A STUDY OF DISPARITY IN EFFORT AMONG TEXAS SCHOOL DISTRICTS FOR DEBT SERVICE, AS WELL AS FOR MAINTENANCE AND OPERATION

DISSERTATION

Presented to the Graduate Council of the North Texas State University in Partial Fulfillment of the Requirements

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By

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The problem with which this investigation is concerned is that of determining the degree to which fiscal disparity in Texas school districts affects debt service, as well as maintenance and operation and local enrichment.

This study has four main purposes: to determine whether the poor school districts are exerting more or less effort for debt service, maintenance and operation and total taxation than are the wealthy districts; to determine how the size of Texas school districts is related to district wealth; to determine the number of Texas school districts that do not levy a tax for debt service; and to provide information for persons interested in school finance matters--namely, legislators, educators, students of finance and lay citizens who may or may not be property taxpayers.

To accomplish these purposes, a non-statistical investigation was made by comparing the 1979-1980 financial reports obtained from the Texas Education Agency for the 1,071 Texas school districts with respect to (1) the wealth of the district as determined by the average value of taxable property
in the district per student in average daily attendance (ADA),
(2) the size of the districts as determined by ADA, and (3)
the enrichment funds available within the districts per ADA.

From the findings, several conclusions can be drawn.

In spite of the many recent efforts by the Texas Legislature
to rectify inequities in the school finance system, inequities
still exist. Not only are the wealthiest districts the
smallest, but in matters of debt service and maintenance and
operation, the wealthiest districts tax themselves with less
effort yet produce more revenue per ADA. It seems evident
that the wealth behind each child to be educated or each
school to be maintained is greatest where the total wealth
is greatest and least where the total wealth is least.
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CHAPTER I

INTRODUCTION

Since 1968, a series of court cases has challenged the extent to which states have been providing equal educational opportunity in districts differing in property wealth. Texas is an excellent example of a state caught up in the issue of equity in school finance. In Rodriguez v. San Antonio (1973), the Supreme Court of the United States ruled that the equalization demanded was not a federal problem and shifted this responsibility back to the states (8, 9).

The Texas Legislature has devoted a great deal of time to the matter of equity in public school finance. The last three finance bills were attempts to answer the demands of the courts that Texas redesign its school finance system. Even after having made these attempts toward financial equalization, wide disparities still exist in Texas between school districts in their abilities to provide adequate programs and facilities (2, 11).

From the end of World War II through the 1960's, an unprecedented number of public elementary and secondary school facilities were constructed. Student population increases and rural to urban migrations made necessary the construction of thousands of new school buildings. The declining birth rate in the 1970's allowed some relief, but
migration has continued, and many school districts are still faced with the demand for new or renovated facilities, with inflation resulting in ever increasing costs (6).

Money spent for the construction and repair of school buildings is classified as a capital expense or outlay, and is normally budgeted separately from operating expense. There are many who believe that if a state assists in financing the current costs of operating schools, local school districts should be expected to provide their own buildings and other capital outlay needs. It is true that wealthy school districts may have adequate resources to provide facilities and that districts of average wealth may be able to provide satisfactory facilities through a high tax effort, but the poorer districts cannot afford adequate facilities unless there is outside federal or state assistance (6).

Statement of the Problem

The problem of this study was to determine the degree to which fiscal disparity in Texas school districts affects debt service, as well as maintenance and operation and local enrichment.

Purposes of the Study

The purposes of this study were (a) to determine whether the poor school districts are exerting more or less effort
for debt service, maintenance and operation and total taxation than are the wealthy districts; (b) to determine how the size of Texas school districts is related to district wealth; (c) to determine the number of Texas school districts that do not levy a tax for debt service; and (d) to provide information for persons interested in school finance matters; namely, legislators, educators, students of finance, and lay citizens who may or may not be property taxpayers.

Research Questions

To carry out the purposes of the study, the following questions were answered:

1. What average effective tax rate for debt service is levied by Texas school districts grouped by wealth deciles?

2. What average effective tax rate for debt service is levied by Texas school districts grouped by size deciles?

3. What average effective tax rate for debt service is levied by Texas school districts grouped by local enrichment deciles?

4. What average effective tax rate for maintenance and operation is levied by Texas school districts grouped by wealth deciles?

5. What average effective tax rate for maintenance and operation is levied by Texas school districts grouped by size deciles?
6. What average effective tax rate for maintenance and operation is levied by Texas school districts grouped by local enrichment deciles?

7. What is the average effective total tax rate levied by Texas school districts grouped by wealth deciles?

8. What is the average effective total tax rate levied by Texas school districts grouped by size deciles?

9. What is the average effective total tax rate levied by Texas school districts grouped by local enrichment deciles?

10. How many Texas school districts grouped by wealth deciles are there that do not levy a tax for debt service?

11. How many Texas school districts grouped by size deciles are there that do not levy a tax for debt service?

12. How many Texas school districts grouped by local enrichment deciles are there that do not levy a tax for debt service?

Definition of Terms

The following terms have restricted meaning and are thus defined for this study:

Fiscal disparity—unevenness in availability of financial resources among school districts;

Capital outlay—money spent for the purchase and construction of items of a permanent nature, such as land acquisition, building construction and improvements and equipment;
Assessment ratio—a claimed percentage that is multiplied by the market value to give the assessed valuation;

True assessment ratio—the actual ratio which can be determined by dividing the assessed valuation by the market value;

Market value—the price which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser who buys with knowledge of all of the uses to which it is adapted and for which it is capable of being used;

Maintenance and operation tax—the local tax whose revenue funds the purchase of materials and supplies for the day-to-day operation of the school program;

Debt service tax—the local tax levied to fund the retirement of bonds that have been sold for the construction and repair of school facilities;

Effective tax rate—the best measurement of "tax effort"; it is computed by dividing the total tax revenue by the actual market value (School Tax Assessment Practices Board figure) of property in the district (5);

Foundation school program—the vehicle for combining state and local funds into a single support system for public education in Texas; funds are allocated to the schools under formulas established by state law or the State Board of Education and provide for professional personnel and teacher
aides, transportation services, maintenance and operation of buildings, and some categorical programs such as special, vocational, and compensatory education;

**Average Daily Attendance (ADA)**—the official measure used to represent the number of students in a school district; it is used in calculating state aid; and

**Local enrichment**—the initiative that a local district can take to raise revenue for the support of their school program; this revenue is usually collected through ad valorem taxes (according to value on real and personal property) based on guidelines from the state legislature.

**Background and Significance of the Study**

The past decade marked a time in which increased attention was given to disparities in resources among districts in the states. Even though most state constitutions make education a state responsibility, in reality much of the responsibility is delegated to the local school districts. It is true that the local school system is presumably in the best position to make decisions concerning the educational services most appropriate to the needs of its community, but its decisions are also subject to the limitations imposed by the level of the local economic resources available for education. That level is largely determined by taxation on property wealth which is non-uniformly distributed throughout the districts in each state.
Several state courts have ruled that substantial disparities in educational resources due to varying levels of local ability to pay violate their constitutions by failing to provide equality of educational opportunity to all children (3).

In 1965, University of Chicago graduate student Wise wrote a comprehensive article suggesting that inequities in educational funding might be unconstitutional. As developed in great detail in his subsequent book,Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity (12), Wise argued that the equal protection clause of the Fourteenth Amendment could be interpreted to require that the quality of education within a state may not vary with the geography or because of wealth.

Later, from the work of Coons and two of his students, Clune and Sugarman (4), the constitutional approach that was to prove successful in a series of state supreme court and lower federal court decisions, including Serrano and Rodriguez, respectively, was developed. In their book, Private Wealth and Public Education, they maintain that the constitutional infirmity is essentially that of wealth discrimination. Coons and his colleagues ask that the courts strike down financing systems that permit local variations in wealth to determine the spending levels of the school districts in a state.
Intensive studies (2, 11) of the methods of raising and distributing resources for public education in Texas concur that the system of school finance in Texas makes the quality of education a direct function of the wealth of local school districts. This system provides for consistently higher quality schooling in districts with higher property values per pupil and consistently lower quality education in school districts with less local resources available for taxation. Additionally, these studies have shown that poorer districts tax themselves at consistently higher equalized tax rates, realizing far lower tax yields than do richer districts. Ironically, Texas communities that have the least money for their schools are the very districts that tax themselves most heavily to raise school revenues.

Most of the states, including Texas, do not aid districts with capital outlay expenditures, forcing them to provide financing on their own (6). Therefore, since educational revenues depend heavily on the resources in each community, as local wealth varies from place to place in a state, so do educational funds for facilities. This study focused on the degree to which debt service, as well as maintenance and operation and local enrichment, affect fiscal disparity in Texas school districts.
Procedures for Collection of Data

Official annual budgets for the 1979-1980 school year for each of the public schools in Texas provided the data for analysis in this study. The following data were included for each district: total tax rate, maintenance tax rate, debt service tax rate, maintenance assessed value, debt service assessed value, total revenues, local maintenance revenue, debt service revenue, revenue from local sources for enrichment, net local fund assignment, School Tax Assessment Practices Board market value, School Tax Assessment Practices Board index value, refined average daily attendance, and per capita and foundation state aid. Tapes of these budgets were obtained from the Division of Information Analysis of the Texas Education Agency. These tapes were converted into a printout by the data processing center at North Texas State University.

Population

The population included all of the public school districts in the State of Texas, numbering 1,071.

