The history of equity concerns in Texas public school finance, spanning over a century, is reviewed in this report. Three issues related to three reform eras are discussed: equitable availability of public schooling, equal resources for schools, and school effectiveness. State responses to the issues included equalization of opportunities in rural districts, implementation of the foundation program concept, and legislative action. The most recent challenge to the school finance system—a state district court's declaration of the system's unconstitutionality in 1987—has generated research on alternative financial policies and theoretical models. (64 references) (LMI)
EQUITY IN TEXAS PUBLIC SCHOOL FINANCE:
SOME HISTORICAL PERSPECTIVES

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EQUITY IN TEXAS PUBLIC SCHOOL FINANCE; SOME HISTORICAL PERSPECTIVES

Billy D. Walker*

The Texas system of public school finance has been the target of an egalitarian revolution for the past two decades. Judicial intervention, political pressure, and increased public awareness of the inequities of the school finance system have provided the impetus for repeated reform efforts by the Texas Legislature. Such noteworthy recent events as the *Rodriguez* case (1971),' House Bill 1126 (1975), House Bill 72 (1984), and the *Edgewood v. Kirby* case (1987)* have focused public concern on school finance inequities. While the more recent derivations of interest in school funding equity are to be found in U. S. Supreme Court rulings affecting school desegregation (1954), legislative reapportionment (1962), and protection of the civil rights of the poor (1965), the roots of modern school finance equity issues in Texas are similarly present in the history of public education in the state.

Equity issues in public education generally are divided into three 'generations.' The lines of demarcation between these generations, or eras, are not definitive and often overlap by many years in various states, regions, and locales. "First generation" issues revolve around the equitable availability of public schooling. The common school movement of the nineteenth century was the national response, but it was not until well into the twentieth century that the availability of free public schooling was universal. "Second generation" issues are circumfused by a concern for equality of inputs and began to appear only after the first generation issue of availability had been solved substantially. "Third generation" issues are contemporary and emerging. Interest is focused on the processes and outputs of education rather than inputs; that is, the shift of emphasis is from *quantity* (e.g., availability and equitable inputs) to *quality*. The third generation view is that adequate resources are necessary, but not sufficient, to ensure increased pupil achievement. The current third generation buzzword is "effective schools." A brief sketch of the historical development of first and second generation equity issues in Texas is presented below.

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Availability of Public Education in Texas

Throughout much of the nineteenth century, the political and social consciences of the people of Texas and the state legislature were focused on the affairs of a frontier society; that is, upon exploration, subjugation of hostile Indians, expansion of settlement, promotion of the agrarian economy, and protection of a concept of individualism without which progress on the frontier would have been unlikely. The importance of education barely was recognized, and the idea of public support for schooling of the masses was an alien philosophy espoused only by a very few enlightened persons.

Early Attempts to Establish Public Schools, 1836-1869

Curiously, among the many charges made against the Mexican government by Texas revolutionaries in 1836 was that it had not established a public system of education. This was a striking reason to be given in defense of a revolt, especially since the charge was inaccurate. The Mexican Constitution of 1824 left the responsibility for general education to the states, and the state of Coahuila y Texas had made elemental provisions for public education in 1827 and again in 1833. The accusation made good revolutionary rhetoric, but actual public interest in education scarcely existed in Texas.

The Constitution of the Republic of Texas, adopted in 1836, provided that the congress was “to provide by law, a general system of Education.” In 1839, and again in 1840, the congress set aside land grants to each county and established the rudimentary administrative machinery to implement the constitutional mandate through county governance. There exists no clear evidence that the Republic ever desired a state-supported and state-controlled system of schools; the congress provided an endowment for each county and left to parents the maintenance and control of schools. Land was so abundant in Texas that it held little value; therefore, funds for education largely were absent. This fact caused no great concern since few citizens supported the idea of a public school system. Education was thought of as a matter for private enterprise, and there is no record that any county ever used its endowment to establish public schools during the era of the Republic (1836-1845).

While the congress of the Republic recognized that land grants were inadequate as a method of school finance, there had been no hint of taxation for school support. However, a tide of immigration into Texas during the period of the Republic brought with it persons not only from the South, where public education was not yet envisioned, but also from the North, where tax-supported free public schools were an established or rapidly developing policy. The Constitution of 1845, adopted when Texas gained admission to the United States, contained a strong
charge relative to education, directing the "Legislature of this State to make suitable provisions for the support and maintenance of public schools" and to "establish free schools throughout the State and ... furnish means for their support by taxation on property."**

The idea of a general system of taxation for financing state-supported and state-operated schools still was inimical to the thinking of most Texans, and public schools, as mentioned in the constitution, were construed as private and community education enterprises. Free schools were those intended for orphans and the children of paupers. In practice, such children had their tuition to the private "public schools" paid by the state.9 While few citizens actually supported the idea of state-financed public schools, the concept did have its proponents. The antagonistic views were to clash bitterly over the next five or six decades, explaining to a large extent the vacillating course of Texas public schools and their financing in the nineteenth century. The resulting "system" was simple in the extreme. If a locality could raise the funds, it could provide whatever program it wished. If the dollars were not available, the programs, and perhaps even the school, did not exist.

By the early 1950s, more Texans became aware of the need for public education and school facilities. The population of the state was increasing at an enormous rate, but educational opportunities for children were rare. In 1850, only about one in every five or six children was enrolled in the private "public schools."10 In 1853 there was only one free public school, in the modern sense, operating in Texas. It was in San Antonio; ironically, it operated from lands given to the town under Mexican law. Thus, while the educational needs of Texans were expanding along with the population, the state itself had failed to provide a public education system, and school revenues were allowed to accumulate idly in the treasury.

