informed debate about Proposition 1, the proposed constitutional amendment on the May 1 ballot. The smart money on the outcome of the election might be to invest in East Texas timber land.

The gist of Proposition 1 is simple. By authorizing the Texas Legislature to create county-wide education districts (CEDs), the proposed amendment would enable the CEDs to levy a uniform property tax rate across all of the local school districts within the county and then to redistribute the revenue back to those districts. Most districts would receive back the same amount of money that they contribute per pupil.

Some districts have far more property wealth than others and raise much more money for each penny of property tax. In a few counties, poor local districts would get back more money than they had contributed. The very rich local districts would get back less. Redistribution would be limited to about \$400 million in the near term. Thus Proposition 1 is a relatively modest effort to break the link between real property wealth and education expenditures (creating a "fiscally neutral" system) and to narrow the gap in the school districts' ability to raise money for education. The lack of fiscal neutrality is the constitutional evil identified by the Texas Supreme Court in a series of landmark decisions. In other words, Proposition 1 tries to achieve fiscal neutrality.

Does Proposition 1 solve the school finance crisis? Surely not. Is it helpful? Absolutely. It gives the legislature one more tool with which to address the problem. Why is this added tool necessary? The answer is that we are running out of alternatives. The court has said that the present county education districts are unconstitutional because the minimum tax rate was set by the legislature, in violation of the constitutional ban on a state property tax, and the people in each county education district had not approved that rate. It also has said that the legislature cannot leave the richest districts out of any equalization plan, permitting them to raise gobs of money at relatively low tax rates. If you take off one of the constitutional shackles, it is easier to devise a better plan. And Texans are as enthusiastic about massive consolidation of school districts, abolition of the local property tax and state-wide funding of education, and new state taxes as Californians are about earthquakes.

In voting on Proposition 1 the voters need to be attuned to the realities of the situation. As Freud once said, theories are good, but they do not prevent things from being true. First, while the Texas Supreme Court often has been as unclear about exactly what is required, there is no way to address the constitutional issue without moving funds to poorer districts (or leveling downward by capping spending in affluent school districts). The only question is where to get the money. Virtually all state-wide taxes have a redistributive effect (some communities and people receive back more in services and other support than they contribute in taxes); otherwise, we would be speaking only of a user fee (like a fee to defray the cost of picking up the trash once a week). Indeed, the "no politics" proposal relies precisely on this redistributive effect in advocating the use of state revenues.

Similarly, consolidation of school districts is a way of evening out resources over a larger geographic area. Just like some areas within a county may receive back more funding for roads or other services than those residents pay in taxes, the same type of result would occur if school districts were merged. Nonetheless, some opponents of Proposition 1 believe several impossible things. They promise to solve the problem of unequal access to education dollars without adding funds to the system, consolidating tax bases or school districts, or redistributing current funds. It cannot be done.

Second, much is often made of the fact that there is great public dissatisfaction with public education, that more money does not necessarily mean more learning, that the whole educational system is in need of

radical surgery and not palliatives. We agree. But the defeat of Proposition 1 is not the way. We need to address school finance problems so that our educators and policymakers can begin to move on to other critical problems. The present crisis has created enormous instability and uncertainty, diverting the attention of parents, political leaders, and school administrators from other worthy endeavors. There is nothing in Proposition 1 that would preclude major changes in the education system, ranging from school choice plans to site-based management and school restructuring. And it is morally bankrupt to argue that education dollars are not important in poor school districts and that this is a compelling reason why wealthy districts should retain their financial advantage.

Third, school finance reform in Texas is not primarily about race and ethnicity. In Texas, urban school districts tend to be reasonably well off in terms of property wealth, and yet they educate large numbers of Mexican-American and African-American children. There are identifiably poor districts that are overwhelmingly Mexican American, but there are also such districts that are overwhelmingly Anglo. (Boles ISD is one of the poorest districts and is 88% Anglo.) The issue is one of common sense and not racial politics: In the light of limited resources, voter preferences, the rulings of the Supreme Court of Texas, and our shared educational goals, what is the best school finance policy for all of the children in this state?

Fourth, some have urged that it would be better to infuse \$400 million in new state dollars into the poor districts rather than to approve Proposition 1. But where is the \$400 million to come from? Presumably from new state taxes, taxes that would have to be distributed in a manner similar to that under Proposition 1. More importantly, there is not enough money in the treasury to achieve fiscal neutrality. A hybrid approach of tax base consolidation (CEDs), new state dollars, and other reforms is the only feasible solution.

Whether Proposition 1 is embraced or rejected by Texas voters, we can confidently predict that years of skirmishing and litigation remain ahead. Proposition 1 provides a mechanism for reform; it does not implement a particular vision of equity. If it is approved by the voters, the courts will still need to pass on whether the state has established an "efficient" system of education. If it is defeated, the legislature will try once more, and, once again, the courts will be the final arbiters. But voters should be painfully aware that the demise of Proposition 1 would leave the legislature with few alternatives. Confrontation, gridlock and, alas, more fallen trees would be our fate over the long summer.

**Yudof is the dean of The University of Texas Law School. Hobby, a former lieutenant governor of Texas, has taught courses in school finance at The University of Texas at Austin and Rice University.*

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