Procedures for Analysis of Data

This study was a secondary analysis of data which were nonstatistical in nature. The available data collected from the Texas Education Agency for the 1,071 Texas public school districts were grouped into deciles according to wealth, size, and local enrichment by the Computing Center at North Texas State University. These deciles did not represent equally
balanced increments, as the placement of a district within a decile was based on the total number of districts within Texas, reporting either dollar figures for the various categories or average daily attendance, rather than on predetermined, incrementally developed groups. A mean value in each set of deciles for each category was computed for purpose of comparison. The deciles ranged from the property poorest to the property wealthiest of the districts; from the smallest average daily attendance to the largest average daily attendance of the districts, and from the lowest enrichment revenue produced to the highest enrichment revenue produced of the districts.

**Answering Research Questions**

Research question 1 was answered by determining the average effective tax rate for debt service within each of the deciles grouped by wealth.

Research question 2 was answered by determining the average effective tax rate for debt service within each of the deciles grouped by size.

Research question 3 was answered by determining the average effective tax rate for debt service within each of the deciles grouped by local enrichment revenue produced.

Research question 4 was answered by determining the average effective tax rate for maintenance and operation within each of the deciles grouped by wealth.
Research question 5 was answered by determining the average effective tax rate for maintenance and operation within each of the deciles grouped by size.

Research question 6 was answered by determining the average effective tax rate for maintenance and operation within each of the deciles grouped by local enrichment revenue produced.

Research question 7 was answered by determining the average effective total tax rate levied by Texas school districts within each of the deciles grouped by wealth.

Research question 8 was answered by determining the average effective total tax rate levied by Texas school districts grouped by size.

Research question 9 was answered by determining the average effective total tax rate levied by Texas school districts within each of the deciles grouped by local enrichment revenue produced.

Research question 10 was answered by determining the number of Texas school districts that do not levy a tax for debt service within each of the deciles grouped by wealth.

Research question 11 was answered by determining the number of Texas school districts that do not levy a tax for debt service within each of the deciles grouped by size.

Research question 12 was answered by determining the number of Texas school districts that do not levy a tax for
debt service within each of the deciles grouped by local enrichment revenue produced.

**Reporting the Data**

After all of the computations had been made, the data was entered into appropriate tabular form for ease of reporting. Comparisons, interpretations, and conclusions were made from the tabular data in order to answer the research questions.
CHAPTER BIBLIOGRAPHY


CHAPTER II

REVIEW OF RELATED LITERATURE

Research in the financing of capital outlay has been limited. The 1970 National Educational Finance Project (2, p. 25) concluded that the literature on the financing of public school capital outlay has often been "pragmatic, sporadic, and isolated from the most meaningful research in school finance."

Historical Development

There are, however, several studies that have attempted to include a finance model for capital outlay with the state finance program. The early theorists on state school finance were not public officials or politicians; they were all university professors. One of the first and foremost was Cubberley. His historical examination of how "properly" to finance the school system of a state defined theories of equalization of tax support and of reward to local districts in a state for outstanding effort. Cubberley noted that state constitutional mandates for maintaining minimum standards caused unequal burdens on communities because of an unequal distribution of wealth among them. He recommended that the burden could be equalized through the use of a state school tax, cautioning that even this would fail to accomplish the goal for which
it was imposed unless revenues were distributed in a wise manner. The following is a statement by Cubberley concerning the state's responsibility for providing educational services:

The state owes it to itself and to its children, not only to permit the establishment of schools, but also to require them to be established—even more, to require that these schools, when established, shall be taught by a qualified teacher for a certain minimum period of time each year, and taught under conditions and according to requirements which the state has, from time to time, seen fit to impose. While leaving the way open for all to go beyond these requirements the state must see that none fall below (12, p. 16).

The conceptualization of school finance developed by Cubberley, his contemporary Strayer and their students, has dominated the thinking on educational finance during the twentieth century (1, 9, 14, 21, 29).

In 1922, Updegraff made a survey of the financial support of the rural schools in New York State. His report included additions to Cubberley's model and some new concepts that introduced the idea of the teacher unit and reward for local effort. Updegraff proposed that a percentage of actual costs for financing school facilities in a district be allowed in inverse relationship to the property valuation per teacher (21).

Strayer and Haig served as members of the Educational Finance Inquiry Commission whose purpose was to investigate that part of the educational problem which related to the cost of carrying out fully the program which prevailed in
New York State, believing that such an intensive study would help perfect a technique applicable to other states and communities (37).

Ten years after Strayer and Haig's report, Mort (29), Strayer's student, directed the National Survey of School Finance. This study surveyed the "outstanding" educational finance problems of the nation and established principles of and criteria for equalization and efficiency to assist states in the development of more satisfactory minimum state finance programs. Included in his recommendations was the concept of "weighting pupils." Mort also proposed that capital outlay could and should be financed by adding a percentage to the foundation program cost allowance for current operation (30).

Grossnickle examined several plans that had been proposed to enable a state to equalize for capital outlay, but he based his investigation primarily on Mort's plan that made provision for complete equalization of all items in outlay costs. Grossnickle tested Mort's hypothesis that there is a constant relationship between the expenditures for capital outlay and current expenses. He found, as Mort had predicted, that over a period of years there was a fairly constant relationship approximating 14 per cent between debt service and current expenditures. He proposed that a fixed percentage of the current expense program should be added for capital outlay (16).
In 1930, Morrison proposed that public schools could best be administered by the state, including the administration of fiscal policy. He suggested the use of a state income tax as the most equitable form of tax to use for the support of schools. Hawaii eventually adopted Morrison's plan (28).

Current Status

The past ten years have not been banner financial years for the public schools. Spiraling inflation has continued to exert constant pressure on virtually every item in school budgets, while antitax and antigovernment sentiment continues to limit policymakers' latitude to match appropriations to revenue needs. With taxpayer revolts, slashed budgets, and now federal cutbacks, many states face even stricter spending limits in the 1980's (13).

Financial stories have historically and continually made headlines. A recent front-page feature that has had profound effect on educational funding was Proposition 13. Approved by Californians in June, 1978, Proposition 13 was then followed by successful tax and expenditure limitation proposals in several other states the following November, and this mood has moved steadily toward lower spending for education throughout the nation. From many indications, the tax and expenditure limitation movement will not have run its course for some time. Tax reduction enactments will again
exceed revenue increases, with special emphasis on containing property tax increases. Without a doubt, these are foreboding signals for public schools because they are the largest users of property taxes (13).

Consequently, in attempts to confine budgetary needs within restricted revenues, postponable items were the first victims. Many inventories of depleted and consumable supplies, materials, and equipment were not replenished. Plant construction and maintenance needs were postponed and salaries of educational personnel fell behind cost-of-living standards.

Constitutionally, public schools are the responsibility of state governments; in fact, however, they depend primarily on local support and only secondarily on the states. A shift from local dependence is now being seen because of the situation being created by the recent influx of property tax limitations. Preliminary data for the 1978-1979 school year suggested that for the first time the states' share of school support matched and may even have been greater than the local governments' share (13).

Some states have been hit harder than others. Seven states have adopted either constitutional or statutory limits on taxation or expenditures. Comparison among states is difficult, but it appears that the northern industrial states have been hardest hit by legislated spending limits combined with inflationary cost increases, declining enrollments,
and a recession-triggered drop in overall tax receipts (32).

As a rule, states prepare budgets according to estimated tax revenues; also, unlike the federal government, deficit spending is constitutionally forbidden in many states. If the budget estimates are too high, spending must be cut back; if too low, a surplus is produced—either way, a fiscal and political tightrope.

Substantial state and federal cutbacks can create a chain of events that could spell devastation at the local level. The following is a look at some of the state action outside of Texas as reported by Pipho in the June, 1981, issue of the Phi Delta Kappan:

**California** The proposed state budget for 1981-1982 includes only a 0.2 per cent increase in spending from the general fund. Additional cutbacks in state government and school district budgets are scheduled again this year. Preliminary recommendations for these cuts seem to be steering away from local budgets when possible, but the department of education and items earmarked for the state library, the university systems, and other programs seem doomed for substantial trimmings.

**Indiana** The proposed 5 per cent increase in the funding level for public schools will be the lowest in the last ten years. Educators are concerned that inflation is continuing to outrun the rate of increase in school budgets. In 1979,
schools received a 7 per cent increase, while inflation was 12 per cent. Furthermore, many educators feel that public schools have already trimmed their budgets as much as they can and have additionally absorbed the difference between funds appropriated by the legislature and the negotiated cost-of-living salary increases. The Indiana School Board Association has predicted chaotic bargaining discussions for 1981-1982.

**Iowa** During the current fiscal year, state spending was reduced by 4.6 per cent to keep the state budget within expected revenue limits. This reduction combined with other budgetary revisions, caused severe problems for many local school districts. New legislation will permit local school boards to impose an income surtax to offset the difference between the state appropriations and the local need, but political repercussions will most likely deter some local districts from taking this action.

**Kentucky** Last year education appropriations were cut $18.5 million, and an additional cut of $44.3 million has been proposed for 1980-1982; together, these cuts will lower the amount of money available for elementary and secondary schools by 3.48 per cent. The cutbacks include a delay in textbook purchasing, a change in kindergarten allotment, and a curtailment in capital outlay expenditures. So far, teacher salaries have been spared the ax.
Michigan Cutbacks in the automobile industries have had an enormous effect on this state's budget. Last fall the governor ordered a 25 per cent cutback in expenditures and has asked voters to approve a property tax amendment to the state constitution calling for revenue cuts of $200-290 million. This proposal would cut property taxes in half, limit nonvoted increases in taxes to 6 per cent a year, raise the sales tax to 5.5 per cent from 4 per cent, and, in general, try to goad the economy with a significant tax cut. If the initiative is enacted by the voters, the governor has promised that the budget would be cut by October, 1981 (32).