The pattern of inertia relative to a public education system likely would not have changed had not a large sum of money become available to Texas in the early 1850s. As part of the Compromise of 1850, the United States Congress paid Texas $10 million in exchange for claims to western land made by the former Republic. After the public debt of the Republic was retired, public sentiment dictated that the remaining $2 million be expended for either education or public improvements. At this point, public education finance became a political issue for the first time. In 1853, Elisha M. Pease was elected governor on a platform that included a plank to assist both education and the financing of railroads.

The School Law of 1854 is a significant benchmark in the history of public education in Texas. The law took the $2 million surplus realized by the state, along with education funds previously appropriated but never disbursed, and established a permanent endowment fund for education. The revenues from this fund, to be derived from loans to railroads, were to be distributed annually on a per capita basis.11 The law was designed as an artful compromise between the supporters of
private schools (and state payment of tuition for paupers' children) and the growing minority favoring a free system open to all white children of the state.

In practice, the School Law of 1854 had little positive effect upon the creation of public schools. The law required that all counties be divided into school districts and that school buildings be constructed, at local expense, before the per capita apportionment could be received. Due to strong objections from many sectors of the state, the provision for districting was repealed in 1856. After 1856 any group of citizens could set up a school, employ a teacher, and draw state per capita funds to pay the teacher's salary. Since the vast majority of schools in the late 1850s was privately controlled, the paradigm operated as an early voucher system in which parents selected their children's educational circumstances and the state paid a per capita amount to the school, whether public (usually municipally controlled) or private. The law turned out to be a complete victory for private school proponents. Therefore, it remained that before the Civil War the most important institutions for learning in Texas were not a part of the fledgling public school system.

The decade before the Civil War was a time of rapid cultural progress in Texas, and the esteem granted to education, including public education, continued to grow even though state support was meager and poorly administered. The war interrupted these developments, and its long-term effects were highly destructive to the social, political, and economic fabric of the state. As a result, education was to flounder in chaos for two decades or more after the war. During the Civil War, the per capita distribution was abandoned and the permanent school fund was lost almost entirely due to: (1) loan defaults by railroads, (2) the collapse of the Confederate monetary system, (3) the repeal of a law passed in 1858 placing proceeds from the sale of all public lands into the fund, and (4) eventual transfer of the fund to the war effort.

The framers of the Constitution of 1866, drawn up in anticipation of return to normal status as a state by Texas espoused many of the same ideals so dominant before the war, especially the compromise between private and public school advocates. Before any action resulted, the federal Congress nullified the Constitution of 1866 and made all provisions inoperative. Subsequently, the state was plunged into disorder requiring martial law, and political power was wrested from the Democrats by the Radical Republicans, then emerging as politically predominant in the federal government.

**Emergence of the Public School System, 1869-1909**

The Republicans who brought Radical Reconstruction to Texas principally were Northerners who believed strongly in free public schools. Noting that:
Texas was “the darkest field educationally in the United States,”13 after thirty years there was not one state-supported school in the state, illiteracy and crim-inality were rife, and the “sacred school fund” had been depleted in the interest of a rebellion, the new government was determined to impose a better system of edu-
cation upon the people of Texas.

The Constitution of 1869 provided for the most highly centralized public school system Texas has ever had and contained numerous provisions that the majority of Texans found particularly opprobrious. Among these were: (1) compulsory districting of counties, (2) mandatory local taxation to provide for schoolhouses and a ten-month school year in each district, (3) compulsory school attendance for children 8 to 14, and (4) a strong central education agency. Less objectionable was the restitution of the Permanent School Fund and creation of an Available School Fund to serve as a distribution fund for: (1) income from the P. S. F., (2) one-fourth of the revenue from general taxation, and (3) a poll tax on all males 21 to 60.14

Predictably, the fiercest conflict occurred over the local property tax and the concomitant mandatory districting of counties. To Texans, many of whom were not yet convinced that public schools were necessary or desirable, the local taxation provision amounted to confiscation. Many refused to pay the tax. The School Law of 1871 set the rate at $1.00 per $130 of real property, but actual collections ran only about 26 percent of the levy during the two years that the tax was in operation.15

The lack of tax revenue did not inhibit the Reconstruction government, however, and by 1873, when the Democrats returned to power, educational indebtedness exceeded $1 million, a staggering sum for the time. Although the Radical Republicans were among the first to envision a genuine free public school system in the state, their excesses created an animosity among Texans toward public education that was evident for more than four succeeding decades.

In September 1875, a constitutional convention met in Austin to proclaim the end of Radical Reconstruction and to replace the offensive Constitution of 1869. The group that assembled mirrored statewide sentiment for retrenchment, economy, and the dismantling of an overly centralized state government. Of all the topics that emerged at the convention, education provoked the greatest controversy.16 There was violent debate over the education article to be included in the new constitution, and the several advances made by the Republicans were defeated soundly.17

The method of financing public education was to be a flat per capita grant from an Available School Fund consisting of income from the Permanent School Fund and a maximum of one-fourth of the general revenue.18 The framers of the new constitution apparently saw no inconsistency in this exiguous support and the legislative charge to “establish and make suitable provision for support and maintenance of an efficient system of public free schools.”19 It is also peculiar that
there was no provision for a state ad valorem tax for school support, a practice
followed in 1845 but apparently discontinued as a reaction to Reconstruction and in
the erroneous belief that a large Permanent School Fund would render such taxation
superfluous. In creating the P. S. F., the framers of the Constitution of 1876 were
less parsimonious. The P. S. F. consisted of: (1) all lands and funds previously
allocated to education since 1845, (2) all alternating sections of land retained by the
state in grants to railroads and for internal improvements, and (3) one-half the un-
obligated public domain (over 42 million acres in all).20

As might well be imagined, there was no provision for local taxation for
education outside incorporated cities. In 1875, the legislature had reinstituted a
practice (with historical precedent as early as 1837) of granting incorporated cities
some taxing authority for educational purposes, and this practice was not prohibited
by the new constitution. Since the vast majority of pupils lived in the state's rural
areas, where no districting system existed under the new constitution, local property
taxes for education were eliminated for most Texans.