These and other similar developments across the nation find public school education in a weakened condition at a time when it has a special need for fiscal vigor. Congressional mandates for special education entail increased revenue needs, as do mandates to equalize educational opportunities among school systems within states. Public school education is under siege from minority groups wanting hastened efforts in their children's behalf and from the courts which are mandating compliance with state constitutional commitments for equal educational benefits to all children.

Fiscal Equity

The 1970's go down in educational history as a time in which considerable attention was directed to disparities in resources among school districts in the states. These
disparities existed because educational revenues depend heavily on the local property tax; and, because local wealth varies sharply in different places in a state, so do educational revenues. In this period, some twenty states (many of which were prompted by the courts) made attempts to reform their school finance programs (7).

The 1970's also go down in history as a time in which considerable attention was directed to the question of "equal education opportunity" (7, 20, 25). This issue of educational equality has arisen in a number of contexts, most readily remembered in the right of all students to an education free of racial discrimination. However, students who attend school districts with fewer resources than other districts may also have been deprived of an equal educational opportunity. In the famous Brown v. Board of Education in Topeka case, the Supreme Court said:

Today, education is perhaps the most important function of state and local government. . . . In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms (8).

Progress toward equalization of educational opportunity has been slow. From 1920 to 1960, most of the states initiated state plans for financial equalization of school support. The most well-developed educational programs and best financed schools were found in the large core cities. These city school districts had fewer financial problems as they were
most often the wealthiest. State lawmakers and school leaders from many of these wealthy districts opposed both state and federal aid for education, contending that state and federal financial equalization of education smacked of socialism.

Now the situation has changed, some of the wealthiest districts are now suburban districts, and the large core cities are facing critical problems in school financing. Even though many large cities are still wealthy, they are now saddled with a large burden of municipal as well as school costs, which were not financial considerations in the first quarter of the century. Some of these municipal costs include welfare, transportation, pollution control, public safety, urban renewal, and other costs associated with a concentration of population. School costs have become monumental due to the large concentration of culturally dis-advantaged high-cost pupils in the large cities. Having lost their privileged financial position, the political philosophy of these core cities has changed. Now these cities are among the most vigorous advocates of state and federal aid for education (10, 20).

Although our forefathers declared over 200 years ago that all men are created equal and adopted the Fourteenth Amendment some 100 years ago, only now are these concepts being applied to education. In 1971, when the California Supreme Court, in Serrano v. Priest (36), adopted the
so-called principle of "fiscal neutrality," the first major legal breakthrough in school finance reform occurred. The court found that the state system of financing education, with its heavy dependence on the local property tax, resulted in substantial disparities in per-pupil revenues among school districts because of the variation in taxable property wealth (13, 14, 20, 24, 25).

Consequently, because local wealth varied sharply in different places in the state, so did equal educational opportunities; thus, creating a situation which was in direct conflict with the court's principle of fiscal neutrality which maintained that education is a fundamental right which cannot be conditioned on the wealth of a child's parents or neighbors (5, 7, 11, 24, 25).

Not only the courts, but many authorities in the field of school finance addressed the issue of fiscal neutrality. Benson stated:

It is not meant to suggest that all children should have the same amount of money spent on them. Rather, subject to social needs and practical possibilities, each child should be encouraged to reach a high development of his abilities, in accordance with his aptitudes. Common sense leads one to believe that this objective would point to quite different expenditures on various children. But nothing very startling is implied about geographic differences in provision. Two districts of about the same size should spend about the same amount of money on education, since each should, statistically speaking, have about the same proportion of costly and cheap children to bring through school [The major exceptions are cities which] have school populations in which the proportion of pupils from intellectually diminished (or broken) homes is remarkably large (5, p. 20).
Keppel's ideas were similar:

If "equality of quality" in education is to have meaning, it necessarily applies to the poor as well as the rich, to the Negro as well as the white, to the bright as well as the average. It applies to every student without favor and without regard to the place in which he happens to live. There can be no inequality based on accidents of geography (23, p. 75).

In 1965, University of Chicago graduate student Arthur Wise wrote a comprehensive article suggesting that inequities in educational funding might be unconstitutional. As developed in great detail in his subsequent book Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity (40), Wise argued that the equal protection clause of the Fourteenth Amendment could be interpreted to require that the quality of education within a state may not vary with the geography or because of wealth. Wise concluded:

Equality of educational opportunity exists when a child's educational opportunity does not depend upon either his parents' economic circumstances or his location within the state (40, p. 146).

Later, from the work of Coons and two of his students, Clune and Sugarman (11), the constitutional approach that was to prove successful in a series of state supreme court and lower federal court decisions, including Serrano and Rodriguez, respectively, was developed. In their book, Private Wealth and Public Education, they maintain that the constitutional infirmity is essentially that of wealth discrimination. Coons and his colleagues ask that the courts strike down financing systems that permit local variations in wealth to
determine the spending levels of the school districts in a state.

Court Cases

A notable development in the field of public school finance has been a shift in the leadership for reform. Historically, this leadership has been provided by state departments of education; now, as evidenced by Serrano, the courts are emerging as leading policy makers in school finance. Backed by the equal protection clauses of state constitutions, judges in a number of state and federal courts have invalidated state systems of public school funding, thus providing a starting point for reform. The courts have given no answers to the unfairness and irrationality of educational funding in the nation, leaving it up to state legislatures to determine how educational resources should be allocated, and the range of alternatives has been wide. In Serrano v. Priest, Justice Sullivan said only that school finance systems "(should not) invidiously discriminate against the poor (by making) the quality of a child's education a function of the wealth of his parents and neighbors" (36). Serrano did not prescribe a remedy, but commanded only that the nexus between community wealth and educational expenditure be broken.

Since Serrano, a succession of court orders has mandated state legislatures to carry out the equalization of local school expenditures. Less than two months after Serrano, the
Federal District Court in Van Dusartz v. Hatfield had adopted the Serrano rule for Minnesota (24, 39).

In another 1971 case, Rodriguez v. San Antonio School District, a Federal District Court found that the minimum foundation program for financing public education in Texas was in violation of both the United States and Texas constitutions. The case was appealed to the federal courts, and in 1973, the United States Supreme Court declared that the reliance of public education on the property tax was not a violation of the equal protection clause of the United States Constitution. In preparing the opinion of the Court, Justice Powell wrote:

While it is no doubt true that reliance on local property taxation for school revenues provides less freedom of choice with respect to expenditures for some districts than for others, the existence of "some inequality" in the manner in which the State's rationale is achieved is not alone a sufficient basis for striking down the entire system. . . . It may not be condemned simply because it imperfectly effectuates the State's goals (35).

Legal challengers across the nation suffered a setback with this decision, but Marland claims that even though the United States Supreme Court recognized that its decision might have delayed the advance of necessary fiscal reform in education, it believed the proper instrument for action to be the state legislatures and the proper reason to act to be "the reasoned conviction of responsible State officials, and not a court order" (27, p. 3).
Soon after the 1973 Rodriguez decision, the New Jersey Supreme Court upheld a lower court decision in Robinson v. Cahill (34) that the school finance plan of New Jersey violated a specific provision of the New Jersey Constitution that requires the legislature to establish a "thorough and efficient" system of education throughout the state. Johns and Morphet felt this decision to be particularly significant because it was not based on "equal protection of the law." Rather, the court found that the state had failed to define the state's obligation to provide a "thorough and efficient" education and to insure that all children had an equal opportunity to such an education (21). In reply, the state legislature passed a new aid program in 1975, but without full funding. In July, 1976, the State Supreme Court closed all public schools until necessary funding was provided (24).

Numerous other state courts have ruled on the question of equal educational opportunity and school funding systems; many currently have Serrano-type cases pending before them.

**Capital Expenditures**

During the past three decades, reports pertaining to capital outlay financing have come from several sources. In the 1950's, Lindman, Hutchins, Morphet and Reller (26) published a cooperative study that reviewed state policies and practices for financing public school capital outlay. It was found that about one-fourth of the states provided
rather substantial state assistance for financing capital outlay and nearly half of the states provided some state funds which could be used either directly or indirectly for this purpose. Major characteristics of satisfactory programs of state and local support of capital outlay were determined. One of the most important of these characteristics included the provision for state assistance in the financing of capital outlay programs. Another equally important feature of such a program was the provision for equitable tax effort. It was reported that Arkansas, Minnesota, New York, Pennsylvania and Wisconsin were among the several states that provided aid for buildings in consolidated school districts.

In 1959, Hutchins and Deering (19) examined capital outlay financing. Local and state financing practices and procedures were studied, and new developments were outlined.

Barr and Wilkerson (4) described the trends in state participation in capital outlay support from the mid-1930's to the mid-1960's. Many of the state programs were determined inadequate.

Two years later, in 1967, Barr and Garvue (3) analyzed state and local financing of capital outlay, revenue sources, debt theory and public finance theory. It was determined that regardless of the immediate source of funds for school facilities, the ultimate source was taxation. Further, it was found that the primary responsibility for building schools
rested with local school government and that the principal base for local taxation was property.

The research Division of the National Education Association and the Office of Education have periodically examined and inventoried school finance programs, including grants and loans for public school capital outlay and debt service. One such report was prepared in 1969 by Johns (22). This publication has been used extensively as a means of determining trends in school finance programs (2).

Another report is the National Capital Outlay Project (2), a satellite research project of the National Educational Finance Project that was funded from Title V, Section 505, of the National Elementary and Secondary Act. In an attempt to strengthen state departments of education, this project, which was completed in 1970, brought together from the fifty states the legal basis, procedures and practices utilized in providing funds for public school construction, related debt service and rental payments. The generation of a series of capital outlay finance models which could be used by the states in allocating loans or grants for construction of public schools was a specific purpose of this study.

A strong tradition that began to develop early in the history of school finance was that capital outlay expenditures were a local matter only. Before the 1900's, extensive state participation in the financing of capital outlay was not really needed. Most school districts had been able to meet
their capital outlay needs without outside financial assistance. Their school building problems had not yet become so monumental as in recent years. Burrup cited some of the many reasons for this:

(1) A smaller percentage of the school age population attended school; (2) Building costs were much lower for a number of reasons: they were much less pretentious, labor costs were much lower, and they had fewer special areas and expensive equipment in them; (3) There was no accumulation of need for buildings as there has been during much of this century; (4) Since extensive changes and innovations were minimal, relatively few facilities or buildings were discarded because of obsolescence; and (5) The assessed value of taxable property per child to be educated was much more favorable in terms of the taxes to be raised than it is now (9, pp. 251-252).

Finance planners Updegraff and Mort recommended state participation in capital outlays, but the main concern of most authorities in the Strayer-Haid era of influence was with state support of current operational costs only. This practice was supported by the fact that current expenditures included about 85 per cent of the total school budget with only 15 per cent being spent for capital outlay (9).

Barr and Garvue gave the following five assumptions concerning local responsibility for financing school facilities that were at one time almost universally accepted but are now seriously questioned:

1. School capital outlays are of only local concern and should be financed locally, subject to appropriate state controls.
2. Property taxation is the proper source for school capital outlays and debt service.
3. School capital outlays should be financed in a manner that spreads the cost over a future period.
4. School capital outlays or debt service over a period of years bear a fixed relation to current expenditures of a school district.

5. Debt limits should be related to the amount of assessed valuation in a local school district (3, p. 256).

Burrup discussed several factors that work against local responsibility for the construction of school buildings and facilities. Two factors of major importance have to do with the method of taxation. Regardless of the willingness of people to tax themselves in the literally thousands of small school districts with low assessed valuations, bonding small districts to build school buildings is often mathematically impossible. It is not improbable that the cost of a new building might well exceed the assessed valuation of the entire district, while in other districts, perhaps even in neighboring districts, a small tax levy will be adequate to build needed buildings on a pay-as-you-go basis. Another major factor against complete local responsibility for capital outlay is that most of the expenditures are paid by the property-tax payer. It is very likely that there would be some people who would escape paying their share (9).

After World War II, a number of events forced a reconsideration of the roles of the state and local school districts in financing capital outlay. A number of reasons prompted increase in the building needs of school districts; Burrup listed the following:
1. The backlog of needed school buildings had been increasing and had reached a phenomenal high by the end of the war. The economic effects of World War I, the Depression of the 1930's, and World War II had each taken its toll in unbuilt school buildings. From 1914 until 1945 there had been few years when current building needs had been met.

2. A sharp upturn in birthrates during and immediately after the Second World War necessitated sharp increases in the number of school buildings to be built.

3. During the long periods of inertness in the construction of school plants and particularly during and after World War II changes in educational objectives and instructional procedures rendered many school buildings obsolescent, with urgent need for their replacement.

4. School reorganization programs, particularly during the late 1940s and through the 1950s had done much to create school building needs. Larger plants were needed to accommodate larger groups of pupils at the same time that the small buildings in sparsely populated areas were no longer located where they were needed.

5. The accelerated mobility of people, with the largest group moving toward the suburbs with low potential for building its required facilities, and the migration of minority groups, particularly from the South to urban centers in the North, were primary factors in creating imbalances of facilities (9, pp. 258-259).

Additionally, as the school districts faced increasing pressure to build new schools, many intervening factors reduced their ability to do so without additional state or federal financial assistance. Some of these intervening factors have been noted by Burrup:

1. Increased costs of education, including construction costs, made the financing of capital outlays with accumulated reserves, or on a "pay-as-you-go" basis, less feasible than ever before. Many districts that had used one or both of these methods in earlier years now found them totally impossible to implement.

2. The indebtedness limitations that most states had placed on local capital-outlay levies had become unrealistically low in many instances. These tax levy ceilings had been placed on local districts to
protect property owners from excessive taxation when they were suffering from the financial penalties accompanying the worst modern depression, that of the 1930's. The result of these limitations was that in many districts where the people were willing to incur indebtedness for adequate capital outlays, state restrictions made such solutions impossible.

3. State requirements for voter approval for districts to incur long-term indebtedness made such approval difficult or impossible to obtain. Requirements such as a two-thirds favorable vote necessary for approval and the requirement that a real property tax payment be made by all eligible voters made it particularly difficult to vote bonds in some school districts for the large sums necessary to finance capital outlays solely by local property taxation (9, pp. 258-259).

Several different plans and procedures have evolved during the many years of almost exclusive local support for financing capital outlays. Three of the most generally cited methods include the pay-as-you-go-plan, the building reserve plan, and the bonding plan (9, 21, 31). Mort listed three important considerations in the selection of a plan or combination of plans:

(1) the total cost of financing including construction costs and carrying costs, (2) distribution of the burden on the taxpayer, whether it be for one or more years before or after construction, and (3) the assurance offered by the various plans that school buildings will be provided when needed (31, pp. 431-432).

In some large and relatively wealthy school districts, pay-as-you-go financing is an ideal way to finance capital outlays. This plan is perhaps one of the easiest ways of getting the necessary resources from the private sector to the public sector of the economy, eliminating expenditures for interest, bond attorney fees, and election costs. With the increasing costs of education year after year, fewer and
fewer districts have been able to take advantage of this method without creating hardship for some of its property-tax payers. Many districts that have been successful with this plan in the years of relatively low cost construction have now found it impracticable in recent years.

Even though illegal in some states, the accumulation of tax funds to be held in reserve for future building needs has been practiced in a few states. In contrast with bonding which spreads the cost over time after the schools are constructed, this plan provides for spreading construction costs over a period of time before the buildings are built (9, 31). Mort mentions that a combination of these two plans may often be desirable.

Borrowing money for the construction of school buildings has been used in most communities and is the most widely accepted plan. Even though the total cost is greater, this plan is generally more feasible than pay-as-you-go because it has the advantage of spreading the cost over a period of years. A problem with the bonding plan is the limit set by all states on the amount a school district can borrow. This limit is usually expressed as a percentage of its assessed valuation. School districts that are growing rapidly have found themselves arriving at this borrowing limit with no way to provide classrooms for their students. Difficulty in passing bond elections is most likely the greatest problem associated with financing school construction. In recent
years, the rate of public approval of bond sales has plummeted, and the cost of borrowing has increased substantially (9, 14, 21, 31).

These seemingly uncomplicated and initially somewhat satisfactory systems of financing public school capital outlay from property tax revenue are being questioned today. Johns and Morphet predict that by the end of the century, more than 85 per cent of the population of the nation will be living in metropolitan areas. In many such areas, not only will adequate school sites be difficult to obtain, but also both sites and facilities will be more costly. Even more serious problems foreseen by Johns and Morphet pertaining to plant planning and construction will be related to changes in goals, curriculum and instructional procedures. They cite the following considerations:

(1) Many school plants, including some constructed during the past quarter of a century, are obsolete and, unless reconstructed or replaced, will prevent or handicap needed changes in educational programs; (2) School site and plant planning must begin with revising educational policies, structures, and programs (rather than with planning a modern building to house the anticipated population and to accommodate the present program—still rather a common practice); (3) It will be necessary to incorporate flexibility into the design for every building so that changes can readily be made to meet emerging needs; (4) School plant and transportation equipment will need to be carefully planned and selected to ensure that it contributes effectively to the achievement of appropriate educational purposes and goals; (5) The processes of planning will require much more attention and time and will have to become systematic and continuous, utilizing the most up-to-date knowledge and techniques; and (6) The provisions for financing will need to be carefully designed in each state and will require an equitable combination of funds from local, state, and federal sources (21, p. 277).
The participation of the federal government in programs to assist school districts with their capital outlay costs is of relatively recent origin. The notion that school plant construction was exclusively a local problem was not altered with federal relief until the emergency programs of the Depression in the 1930's. During the years from 1933 through 1943, the federal government paid approximately 57 per cent of the cost of the erection of some 12,500 public school buildings. The Civil Works Administration and the Federal Emergency Relief Administration added over $63 million for capital outlay expenditures (9, 21).

In the political campaign of 1963, federal aid for the construction of local school buildings was advocated by both dominant political parties, in spite of the fact that general federal aid has been described at various times as a strongly political issue, with racial and religious overtones. Both candidates for the presidency campaigned for such aid as the beginning point and least controversial aspect of federal aid. However, no significant bill for federal aid for school building construction has yet been enacted (9).