The Constitution of 1876 reflected a conservative repugnance toward
the previous efforts to create permanent school districts and a true public education
system. Under the new system, schools were reorganized annually in a "community" arrangement between parents. This eccentric institution was without parallel in
American history and proved harmful to school development for obvious reasons,
producing both discontinuity and instability. The negative effects on school finance
were considerable: (1) local taxation was impossible, not to mention impermissible;
(2) many small, inefficient schools operated in areas not large enough for one dis-
trict; (3) state revenues were dissipated; and (4) some parents crippled school com-
munities through nonsubscription, since there was no compulsory attendance law.21

By 1879 many citizens already were demanding reform in the organization
and financing of schools. Rapidly expanding enrollments focused increasing
attention on the inadequacies of the per capita allotment. Moreover, Governor O. M.
Roberts, determined to balance the state budget, vetoed all appropriations bills
which provided the full one-fourth of general revenue for education until school
appropriations were lowered. The supporters of public education were alarmed at
the manifest futility of paying increasing education costs in an era of state fiscal
retrenchment. Two remedies were apparent: (1) enlarging the amount of the Per-
manent School Fund through increased land sales, and (2) local taxation. Eventu-
ally, both solutions were attempted.

Two laws were enacted in 1879 in an effort to promote land sales, but
both acts were repealed and modified in 1883 as acknowledged failures. Attention
subsequently turned to local taxation as a means of increasing school funding.
Many incorporated towns already had implemented local taxation for school pur-
poses, and rural schools began to consider adopting similar taxing policies. The
press of school finance difficulties eventually forced many citizens to reconsider their conservative taxation policy; fortunately, a revolution in public sentiment, albeit temporary, was sweeping through Texas. The "lighthouse" effect of a few successful urban districts did much to promote sentiment favoring local taxation for schools located in rural areas.

In 1883, the voters passed a constitutional amendment providing for several significant reforms. First, districting within counties, a necessary antecedent to local taxation, was permitted (though not mandated in all counties). Second, local taxation in rural common districts for maintenance and operation purposes was allowed to a maximum of 20 cents per $100 of real property, provided the tax was approved by a two-thirds vote of property owners in the school district. The amendment also added to the Available School Fund: (1) one-fourth of the revenues from the state occupation tax, (2) proceeds of a poll tax on all males 21 to 60, and (3) income from a state ad valorem tax not to exceed 20 cents per $100.

Despite the apparent progress made through the constitutional amendment of 1883, development was slow in rural schools. The vast body of the rural population had no concept of quality education and displayed little zeal for the task of improving schools. Not all counties organized into districts, and many districts did not vote to levy taxes despite the woeful inadequacy of state funds. Local taxation efforts were exacerbated by the two-thirds vote required to implement the tax, as well as by the prevalence of absentee landlordism. Stagnation and inertia remained the hallmarks of rural schools for many years.22

Many leading citizens and educators met in Austin early in 1907 to form the Conference for Education in Texas. The group met annually to promote the progress of schools, drawing their operating funds from the contributions of wealthy laymen and the few professional organizations in existence at the time. The chief influence of the conference was the proposal of, and work for, a number of desirable constitutional amendments. In 1908, a constitutional amendment was passed that: (1) made the formation of school districts in each county mandatory, (2) substituted a majority vote for the two-thirds vote necessary for local taxation in school districts, (3) raised the property tax limit for common schools to 50 cents per $100, and (4) allowed common schools to vote bonded indebtedness.

Thus it is seen that a permanent public education system in Texas did not come into existence until the passage of the School Law of 1909, which implemented the constitutional amendments of the previous year. Even then, it must be remembered that only elementary education was mandated in the 8,498 school districts existent in the 1909-10 year, that elementary school attendance was not compulsory until 1918, and that separate schools existed for blacks and whites. Moreover, public support for secondary education was slow to develop, especially in rural areas. In 1911, a law was enacted creating county boards of education to
govern common school districts and granting the boards permission to form rural high school districts at local expense. It was not until 1915 that a law was passed strengthening support for secondary education in all districts.

By the end of World War I, it may be stated fairly that free public schooling was available to all children in Texas, albeit that the public school system was rudimentary, poorly organized, and racially segregated.

Equity in Public School Finance

Long before the book was closed on the first chapter in the state's struggle to establish universal availability of a system of public education, the attention of Texans was turned toward an even more perplexing problem. Frederick Eby, the preeminent historian of Texas education, observed in 1925 that "the problem of equalization of taxation for schools and the problem of equalizing the opportunities of education for all citizens of the state are now being more generally discussed." Eby was merely reflecting upon a subtle ruction that had been brewing for almost fifty years.

Antecedents to Equity Issues, 1875-1925

In the years between 1875 and 1881 the Texas Legislature passed a series of laws that allowed town schools (those in incorporated cities) to exercise more self-determination relative to education. The municipal school districts created by these laws were the precursors of modern independent school districts. In the rural areas, it may be recalled, there was no formal district structure under the "community" system of public education, which was governed by the respective county judges and commissioners courts. In 1875, incorporated cities were granted the privilege of controlling schools within the city limits, building schoolhouses, voting bonded indebtedness, and levying taxes, given the approval of two-thirds of the property owners in the city. A law enacted in 1879 limited school taxes in cities to 50 cents per $100 of real property, while another act in 1881 allowed unincorporated towns and villages over 200 in population to incorporate for school purposes. The net effect of these laws, in addition to establishing the framework for independent school districts, was to grant town districts a distinct advantage over rural areas.