At one time in our history, the property tax might have been a reasonably fair measure of taxpaying ability, but it is not the case today. Sometimes, however, good fortune in the form of a major industry or oil field smiles on the local district and becomes the deciding factor as to which children within any given state will enjoy adequate
such inequity is a contradiction to the ideal of providing equality of education opportunity for all children in a state (6, 9, 14, 17).

According to Garms and others, however, "If it is unconstitutional for a state to discriminate among students in the matter of operating expenses, as established by Serrano and other cases, is it not equally unconstitutional to discriminate in the matter of school housing?" (14, p. 382). Even though this issue has not been conclusively tested, discrimination in capital outlay was declared unconstitutional by an Arizona court in Hollins v. Shofstall (1973, 14, 18, 24).

In noting several aspects of inequity in the financing of capital outlay by school districts, Garms and others point out what they believe to be an important characteristic of capital expense—unevenness of expenditure. They explain that school construction costs in a single year may total in the millions of dollars, but in succeeding years, practically zero. Mort concurs that this unevenness has important implications for the majority of the school districts since only the very wealthiest can manage to even out capital expenditures so as to spend about the same amount each year (14, 31).

Garms and others propose that the most complete answer to the problem of equity is for the state to assume total responsibility for school construction. Full state funding is now being tried in Florida and Maryland; New York and Illinois provide funds on a percentage equalizing basis,
but 40 per cent of the states have no provision at all for helping districts with construction needs, or only provide emergency loans.

Other suggested alternatives for improving capital outlay by Garms and others include use of the credit of the state through state-issued bonds and state loans to local districts; lease-purchase of state-constructed buildings by local districts; construction of joint-use buildings financed together by district and municipality; financing of needed buildings by a special levy on the construction of new houses generating demand for the schools; and implementation of the year-round school (14).

Johns and Morphet cautioned that any program that seems consistent with defensible theory can become an undesirable program if it is not properly implemented or if handicapping controls and restrictions are imposed. They point out that some states have encountered difficulties with their program for financing the costs of capital outlay because some inhibiting features have been tied onto the plan or because it was not fully financed. In other states, a special agency has been established to develop regulations and to administer and supervise provisions for financing school plant construction.

In addition to establishing necessary policies and guidelines, Johns and Morphet cite the following as major responsibilities of the state educational agency:
(1) Assisting local school systems to plan and provide for effective utilization of the funds to effect improvements in their educational provisions, programs, and facilities; (2) Conducting or arranging for periodic studies to determine strengths and weaknesses, including inequities in various aspects of the program, and to identify respects in which improvements are needed; and (3) Obtaining the cooperation of other agencies in dealing with aspects with which they may be concerned, such as site location, transportation, safety standards, joint use of facilities, and so on (21, p. 297).

Texas School Finance

Historically, the Texas public schools have been governed by local boards of trustees. Each local board appoints an administrator, usually a superintendent, to develop the educational program and to operate the school. The responsibility for providing for building funds in school districts is given under statutory authority to local boards of trustees to issue and sell bonds by the vote of the local taxpayers (15).

One of the main responsibilities of the local board of trustees is to provide adequate and suitable housing facilities for the educational programs in their district. All Texas schools that desire State accreditation must comply with the "Principles and Standards for Accreditation" as set forth in the Texas Education Bulletin 560. Principle X in this bulletin states that "The school plant is suitable in design and size to meet the needs of the instructional program of the community . . ." (33).

Intensive studies (6, 38) of the methods of raising and distributing resources for public education in Texas concur
that the system of school finance in Texas makes the quality of education a direct function of the wealth of local school districts. This system provides for consistently higher quality schooling in districts with higher property values per pupil and consistently lower quality education in school districts with less local resources available for taxation. Additionally, these studies have shown that poorer districts tax themselves at consistently higher equalized tax rates, realizing far lower tax yields than do richer districts. Ironically, Texas communities that have the least money for their schools are the very districts that tax themselves most heavily to raise school revenues. Berke (6, p. 39) illustrated this fact with the following data based on 110 Texas districts:

When the market value of taxable property per pupil was
above $100,000 (10 districts), equalized tax rates on $100 totaled $.31 and yield per pupil (equalized rate applied to district market value) equaled $585.00; and when market value of taxable property per pupil was below $10,000 (4 districts) equalized tax rates on $100 were $.70 and yield per pupil (equalized rate applied to district market value) equaled $60.00.

In his study, Berke draws the following conclusions:

The system of school finance in Texas makes the quality of education a direct function of the wealth of local school districts, providing consistently higher quality schooling in districts with higher property values per pupil and consistently lower quality education in school systems with less local resources available for taxation. Furthermore, poorer districts tax
themselves at consistently higher equalized tax rates, yet realize far lower tax yields than do richer districts (6, p. 32).

Berke also notes that discrimination against the poor is not limited to poverty as measured by property valuation. Berke and Harrison agree that the quality of school services in school districts with lower median incomes suffers, even though it is evident that people living in poverty areas, especially in large poor cities, require extensive public facilities and services (6, 17).

The study of Sunderman and Hinely and that of Berke concur that, in Texas systems, those districts with the highest average incomes have the highest school expenditures while districts with the lowest average incomes have the lowest school expenditures. Consequently, the communities most hard pressed to raise revenues for educational services are those with the largest educational burdens to support. Very often the school districts that require fewer public services or possess higher property tax bases tax themselves far less, yet provide superior educational services and facilities (6, 38).

According to Berke, an equitable system for Texas would be one in which greater educational resources are allocated to those students who come to school with the greatest learning problems and the greatest social disadvantages. Therefore, Berke concludes that equal educational opportunity requires an allocation of educational services intended to
aid pupils from poor socioeconomic backgrounds to compete equally for higher educational and job opportunities with those who come from more advantaged walks of life. Since Rodriguez, the Texas Legislature has made several attempts to rectify the disparities that exist in all phases of the Texas educational finance system. It still appears, however, that indeed the prevailing pattern today may be as Berke has described, one in which "them as has, gits" (6, p. 78).
CHAPTER BIBLIOGRAPHY


CHAPTER III

PROCEDURES FOR THE COLLECTION AND ANALYSIS OF DATA

The purpose of this chapter was to describe the procedures employed in gathering, comparing and interpreting the data concerning the effects of capital outlay on fiscal disparity in Texas school districts.

Selection of Population for Study

The Texas Education Agency reported the total number of school districts in the state in 1979-1980 school year to be 1,071. All of these public school districts were included in the population for this study.

Procedures for Collection of Data

A letter requesting a tape of the most recent official annual budgets from each of the Texas public school districts was sent to the Director of the Division of Information Analysis of the Texas Education Agency in Austin, Texas. The data from the official annual budgets necessary for this study included Total Revenue from local sources, Object Code 5710—Local Maintenance; Total Revenue from local sources, Object Code 5710—Debt Service; Total Revenue from local sources for enrichment; Total Local Fund Assignment; School Tax Assessment
Practices Board market values; Refined average daily attendance; Per Capita and Foundation State Aid, Object Code 5810; Total Tax Rate; Maintenance Tax Rate; and Debt Service Tax Rate. This tape was converted into printouts by the Computing Center at North Texas State University.

Procedures for Analysis of Data

This study is a secondary analysis of data which are non-statistical in nature. The necessary data from the official annual budgets collected from the Texas Education Agency for 1,071 Texas public school districts were grouped into deciles according to wealth, size, and local enrichment by the Computing Center at North Texas State University. In order to establish deciles, the first school district in the sixth decile of each grouping was eliminated. These deciles do not represent equally balanced increments, as the placement of a district within a decile is based on the total number of districts within Texas, reporting either dollar figures for the various categories or average daily attendance, rather than on predetermined, incrementally developed groups. A mean value for each set of deciles for each category was computed for purpose of comparison. The deciles ranged from the property poorest to the property wealthiest of the districts; from the smallest average daily attendance to the largest average daily attendance of the district, and from the lowest enrichment revenue produced to the highest enrichment revenue produced of the districts.
In the analysis of this data, the following questions were answered:

1. What average effective tax rate for debt service is levied by Texas school districts grouped by wealth deciles?

2. What average effective tax rate for debt service is levied by Texas school districts grouped by size deciles?

3. What average effective tax rate for debt service is levied by Texas school districts grouped by local enrichment deciles?

4. What average effective tax rate for maintenance and operation is levied by Texas school districts grouped by wealth deciles?

5. What average effective tax rate for maintenance and operation is levied by Texas school districts grouped by size deciles?

6. What average effective tax rate for maintenance and operation is levied by Texas school districts grouped by local enrichment deciles?

7. What is the average effective total tax rate levied by Texas school districts grouped by wealth deciles?

8. What is the average effective total tax rate levied by Texas school districts grouped by size deciles?

9. What is the average effective total tax rate levied by Texas school districts grouped by local enrichment deciles?
10. How many Texas school districts grouped by wealth deciles are there that do not levy a tax for debt service?

11. How many Texas school districts grouped by size deciles are there that do not levy a tax for debt service?

12. How many Texas school districts grouped by wealth deciles are there that do not levy a tax for debt service?

Research questions 1 through 9 were answered by determining the average effective tax rate for debt service, maintenance and operation and total tax rate for each decile grouping. Research questions 1, 4, and 7 were grouped by wealth deciles; research questions 2, 5, and 8 were grouped by size deciles; and research questions 3, 6, and 9 were grouped by local enrichment deciles. Research questions 10, 11, and 12 were answered by determining the number of Texas school districts that do not levy a tax for debt service within each of the deciles grouped by wealth, size, and local enrichment, respectively.

Reporting the Data

After all of the computations had been made, the data was entered into appropriate tabular form for ease of reporting. Comparisons, interpretations, and conclusions were made from the tabular data in order to answer the research questions.
CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

This chapter presents a report of the financial situations among Texas school districts in regards to the degree to which fiscal disparity affects debt service, as well as maintenance and operation, as determined by an analysis of the data provided by the Texas Education Agency. Aspects of fiscal disparity between Texas public school districts that were considered included wealth, size and local enrichment. The data were analyzed for each of the research questions, then entered into appropriate tabular form for ease of reporting.

Funding for Texas Schools

In Texas, the state fulfills its constitutional responsibility for public education through the Foundation School Program. This program, enacted under the Gilmer-Aikin Laws of 1949, provides the vehicle for combining state and local funds into a single support system.

Funds are allocated to the local districts by formulas established by state law or policies of the State Board of Education. Through these formulas, the state provides money for professional personnel and teacher aides, transportation,
maintenance and operation, and categorical programs such as special, vocational and compensatory education.

Money for the Foundation School Program comes from two sources: the Available School Fund and the Foundation Program Fund. The Available School Fund, established by the Texas Constitution, is distributed to districts according to their average daily attendance during the preceding year. Income from school investments, motor fuels, alcohol and other designated taxes is placed in the Available School Fund each year. The Foundation Program Fund is supported by the General Revenue Fund, the Omnibus Tax Clearance Fund and other designated taxes.

A school district's local share of this partnership is determined by the value of its taxable property. This share is called its Local Fund Assignment and has been determined by a number of factors in the past. In 1975, under House Bill 1126, the Local Fund Assignment was determined by a single factor market value index called the GOER (Governor's Office of Educational Resources) figures. Two years later, under Senate Bill 1, a new index of property values was established that assigned each school district its share of the Foundation School Program costs. This share was based on either the full market value or the agricultural use value of the district's taxable property. Senate Bill 350, passed by the Sixty-Sixth Legislature of Texas, defined the policy and the funding for the operation of the Texas public school
system for the 1979-1981 biennium. Under Senate Bill 350, dual values and Local Fund Assignment rates were maintained for 1979-1980 before moving into a single system in 1980-1981. These figures came out of the work of the School Tax Assessment Practices Board (STAPB) which was first established by Senate Bill 1 to report the value of property wealth in the state for each biennium, as well as to work with local school district tax offices on assessment practices (4).

Description of Deciles

In order to facilitate comparisons, the data for research questions 1, 4, 7, and 10 were ranked by wealth deciles from property poorest to property wealthiest. A school district's wealth per student is determined by dividing the value of its taxable property by its average daily attendance.

The data for research questions 2, 5, 8, and 11 were ranked by size deciles from smallest average daily attendance to the largest average daily attendance of the districts. Average daily attendance (ADA) of a district is the official measure used to represent the number of students in a school district and is determined by formulas using the attendance for the best five of the six-weeks reporting periods.

The data for research questions 3, 6, 9, and 12 were ranked by local enrichment deciles from lowest enrichment revenue produced to the highest enrichment revenue produced of the districts. School districts are free to spend more
money than what they get through the Foundation School Program which pays for the cost of running the schools. The Foundation School Program, a combination of funds from the state and local school districts, is used to pay for maintenance and operation, transportation, special programs, and salaries for teachers and other school personnel. The local district must pay for its building construction and other capital outlay expenses and for salary and program supplements. This extra money is called "enrichment" (2).

The best measurement for comparison of the districts' tax effort is effective tax rate. The effective tax rate is computed by dividing the tax revenue by the actual market value of the property in the district. For actual market value, the figure calculated by the School Tax Assessment Practices Board is generally used (2). In research questions 1 through 9, the figure for effective tax rate provides the basis for comparison.

Analysis of Data

The first of the twelve research questions was answered in this study by determining the average effective tax rate for debt service within each of the deciles grouped by wealth. Table I reports the findings.

Question: What average effective tax rate for debt service was levied by Texas school districts grouped by wealth déciles?
TABLE I
DEBT SERVICE BY WEALTH DECILES

<table>
<thead>
<tr>
<th>Decile</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Size (Refined ADA)</th>
<th>Effort*</th>
<th>Revenue Produced Per ADA**</th>
<th>Proportion of Total Revenue</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>$44,781.</td>
<td>6,315</td>
<td>$.236</td>
<td>$104.90</td>
<td>6.3%</td>
</tr>
<tr>
<td>2</td>
<td>70,497.</td>
<td>4,759</td>
<td>.174</td>
<td>121.00</td>
<td>6.7</td>
</tr>
<tr>
<td>3</td>
<td>89,881.</td>
<td>3,312</td>
<td>.128</td>
<td>114.00</td>
<td>6.5</td>
</tr>
<tr>
<td>4</td>
<td>107,416.</td>
<td>2,335</td>
<td>.104</td>
<td>110.80</td>
<td>5.8</td>
</tr>
<tr>
<td>5</td>
<td>129,656.</td>
<td>4,131</td>
<td>.079</td>
<td>103.20</td>
<td>5.6</td>
</tr>
<tr>
<td>6</td>
<td>158,106.</td>
<td>1,132</td>
<td>.084</td>
<td>132.90</td>
<td>7.0</td>
</tr>
<tr>
<td>7</td>
<td>200,843.</td>
<td>985</td>
<td>.072</td>
<td>142.40</td>
<td>6.4</td>
</tr>
<tr>
<td>8</td>
<td>270,818.</td>
<td>532</td>
<td>.055</td>
<td>148.50</td>
<td>5.7</td>
</tr>
<tr>
<td>9</td>
<td>395,897.</td>
<td>470</td>
<td>.038</td>
<td>149.30</td>
<td>5.1</td>
</tr>
<tr>
<td>10</td>
<td>1,457,772.</td>
<td>244</td>
<td>.021</td>
<td>203.80</td>
<td>4.8</td>
</tr>
<tr>
<td>State Average</td>
<td>292,559.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Effort is the average effective tax rate per $100 for debt service.

**Revenue produced is for debt service.

The poorest districts not only had the largest average daily attendance, but had a higher effective tax rate for debt service which produced less revenue than that produced by the wealthiest districts that had smaller average daily attendance and a lower effective tax rate for debt service.
The second research question was answered by determining the average effective tax rate for debt service within each of the deciles grouped by size. The findings are reported in Table II.

Question: What average effective tax rate for debt service was levied by Texas school districts grouped by size deciles?

**TABLE II**

DEBT SERVICE BY SIZE DECILES

<table>
<thead>
<tr>
<th>Decile</th>
<th>Size (Refined ADA)</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Effort*</th>
<th>Revenue Produced Per ADA**</th>
<th>Proportion of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>65</td>
<td>$1,147,923.</td>
<td>$.018</td>
<td>$ 88.10</td>
<td>2.5%</td>
</tr>
<tr>
<td>2</td>
<td>147</td>
<td>333,188.</td>
<td>.040</td>
<td>117.50</td>
<td>4.4</td>
</tr>
<tr>
<td>3</td>
<td>249</td>
<td>316,013.</td>
<td>.052</td>
<td>130.80</td>
<td>5.2</td>
</tr>
<tr>
<td>4</td>
<td>365</td>
<td>277,296.</td>
<td>.070</td>
<td>159.10</td>
<td>6.4</td>
</tr>
<tr>
<td>5</td>
<td>508</td>
<td>185,459.</td>
<td>.084</td>
<td>111.70</td>
<td>5.7</td>
</tr>
<tr>
<td>6</td>
<td>733</td>
<td>166,379.</td>
<td>.102</td>
<td>143.40</td>
<td>6.9</td>
</tr>
<tr>
<td>7</td>
<td>1,083</td>
<td>192,098.</td>
<td>.102</td>
<td>153.00</td>
<td>7.2</td>
</tr>
<tr>
<td>8</td>
<td>1,697</td>
<td>117,192.</td>
<td>.129</td>
<td>116.80</td>
<td>6.3</td>
</tr>
<tr>
<td>9</td>
<td>3,098</td>
<td>104,533.</td>
<td>.175</td>
<td>148.30</td>
<td>7.7</td>
</tr>
<tr>
<td>10</td>
<td>16,267</td>
<td>85,505.</td>
<td>.220</td>
<td>161.50</td>
<td>7.7</td>
</tr>
</tbody>
</table>

State Average 2,421

*Effort is the average effective tax rate per $100 for debt service.

**Revenue produced is for debt service.
The smallest districts were also the wealthiest; consequently, they produced over half as much revenue for debt service as the largest but poorest districts produced with ten times more effort.

Research question 3 was answered by determining the average effective tax rate for debt service within each of the deciles grouped by local enrichment revenue produced. Table IV shows these results.

Question: What average effective tax rate for debt service was levied by Texas school districts grouped by local enrichment deciles?