Even the constitutional amendment of 1883 did little to ameliorate the urban/rural disparities already present. In 1880, the statewide average tax effort for education, including both state and local property taxation, was 12.5 cents per $100 of real property. By 1900, the measure had risen to only 19.2 cents per $100, and the majority of school taxes was still being collected by the state and cities. Rural districts continued to rely almost solely upon the per capita allotment from the state. The shift from state funding of education to shared state and local funding created
wide disparities in educational quality as differences in local ability to pay and willingness to tax began to influence the school finance structure. While inequities in education finance existed from the beginning of state aid, the new state-local partnership and reliance upon local property wealth brought certain inequities into sharper focus.

By 1900, the large disparity in dollars expended for education was readily apparent, especially between urban and rural school districts. While approximately 78 percent of the state's 1.3 million pupils lived in rural districts, 65 percent of the school-owned property belonged in urban districts. Rural school districts spent an average of $4.97 per pupil in 1900 for an average school term of 98 days, and the average teacher salary was $226.82. In urban districts, an average of $8.35 was spent per pupil for an average school term of 162 days. Teachers in town schools earned an average salary of $458.50. Of the 11,460 rural school districts existing in 1900, only 930 were graded; the remaining 92 percent were one-teacher schools.

The most abhorrent feature of the bias against rural schools was the fact that it was legal and constitutional. The tax limit was 50 cents per $100 of real property in city districts, yet the constitution limited rural schools to a property tax of only 20 cents per $100. Town schools could vote bonded indebtedness; rural schools could not. Rural schools were guaranteed only a six-month school term (if they could get it), while city districts used local taxes to extend the instructional year. Moreover, there were no high schools in rural areas.

Reference has already been made to the benchmark constitutional amendment of 1908, which equalized taxing capacity, mandated the establishment of school districts, and allowed rural districts to vote bonded indebtedness. The types of districts created included municipal school districts, other independent school districts, and common districts that operated under county jurisdiction. In 1911, it may be recalled, county school boards were created to govern common districts and to form rural high school districts. As the amorphous shape of Texas school districts took form, attention was abruptly drawn to the disparities of taxing and spending that had theretofore been cloaked by the lack of organization, the vagaries of geographic distance, and the provincial perspectives of the citizens.

In one of its most significant actions to that time with respect to public school finance, the Texas Legislature in 1915 appropriated $1 million for each year of the next biennium for special rural school equalization aid. In order to receive the aid, a common district had to tax at its maximum legal rate of 50 cents per $100 of property. The state funds were intended to stimulate local tax effort in rural districts, not to provide equalization in the modern sense, but some equalization of expenditures no doubt resulted. In fact, the state constitution did not authorize such expenditures, but rural school equalization aid was made legitimate after the fact by a constitutional amendment in 1918.
The 1918 amendment to the state constitution provided for free textbooks and a 15 cents per $100 state ad valorem tax to finance them (above the 20 cents previously authorized in 1883) through the Available School Fund. The wording of this amendment made it legal for the legislature to appropriate funds directly from the state treasury for special purposes or to supplement the per capita apportionment. Although the amendment's intent was to ensure ample funds for free textbooks, the door was opened for legislative appropriations for education other than the constitutionally-dedicated Available School Fund.

Wars tend to be watershed events in history, and World War I was no exception. After the war the cost of living in Texas increased considerably, but there was no corresponding increase in the Available School Fund (A. S. F.). School terms were shortened radically throughout the state, and many teachers left the profession as a result of low salaries. Seizing upon its new authority, the legislature in 1919 made its first appropriation for education from general revenue, adding $4 million to the A. S. F. The state treasury had a surplus at the time, and the action was intended only as a stopgap measure, but through the years it became "business as usual" for the legislature to make such appropriations to ensure the adequacy of state per capita payments.

In 1920, another constitutional amendment abolished the tax rate limits on both independent and common districts, leaving the establishment of tax rate caps up to the state legislature. At the time, many believed that the state should make a smaller financial commitment to education; if local taxes were to make a greater contribution to the partnership, the taxing caps had to be lifted. Nonetheless, very few districts increased their tax rates appreciably. An unintended consequence of state enrichment of the per capita apportionment was local complacency; most districts simply preferred to rely upon a biennial state "bailout."

In 1920, Leonard P. Ayres, a professor at the University of Texas, took ten important aspects of education and developed scales and index numbers to rank the various states. That Texas ranked thirty-ninth among the forty-eight states alarmed many Texans, as did the fact that the National Bureau of Economic Research ranked Texas thirty-seventh among the states in overall fiscal effort for education. It was felt by many citizens that the entire system of education in the state needed study and investigation.

In 1923, the legislature established and financed the Texas Educational Survey Commission. The commission published its findings in eight volumes in 1925, recommending sweeping changes in the area of public school finance. Regarding the property tax, the commission stated that "there are injustices under the present method of raising and ad valorem tax. It is too much to expect that it will work equitably without some provision being made for the equalization of assessment rates among the counties." A state-level equalization board was
recommended. George Works, a Cornell University professor and the survey director, also suggested that the state discontinue use of the ad valorem tax and leave that source of revenue to local school districts, concluding that "the real estate tax as a state tax is relatively overworked in Texas."31

The commission's report suggested that state funds for education not be distributed on a per capita basis but rather "be apportioned with reference to the ability and willingness of communities to contribute to their schools."32 Drawing upon the pioneer thinking and research done at Cornell University by Harlan Updegraff, the committee recommended a district power equalization approach to school financing, as well as a constitutional amendment to eliminate flat grants to school districts.33 The recommendations by the commission were considered too liberal for the time, and most of them were ignored by the state legislature. Still, the work of the commission was particularly insightful, anticipating and framing issues of enduring importance in Texas public school finance.

The expansion of taxing potential in local school districts after 1920 produced even greater disparities in local expenditures due to wide variations in local ability and willingness to tax. Also, the lack of significant state contributions forced many school districts to rely heavily upon local resources if they desired quality programs. The Texas school finance system seemed ripe for reform similar to that occurring in other states where foundation programs based upon the theories of Strayer, Haig, and Mort were being implemented.34 However, conservative influences in the state resisted such reform for over two decades.

Early Attempts at Equalization Reform, 1925-1949

The structure of the state's school finance system changed little between 1925 and 1949 although state revenues from designated tax sources continued to rise, as did special legislative appropriations. Through the years, the lawmakers dedicated varying proportions of a number of miscellaneous taxes to the Available School Fund, including motor fuel taxes, cigarette taxes, liquor taxes, and severance taxes on oil and natural gas. Most state funds still were distributed to local districts on a per capita basis. The principal exceptions to this policy were the dollars spent for textbooks, transportation aid (first authorized in 1925), and rural school equalization aid.

The provisions of rural school equalization aid grew more complex as the state's intent shifted gradually toward equalization and away from reward for local tax effort. Rural school equalization aid was the legislature's sole attempt at fiscal equity in school finance prior to 1949. The aid was targeted to school districts that: (1) contained between 20 and 400 students, (2) exerted minimum local tax effort of 50 cents per $100 for maintenance and operation purposes, (3) achieved a
specified percentage of pupil attendance, and (4) possessed assessed property valuations of less than $3,000 per student. Districts with higher valuations per student could receive aid if they taxed property at a level of $1.00 per $100. Payments to districts were made according to a teacher unit formula and a state salary schedule for teachers.

A persistent problem throughout the history of Texas education had been the existence of a large number of small, inefficient school districts. As late as 1936, there were 6,953 districts in the state, including 5,938 common districts enrolling an average of 65 students. The 1,015 independent school districts enrolled an average of 831 pupils. By the mid-1930s transportation capabilities had improved to the point that school consolidation became a cogent issue. In 1938, the State Board of Education, after three years of extensive research, proposed the most radical and detailed school consolidation plan ever formulated in the state. Like so many previous attempts to make educational changes, this plan was resisted by conservative elements in the state and never was implemented.

By 1947, extreme pressure developed for change in Texas public school finance policy. The post-World War II period brought increases in both school enrollments and the cost of living, as well as a concomitant fear that revenues could not keep pace with expanding educational needs under the existing structure. The per capita apportionment was approximately $100, an amount scarcely adequate for a basic school program without substantial local taxation. While certain districts in Texas had taxable wealth sufficient to produce extravagant enrichment programs at very low tax rates, many others were either too poor or too unwilling to enrich programs. There still were over 5,000 school districts in the state, the majority of which operated as tax havens. Moreover, legal attacks on segregation and the gap between spending on white and black students were increasing, and the troubling concept of equal educational opportunity was assuming greater significance in the school finance logic of the state.

When the Fiftieth Texas Legislature met in 1947, a proposal for teacher salary increases within the rural equalization aid program triggered a legislative battle for reform of the entire state system of education finance. At the insistence of Governor Beauford Jester and other proponents of reform, the Gilmer-Aikin Committee was formed and charged with the responsibility of formulating a new plan for financing the schools.

The committee met periodically in 1947 and 1948 to develop a new system and to garner political support for the next legislative session. Guided by the advice of L. D. Haskew, dean of education at the University of Texas, and Edgar Morphet, a noted expert in school finance, the committee proposed a foundation program plan that would provide an adequate "minimum" education in every school district. In its report, To Have What We Must, the committee publicized the plight of
Texas schools and the needs for equality, preservation of local control, a minimum salary schedule for teachers, a fairer distribution of tax burdens, and a reorganization of state governance of education. In an unprecedented move, the committee formed citizens' advisory groups at the county level, enlisted the support of influential citizens, and entered the Fifty-first Legislature with strong citizen backing.

The Minimum Foundation Program (M.F.P.) proposed by the Gilmer-Aikin Committee had a simple premise: each student should be given an equal minimum educational opportunity financed by equalized local tax effort and supplemented by state aid sufficient to compensate for the variations in local ability to pay. The vehicle was a set of formulas for allocating state funds for personnel and operations. By use of a complicated county economic index, each local district was assigned its proportionate share of the 20 percent of the M. F. P. to be financed by local districts in the form of a chargeback called the Local Fund Assignment. The state, at least in theory, assumed 80 percent of the cost of the M. F. P. Local districts were free to enrich their programs beyond the state minimum program guarantee.

The Gilmer-Aikin proposals were enacted in 1949 with only minor changes, although legislative debate was heated and significant opposition was encountered. Senate Bill 115 reorganized the state administration, while Senate Bill 116 established the M. F. P. and its allocation formulas. Senate Bill 117 created the county economic index and provided for automatic financing of the foundation program. The legislature also abolished all nonoperating school districts, thereby reducing the number of administrative units by one-half.

The Second Round of Reforms, 1949-1975

Positive effects of the Gilmer-Aikin laws were soon evident. The provisions saved many school districts from fiscal chaos, and state aid per ADA increased significantly, rising to $174 per ADA in 1956-57 from $101 in 1948-49, the last year under the "old plan." However, several weaknesses in the newly created school finance structure soon became apparent.