TABLE III
DEBT SERVICE BY LOCAL ENRICHMENT DECILES

<table>
<thead>
<tr>
<th>Decile</th>
<th>Local Enrichment Revenue Per ADA</th>
<th>Size (Refined ADA)</th>
<th>Effort*</th>
<th>Revenue Produced Per ADA**</th>
<th>Proportion of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$ 86.10</td>
<td>2,540</td>
<td>$ .122</td>
<td>$ 77.10</td>
<td>4.9%</td>
</tr>
<tr>
<td>2</td>
<td>166.70</td>
<td>1,871</td>
<td>.128</td>
<td>100.10</td>
<td>6.3</td>
</tr>
<tr>
<td>3</td>
<td>232.30</td>
<td>1,995</td>
<td>.111</td>
<td>102.80</td>
<td>6.0</td>
</tr>
<tr>
<td>4</td>
<td>298.10</td>
<td>2,755</td>
<td>.117</td>
<td>101.20</td>
<td>5.9</td>
</tr>
<tr>
<td>5</td>
<td>365.80</td>
<td>2,371</td>
<td>.106</td>
<td>111.40</td>
<td>6.1</td>
</tr>
<tr>
<td>6</td>
<td>449.00</td>
<td>3,061</td>
<td>.093</td>
<td>129.50</td>
<td>6.2</td>
</tr>
<tr>
<td>7</td>
<td>581.50</td>
<td>2,558</td>
<td>.111</td>
<td>140.60</td>
<td>6.4</td>
</tr>
<tr>
<td>8</td>
<td>795.10</td>
<td>5,194</td>
<td>.088</td>
<td>153.30</td>
<td>6.3</td>
</tr>
<tr>
<td>9</td>
<td>1,107.90</td>
<td>1,260</td>
<td>.073</td>
<td>208.90</td>
<td>6.8</td>
</tr>
<tr>
<td>10</td>
<td>2,189.80</td>
<td>609</td>
<td>.041</td>
<td>203.40</td>
<td>4.8</td>
</tr>
<tr>
<td>State Average</td>
<td>627.40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Effort is the average effective tax rate per $100 for debt service.

**Revenue produced is for debt service.
Local enrichment is an indicator of district wealth, and again, the smallest districts were also among the wealthiest, being able to produce more revenue for debt service with less effort.

The results for research question 4 were found by determining the average effective tax rate for maintenance and operation within each of the deciles grouped by wealth. Table IV shows this solution.

**Question:** What average effective tax rate for maintenance and operation was levied by Texas school districts grouped by wealth deciles?

**TABLE IV**

**MAINTENANCE AND OPERATION BY WEALTH DECILES**

<table>
<thead>
<tr>
<th>Decile</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Size (Refined ADA)</th>
<th>Effort*</th>
<th>Revenue Produced Per ADA**</th>
<th>Proportion of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$44,781.00</td>
<td>6,315</td>
<td>.535</td>
<td>$241.24</td>
<td>14.5%</td>
</tr>
<tr>
<td>2</td>
<td>70,497.00</td>
<td>4,759</td>
<td>.521</td>
<td>366.45</td>
<td>20.6</td>
</tr>
<tr>
<td>3</td>
<td>89,881.00</td>
<td>3,312</td>
<td>.468</td>
<td>420.28</td>
<td>23.9</td>
</tr>
<tr>
<td>4</td>
<td>107,416.00</td>
<td>2,335</td>
<td>.487</td>
<td>520.77</td>
<td>27.6</td>
</tr>
<tr>
<td>5</td>
<td>129,656.00</td>
<td>4,131</td>
<td>.440</td>
<td>569.32</td>
<td>29.6</td>
</tr>
<tr>
<td>6</td>
<td>158,106.00</td>
<td>1,132</td>
<td>.411</td>
<td>650.96</td>
<td>32.8</td>
</tr>
<tr>
<td>7</td>
<td>200,843.00</td>
<td>985</td>
<td>.402</td>
<td>802.44</td>
<td>36.0</td>
</tr>
<tr>
<td>8</td>
<td>270,818.00</td>
<td>532</td>
<td>.347</td>
<td>935.70</td>
<td>38.8</td>
</tr>
<tr>
<td>9</td>
<td>395,897.00</td>
<td>470</td>
<td>.385</td>
<td>1,533.17</td>
<td>52.3</td>
</tr>
<tr>
<td>10</td>
<td>1,457,772.00</td>
<td>244</td>
<td>.291</td>
<td>2,975.84</td>
<td>70.8</td>
</tr>
<tr>
<td>State Average</td>
<td>292,559.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Effort is the average effective tax rate per $100 for maintenance and operation.

**Revenue produced is for maintenance and operation.
In agreement with the findings of the 1978 study by Sunder-
man and Hinely, revenue for local maintenance was more
easily produced by the wealthiest, smallest districts and
with much less effort than by the poorest districts that
also happened to be the largest (5).

The fifth research question was answered by determining
the average effective tax rate for maintenance and operation
within each of the deciles grouped by size. These results
appear in Table V.

**Question:** What average effective tax rate for mainte-
nance and operation was levied by Texas
school districts grouped by size deciles?

**TABLE V**

<table>
<thead>
<tr>
<th>Decile</th>
<th>Size (Refined ADA)</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Effort*</th>
<th>Revenue Produced Per ADA**</th>
<th>Proportion of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>65</td>
<td>$1,147,923.</td>
<td>.304</td>
<td>$2,243.27</td>
<td>54.3%</td>
</tr>
<tr>
<td>2</td>
<td>147</td>
<td>333,188.</td>
<td>.329</td>
<td>1,102.81</td>
<td>38.8</td>
</tr>
<tr>
<td>3</td>
<td>249</td>
<td>316,013.</td>
<td>.361</td>
<td>1,054.62</td>
<td>40.0</td>
</tr>
<tr>
<td>4</td>
<td>365</td>
<td>277,296.</td>
<td>.331</td>
<td>781.33</td>
<td>31.9</td>
</tr>
<tr>
<td>5</td>
<td>508</td>
<td>185,459.</td>
<td>.376</td>
<td>669.74</td>
<td>31.3</td>
</tr>
<tr>
<td>6</td>
<td>733</td>
<td>166,379.</td>
<td>.428</td>
<td>670.23</td>
<td>32.2</td>
</tr>
<tr>
<td>7</td>
<td>1,083</td>
<td>192,098.</td>
<td>.448</td>
<td>870.43</td>
<td>35.8</td>
</tr>
<tr>
<td>8</td>
<td>1,697</td>
<td>117,192.</td>
<td>.450</td>
<td>499.60</td>
<td>25.7</td>
</tr>
<tr>
<td>9</td>
<td>3,098</td>
<td>104,533.</td>
<td>.567</td>
<td>572.15</td>
<td>28.1</td>
</tr>
<tr>
<td>10</td>
<td>16,267</td>
<td>85,505.</td>
<td>.694</td>
<td>613.54</td>
<td>28.8</td>
</tr>
</tbody>
</table>

State Average 2,421

*Effort is the average effective tax rate per $100 for
maintenance and operation.

**Revenue produced is for maintenance and operation.
The pattern of small and rich to large and poor repeated itself. With half the effort, the small, rich districts produced over three times as much revenue per ADA for maintenance and operation as the large, poor districts produced.

Research question 6 was answered by determining the average effective tax rate for maintenance and operation within each of the deciles grouped by local enrichment revenue produced. Table VI reports this information.

**Table VI**

<table>
<thead>
<tr>
<th>Decile</th>
<th>Local Enrichment Revenue Per ADA</th>
<th>Size (Refined ADA)</th>
<th>Effort*</th>
<th>Revenue Produced Per ADA**</th>
<th>Proportion of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$86.10</td>
<td>2,540</td>
<td>.250</td>
<td>$197.60</td>
<td>11.8%</td>
</tr>
<tr>
<td>2</td>
<td>166.70</td>
<td>1,871</td>
<td>.304</td>
<td>289.91</td>
<td>17.7</td>
</tr>
<tr>
<td>3</td>
<td>232.30</td>
<td>1,995</td>
<td>.347</td>
<td>344.83</td>
<td>20.7</td>
</tr>
<tr>
<td>4</td>
<td>298.10</td>
<td>2,755</td>
<td>.402</td>
<td>426.12</td>
<td>25.1</td>
</tr>
<tr>
<td>5</td>
<td>365.80</td>
<td>2,371</td>
<td>.454</td>
<td>501.16</td>
<td>28.1</td>
</tr>
<tr>
<td>6</td>
<td>449.00</td>
<td>3,061</td>
<td>.430</td>
<td>673.16</td>
<td>32.6</td>
</tr>
<tr>
<td>7</td>
<td>581.50</td>
<td>2,558</td>
<td>.523</td>
<td>796.81</td>
<td>36.3</td>
</tr>
<tr>
<td>8</td>
<td>795.10</td>
<td>5,194</td>
<td>.565</td>
<td>1,118.77</td>
<td>47.1</td>
</tr>
<tr>
<td>9</td>
<td>1,107.90</td>
<td>1,260</td>
<td>.491</td>
<td>1,552.75</td>
<td>54.0</td>
</tr>
<tr>
<td>10</td>
<td>2,189.80</td>
<td>609</td>
<td>.520</td>
<td>3,112.59</td>
<td>73.6</td>
</tr>
<tr>
<td>State AVERAGE</td>
<td>627.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Effort is the average effective tax rate per $100 for maintenance and operation.

**Revenue produced is for maintenance and operation.
These figures show the wealthiest which were also the smallest districts exerting twice as much effort as the largest and poorest districts, but the wealthiest districts produced nearly sixteen times more revenue for maintenance and operation per ADA than the poorest districts.

In Table VII, the figures shown were used to answer the seventh research question by determining the average effective total tax rate levied by Texas School districts within each of the deciles grouped by wealth.

Question: What was the average effective total tax rate levied by Texas school districts grouped by wealth deciles?