First, a number of small, low-tax-rate districts were perpetuated by the increased state aid. Second, the economic index proved to be a complex and inadequate measure of local district wealth because of: (1) flaws in the formula itself, and the lack of certain necessary statistical data; (2) inaccurate credits given to certain types of land and districts, the costs of which were incurred in the Local Fund Assignments of all districts; and (3) the fact that the index primarily measured income while district wealth was based on taxable property. Third, the amount of state funds injected into the M. F. P. became more a function of the legislative process than of actual costs of an adequate minimum education. The result was that the
M. F. P. covered an ever-decreasing percentage of the total educational expenditures in the state.°

By 1965, the need for extensive revision of school financing methods became obvious once again, and Governor John Connally created the Governor's Committee on Public School Education, giving it the charge of developing a long-range school finance plan that would place Texas in a position of national leadership and prominence among the states in public education. Against a backdrop of general national concern for equity in school finance, the committee conducted extensive research into nearly every facet of public education and published its report in 1968.° For its time, the report was both radical and ambitious. It recommended a number of changes in the financing structure, including: (1) massive consolidation of school districts into efficient units that would reflect less variance in property wealth per student, (2) an expanded foundation program to encourage equalization through massive state aid, (3) substantial teacher salary increases, (4) abandonment of the economic index as a method of calculating local ability to pay, and (5) replacement of the index with measures of equalized property value.°

By 1968, when the committee report was published, John Connally was no longer governor, and his successor, Preston Smith, showed little inclination to pursue the issue of school finance reform.° Therefore, most of the proposals were ignored, the most notable exception being substantial salary increases for teachers. The principal effect of these salary increases was to suppress movement toward equalization, for the combined costs became politically unfeasible.°

On December 23, 1971, many Texans were stunned when a U. S. District Court declared the state's financing scheme unconstitutional. The plaintiffs in Rodriguez v. San Antonio Independent School District claimed that the state's method of financing education, which relied heavily on local wealth, discriminated against children living in property-poor school districts and denied these students the equal protection of the laws guaranteed by the Fourteenth Amendment to the U. S. Constitution. The trial court agreed and granted the state two years to develop a more equitable system.°

On appeal, arguments in the Rodriguez case were made in the U. S. Supreme Court in October 1972. In March 1973, the Court reversed the lower court's findings by a vote of five to four.° The Texas system was found to be constitutional, with the Court reasoning that: (1) poor people live in all districts, not necessarily in districts with low property wealth; (2) the goal of providing an adequate education program for each child in the state was accomplished through the M. F. P.; and (4) education is not viewed as a fundamental interest protected by the federal constitution.°
In the fifteen-month period from December 1971 to March 1973, most Texans assumed that the Supreme Court would uphold the district court's decision, true to the emerging national trend just becoming apparent. Several studies were launched, and three major reform proposals emerged--those of the State Board of Education, the Joint Interim Senate Committee to Study School Finance, and the Texas State Teachers Association. The most expansive remedy was that developed by the Joint Interim Senate Committee with the assistance of Peat, Marwick, Mitchell and Company. Its preferred alternative was a district power equalization approach to a new foundation program with increased levels of state support and legal minimum and maximum tax rates.\textsuperscript{55}

The Sixty-third Legislature met in Austin in January 1973, amid an air of uncertainty. When the Supreme Court's Rodriguez decision was learned in March, most legislators were relieved and resolved themselves to enjoying a temporary "stay of execution." One measure was passed in the House of Representatives that included an equalization feature, but it met a swift demise in the Senate. Governor Dolph Briscoe, who was bent on a course in pursuit of school finance equity, formed the Governor's Office of Educational Research and Planning, headed by Richard Hooker. This group conducted school finance research in ensuing months, much of which was to be incorporated into law in 1975.

When the Sixty-fourth Legislature convened in January 1975, school finance headed the list of major issues, and arguments revolved around improving equalization in the financing system. Major proposals or study findings were presented by: (1) the Governor's Office of Educational Research and Planning, (2) a Senate study panel, (3) several House study groups, (4) the State Board of Education, (5) the Texas Research League, (6) the Legislative Property Tax Committee, and (7) the Texas Advisory Commission on Intergovernmental Relations. The legislative response to these various presentations was House Bill 1126, a compromise bill constructed in the waning hours of the session.

House Bill 1126 made notable revisions in the state's financing plan, especially with the addition of State Equalization Aid under a renamed Foundation School Program. This aid initially was extended, on a formula basis, to all districts with property value per ADA that was less than 125 percent of the statewide property value per ADA. Even more important, perhaps, Local Fund Assignments were moved off the county economic index and were based on estimated actual market value of taxable property. The Local Fund Assignment rate was set at 30 cents per $100 of property value in 1975-76 and 35 cents per $100 in 1976-77, effectively doubling the local share of the F.S.P. The legislature added $1 billion of new money to the F.S.P. in an effort to shore up nearly all the allocation formulas and to implement a new weighted personnel unit approach to funding.
The Third Round of Reforms, 1974-1984

The equalization effects of House Bill 1126 readily were apparent by fiscal year 1976-77, the second year of implementation. Average state aid per pupil had increased by 31 percent, with districts in the lower property wealth ranges receiving substantially larger increases than those in the upper ranges. This shift was due primarily to the higher Local Fund Assignments, the part of the law that received the bulk of criticism from school boards and administrators. The small amount of equalization aid ($50 million), plus the fact that a large number of districts qualified for the aid, minimized the equalization impact of the State Equalization Aid provision.

In 1977, school finance once more headed the list of problems facing the state legislature. Because of the numerous differences in alternatives before the lawmakers, no consensus was reached before the session closed. In a special session in July 1977, the Sixty-fifth Legislature passed Senate Bill 1, which:

1. added approximately $1 billion of new money to the F. S. P.;
2. revised the Local Fund Assignment rate downward;
3. adjusted State Equalization Aid by increasing the funds available, reducing the number of eligible districts, and providing two different configurations;
4. included vocational and special education personnel units, which previously had been bonus units, in the F. S. P. calculations. The legislature also abolished state aid for the administration of common school districts, effectively forcing such districts to assume independent status.

There was a 24 percent increase in state aid per student in 1977-78, the first year of Senate Bill 1 implementation; however, this increase in aid was not sensitive to variations in local school district property wealth. This regressive outcome can be attributed to:

1. the decreases in Local Fund Assignments;
2. savings features in the law, such as ceilings on Local Fund Assignment increases and guaranteed minimum aid; and
3. the per capita apportionment feature, which was assuming increasing importance in direct proportion to increases in the Available School Fund.

A contemporary study indicated that the F. S. P., as it operated through the 1977-78 year, provided the substantial expenditure equality and some measure of fiscal neutrality. The degree of fiscal neutrality of the entire state system, including local enrichment revenues, was considered low, due principally to the large differences in property tax wealth among school districts. The net result was a moderate level of expenditure equality, but a wide range of district tax efforts was required to create this outcome.

In 1979, the Sixty-sixth Legislature again made revisions to the school finance laws to refine revenue plans and to improve upon formulas. Senate Bill 350:

1. expanded F. S. P. aid,
2. adjusted the Local Fund Assignment rate downward,
overhauled the system of transportation aid, (4) established floors for aid to necessary small districts, (5) included a fast growth adjustment for districts with rising enrollments, (6) reconstituted the save-harmless provisions, and (7) provided for support services to certain small districts for accreditation purposes.

Taxpayer equity emerged as the primary issue in school finance in 1979, as equalization of school finance became a secondary consideration. House Bill 1060 implemented the "Tax Relief Amendment" passed in 1978. This constitutional amendment greatly expanded the number of property tax exemptions in the state. Senate Bill 621 became the principal instrument of property tax reform by: (1) creating the State Property Tax Board; (2) creating county-wide appraisal units to consolidate appraisals for all taxing entities in a county, with the exception of county governments (which were added by constitutional amendment in 1980); (3) providing for uniform appraisal of property in each county, along with a mandated 100 percent ratio of assessment; (4) setting forth truth-in-taxation standards; and (5) opening the possibility of tax rollbacks through local plebiscites.

The Sixty-seventh Legislature that met in 1981 reflected a national trend in state legislative concerns, a shift in focus away from the school finance equity issue. The decennial task of legislative redistricting became the foremost issue, with both property tax and school finance reform taking a momentary back seat. Nevertheless, approximately $1.5 billion were added to the F. S. P., with the greatest amounts going for increases in teacher salaries, maintenance and operation allotments, and State Equalization Aid. Although the Local Fund Assignment rate was lowered, the net effect on the local share of the F. S. P. was an increase due to the rise in district taxable values as determined by the new State Property Tax Board.

In its regular session in 1983 the Texas Legislature was confronted by revenue constraints resulting from static state revenues, particularly taxes from oil, natural gas, and the state general sales tax. Legislators addressed an unfamiliar dilemma—increase state tax rates for the first time in over a dozen years or curb spending by providing only the funds necessary to carry out current law. The lawmakers chose the latter option, there being no desire to increase state taxing levels for education without reciprocity in terms of reform of the Texas public education system.

In June 1983, Governor Mark White appointed the Select Committee on Public Education to be chaired by H. Ross Perot. The committee was charged to investigate the financing of education in Texas with a view toward reform of the system in a special session of the legislature in early 1984. The Select Committee broadened the scope of its interest, held numerous public hearings, and did not report its recommendations until April 1984. Among the suggestions were: (1) an appointed State Board of Education to replace the elected State Board; (2) a more equalized school finance structure based upon a weighted pupil method of distribu-
tion instead of adjusted personnel units; (3) increased teacher salaries on the state minimum salary schedule; (4) a career ladder program for classroom teachers based at least partially on teaching performance; (5) smaller classes in the early grades; (6) a longer school day and school year; (7) restrictions on extracurricular activities; and (8) numerous new programs, such as prekindergarten education for four-year-olds.

In a special session lasting from June 4 to July 3, 1984, state legislators were subjected to extreme pressure by both liberal and conservative elements in the state in regard to school finance reform, tax increases at the state level, and other education issues. While the prospects for school finance reform and state tax increases did not look promising at the outset of the session, pressure was brought to bear by Governor White, Lieutenant Governor William P. Hobby, House Speaker Gibson Lewis, and other influential state officials. The most significant impact was made by Perot, who used personal funds to marshal a cadre of influential lobbyists. Still another factor was a Rodriguez-style lawsuit filed in state district court by a coalition of school districts that challenged the equity and constitutionality of the state school finance system.

House Bill 72 was the tangible result of the special session. The bill, which was more than 200 pages in length, touched on nearly all aspects of public education in the state. In addition, state taxes were increased sufficient to fund the provisions of the law and to provide highway construction assistance. While only the issues that are cogent to school finance are summarized below, some of the most heated debate on House Bill 72 centered on other areas; for example, the appointed State Board of Education, discipline management, and extracurricular activities.

A full discussion of the content of House Bill 72 with respect to school finance is not feasible in a paper of abbreviated length, and thorough discussions are available elsewhere. The major points of the law were: (1) retention of the foundation program model adopted in 1949, with equalization aid distributed in addition to F. S. P. allocations; (2) a change in the distribution unit from adjusted personnel units to weighted pupils; (3) establishment of a basic allotment per ADA; (4) implementation of a Price Differential Index to adjust basic allotments; (5) more liberal adjustments in basic allotment for small and sparse-area school districts; (6) expanded pupil weighting by instructional arrangement for special education funding; (7) expansion of compensatory education aid; (8) expansion of bilingual education aid; (9) weighting of vocational education students by full-time equivalents; (10) a vastly revised state minimum salary schedule for teachers and other professional personnel; (11) a career ladder program of salary supplements for classroom teachers; (12) increased transportation allocations within the same linear density formulas; (13) establishment of a “sum certain” ceiling on F. S. P. costs, with prorations to be made if necessary; (14) a new method of computing Local Fund Assignment based upon a statewide local share of 30 percent of F. S. P. costs.
(33.3 percent in 1985-86 and afterward); (15) implementation of an experienced teacher allotment; (16) expansion of, and creation of a new formula for, equalization aid; (17) equalization transition aid for districts losing state aid per ADA from the prior year; (18) removal from the Available School Fund all revenues except those dedicated by the state constitution; (19) rollback election protection for school districts losing state aid per ADA; (20) implementation of a prekindergarten program for disadvantaged four-year-olds; (21) initiation of summer bilingual education programs for limited English-speaking preschoolers; (22) class size maximums of 22 in Grades K-2 (with Grades 3-4 added in 1988-89); (23) deletion of funding for driver education, school-community guidance centers, and student teacher supervisors; (24) movement of some Teacher Retirement System payments to local school districts; and (25) a mandate for an annual performance report in each school district that includes school budgeting factors.

Recent Equity Issues, 1984-1987

In 1985, the Sixty-ninth Legislature made few changes to the reform act of 1984. However, in two special sessions in the summer of 1986 the legislature tackled state budget problems resulting from shrinking state revenues. A combination of budget reductions and a temporary sales tax increase resulted in public education monies being left relatively unscathed.

In 1987, in a special session required to adopt a state budget, the Seventieth Legislature made the temporary general sales and gasoline tax increases from 1986 permanent and expanded the sales tax. Among the reductions required to balance the state budget was a nonspecific 0.65 percent decrease in the F. S. P. from projected costs based on increased enrollment projections.

To the credit of Texas lawmakers, most of the new state monies allocated to public education in 1984 were funneled through the equalization formulas rather than appearing as categorical grants. The effects on equity were positive, as assessed after the 1985-86 year. In terms of adequacy of state support for the reforms enacted, Texas probably did not bite enough bullet in raising taxes for education. To make matters worse, as we have seen above, a rapidly declining revenue base has compelled the legislature to increase state tax rates merely to maintain education spending levels. As a result, reform costs have been shifted to the local level, where property taxes have continued to rise with program costs. In 1988-89, when districts must provide additional classrooms and teachers to satisfy additional class size mandates, increased costs will be borne almost entirely by the local property tax. The disparate nature of this revenue source is well-known and currently is being assailed in Edgewood v. Kirby.
The most recent round of equity issues in Texas public school finance has been raised by Edgewood v. Kirby, a state district court case in which the trial court set aside the current system of public school finance as unconstitutional because of the inequities between and among districts in their abilities to raise and to spend monies. At this time, the case is being appealed. Regardless of the outcome of the decision, the crucial issues in the case merit study because: (1) the implications for Texas school finance are far-reaching, (2) the case will dominate the thought of legislators and educators for the foreseeable future, and (3) the judgment provides a good case study of the principles of school finance equity.

Summary

The history of equity concerns in Texas public school finance is one of slow development and a protracted struggle encompassing more than a century. For many years, inequities centered on urban and rural disparities, and the state made some efforts to equalize opportunities in rural districts from 1915 to 1949. After World War II, escalating education costs as a result of increasing enrollments and inflation led to wholesale school finance reform in 1949, when the foundation program concept was instituted. Inequities in the foundation program were highlighted in 1971 in the Rodriguez case, which upheld the constitutionality of the Texas system but also spurred attempts to reform public school finance with a view toward increased equity. Examples of such reform attempts are House Bill 1126 (1975) and House Bill 72 (1984). In 1987, the school finance system was declared unconstitutional by a state district court in Edgewood v. Kirby, giving rise to current research and study into alternative school finance methodologies and theoretical models.
NOTES


8. Constitution of 1845, Article 10, Sections 1 and 2; in Gammel, Laws of Texas, 2:1297.


11. Journal of the Senate of the Fifth Legislature, Part II, 17-21. Per capita was defined as per scholastic appearing on the scholastic census of the county. This definition prevailed until 1949, when per capita was redefined as per student in average daily attendance.


15. Eby, Development, p. 163.


18. Constitution of 1876, Article VII, Section 3.

19. Ibid., Section 1.

20. Ibid., Section 2.


25. The “flat grant” approach to school financing was simple and cheap to administer but never equalizing in its effects. As first envisioned in 1854, the grant was not significantly disequalizing since the state had a high degree of homogeneity in its population, which was predominantly rural, poor, and unschooled. However, as demographics changed, the grant could not bear up under scientific scrutiny, as seen in Ellwood P. Cubberley, School Funds and Their Apportionment (New York: Teachers College Press, 1906).

27. Eby, Development, pp. 317-318.


30. Ibid., 2:69.

31. Ibid.; this desire was accomplished in the 1960s when the state ad valorem tax was phased out for all purposes except construction of higher education facilities.

32. Ibid., 2:109.


36. Ibid., p. 25.

37. Ibid., pp. 99-1794.


42. HCR 48, General and Special Laws of Texas, Fiftieth Legislature, regular session, p. 1135.

43. Gilmer-Aikin Committee, To Have What We Must (Austin: The Committee, 1948), passim.

44. The Gilmer-Aikin Committee originally felt that the MFP should include the costs of buildings, but this proposal was deferred until district reorganization was completed. It has never been implemented.


49. Ibid., passim.


51. Ibid.


55. Joint Interim Senate Committee to Study School Finance, Report on Public School Finance (Austin: The Committee, 19773), passim.


57. Ibid.


59. Ibid.


61. Ibid.


END

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