### TABLE VII

**EFFECTIVE TOTAL TAX RATE BY WEALTH DECILES**

<table>
<thead>
<tr>
<th>Decile</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Size (Refined ADA)</th>
<th>Effort*</th>
<th>Total Local Revenue Produced Per ADA</th>
<th>Total Revenue Per ADA**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$44,781.</td>
<td>6,315</td>
<td>$.771</td>
<td>$346.14</td>
<td>$1,660.40</td>
</tr>
<tr>
<td>2</td>
<td>70,497.</td>
<td>4,759</td>
<td>.696</td>
<td>487.45</td>
<td>1,757.20</td>
</tr>
<tr>
<td>3</td>
<td>89,881.</td>
<td>3,312</td>
<td>.596</td>
<td>534.28</td>
<td>1,747.60</td>
</tr>
<tr>
<td>4</td>
<td>107,416.</td>
<td>2,335</td>
<td>.591</td>
<td>631.57</td>
<td>1,856.30</td>
</tr>
<tr>
<td>5</td>
<td>129,656.</td>
<td>4,131</td>
<td>.520</td>
<td>672.52</td>
<td>1,868.90</td>
</tr>
<tr>
<td>6</td>
<td>158,106.</td>
<td>1,132</td>
<td>.495</td>
<td>783.86</td>
<td>1,930.40</td>
</tr>
<tr>
<td>7</td>
<td>200,843.</td>
<td>985</td>
<td>.474</td>
<td>944.84</td>
<td>2,207.50</td>
</tr>
<tr>
<td>8</td>
<td>270,818.</td>
<td>532</td>
<td>.402</td>
<td>1,084.20</td>
<td>2,393.60</td>
</tr>
<tr>
<td>9</td>
<td>395,897.</td>
<td>470</td>
<td>.423</td>
<td>1,682.47</td>
<td>2,822.40</td>
</tr>
<tr>
<td>10</td>
<td>1,457,722.</td>
<td>244</td>
<td>.312</td>
<td>3,179.64</td>
<td>4,057.50</td>
</tr>
<tr>
<td>State Average</td>
<td>292,559.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Effort is the average effective total tax rate per $100.

**Total revenue from local, state, and federal sources.
With less than half the effort, the wealthiest districts accumulated over twice the revenue as the poorest districts. Again, the wealthiest districts were also the smallest.

Research question 8 was answered by determining the average effective total tax rate levied by Texas school districts grouped by size. Table VIII gives the results.

Question: What was the average effective total tax rate levied by Texas school districts grouped by size deciles?

<table>
<thead>
<tr>
<th>Decile</th>
<th>Size (Refined ADA)</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Effort*</th>
<th>Total Local Revenue Produced Per ADA</th>
<th>Total Revenue Per ADA**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>65</td>
<td>$1,147,923.</td>
<td>$.322</td>
<td>$2,331.37</td>
<td>$3,630.50</td>
</tr>
<tr>
<td>2</td>
<td>147</td>
<td>333,188.</td>
<td>.368</td>
<td>1,220.31</td>
<td>2,560.40</td>
</tr>
<tr>
<td>3</td>
<td>249</td>
<td>316,013.</td>
<td>.412</td>
<td>1,185.42</td>
<td>2,290.80</td>
</tr>
<tr>
<td>4</td>
<td>365</td>
<td>277,296.</td>
<td>.401</td>
<td>940.43</td>
<td>2,136.80</td>
</tr>
<tr>
<td>5</td>
<td>508</td>
<td>185,459.</td>
<td>.460</td>
<td>781.44</td>
<td>1,924.80</td>
</tr>
<tr>
<td>6</td>
<td>733</td>
<td>166,379.</td>
<td>.530</td>
<td>813.63</td>
<td>1,965.20</td>
</tr>
<tr>
<td>7</td>
<td>1,083</td>
<td>192,098.</td>
<td>.550</td>
<td>1,023.43</td>
<td>2,036.70</td>
</tr>
<tr>
<td>8</td>
<td>1,697</td>
<td>117,192.</td>
<td>.579</td>
<td>616.40</td>
<td>1,841.90</td>
</tr>
<tr>
<td>9</td>
<td>3,098</td>
<td>104,533.</td>
<td>.742</td>
<td>720.45</td>
<td>1,923.70</td>
</tr>
<tr>
<td>10</td>
<td>16,267</td>
<td>85,505.</td>
<td>.914</td>
<td>775.04</td>
<td>2,012.80</td>
</tr>
<tr>
<td>State Average</td>
<td>2,421</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Effort is the average effective total tax rate per $100.

**Total revenue from local, state, and federal sources.

Here again, the smallest districts were the wealthiest, and the largest, the poorest. With one-third the effort, the
wealthy, smallest districts accumulated more revenue than the poor, largest districts.

Table IX gives the results of research question 9 which was answered by determining the average effective total tax rate levied by Texas school districts within each of the deciles grouped by local enrichment revenue produced.

**Question:** What was the average effective total tax rate levied by Texas school districts grouped by local enrichment deciles?

**TABLE IX**

**EFFECTIVE TOTAL TAX RATE BY LOCAL ENRICHMENT DECILES**

<table>
<thead>
<tr>
<th>Decile</th>
<th>Local Enrichment Revenue Per ADA</th>
<th>Size (Refined ADA)</th>
<th>Effort*</th>
<th>Total Local Revenue Produced Per ADA</th>
<th>Total Revenue Per ADA**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$ 86.10</td>
<td>2,540</td>
<td>$.372</td>
<td>$ 274.70</td>
<td>$1,605.30</td>
</tr>
<tr>
<td>2</td>
<td>166.70</td>
<td>1,871</td>
<td>.432</td>
<td>390.01</td>
<td>1,635.50</td>
</tr>
<tr>
<td>3</td>
<td>232.30</td>
<td>1,995</td>
<td>.458</td>
<td>447.63</td>
<td>1,727.60</td>
</tr>
<tr>
<td>4</td>
<td>298.10</td>
<td>2,755</td>
<td>.519</td>
<td>527.32</td>
<td>1,725.30</td>
</tr>
<tr>
<td>5</td>
<td>365.80</td>
<td>2,371</td>
<td>.561</td>
<td>612.56</td>
<td>1,831.00</td>
</tr>
<tr>
<td>6</td>
<td>449.00</td>
<td>3,061</td>
<td>.523</td>
<td>802.66</td>
<td>2,063.10</td>
</tr>
<tr>
<td>7</td>
<td>581.50</td>
<td>2,558</td>
<td>.634</td>
<td>937.41</td>
<td>2,245.70</td>
</tr>
<tr>
<td>8</td>
<td>795.10</td>
<td>5,194</td>
<td>.652</td>
<td>1,272.07</td>
<td>2,362.30</td>
</tr>
<tr>
<td>9</td>
<td>1,107.90</td>
<td>1,260</td>
<td>.564</td>
<td>1,761.65</td>
<td>2,923.40</td>
</tr>
<tr>
<td>10</td>
<td>2,189.80</td>
<td>609</td>
<td>.560</td>
<td>3,315.99</td>
<td>4,200.30</td>
</tr>
</tbody>
</table>

State Average: 627.20

*Effort is the average effective total tax rate per $100.*

**Total revenue from local, state, and federal sources.**

Once more, the smallest districts appeared in the wealthiest decile. The districts did have a little higher tax rate,
but accumulated over twice the revenue as was produced by the small, poorest districts.

Tables X, XI, and XII show the number of districts within each decile that did not levy a tax for debt service. Table X answers research question 10.

**Question:** How many Texas school districts grouped by wealth deciles were there that did not levy a tax for debt service?

**TABLE X**

<table>
<thead>
<tr>
<th>Decile</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Size (Refined ADA)</th>
<th>Number Without a Debt Service Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$44,781.</td>
<td>6,315</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>70,497.</td>
<td>4,759</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>89,881.</td>
<td>3,312</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>107,416.</td>
<td>2,335</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>129,656.</td>
<td>4,131</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>158,106.</td>
<td>1,132</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>200,843.</td>
<td>985</td>
<td>16</td>
</tr>
<tr>
<td>8</td>
<td>270,818.</td>
<td>532</td>
<td>22</td>
</tr>
<tr>
<td>9</td>
<td>395,897.</td>
<td>470</td>
<td>32</td>
</tr>
<tr>
<td>10</td>
<td>1,457,772.</td>
<td>244</td>
<td>53</td>
</tr>
</tbody>
</table>
There were ten times more of the small, wealthiest districts that had no debt service tax as there were of the large, poorest districts.

The results of the research question 11 are shown in Table XI.

Question: How many Texas school districts grouped by size deciles were there that did not levy a tax for debt service?

TABLE XI

NUMBER OF DISTRICTS WITHOUT A DEBT SERVICE TAX WITHIN EACH DECILE GROUPED BY SIZE

<table>
<thead>
<tr>
<th>Decile</th>
<th>Size (Refined ADA)</th>
<th>Wealth (Taxable Property Per ADA)</th>
<th>Number Without a Debt Service Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>65</td>
<td>$1,147,923.</td>
<td>68</td>
</tr>
<tr>
<td>2</td>
<td>147</td>
<td>333,188.</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>249</td>
<td>316,013.</td>
<td>22</td>
</tr>
<tr>
<td>4</td>
<td>365</td>
<td>277,296.</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>508</td>
<td>185,459.</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>733</td>
<td>166,379.</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>1,083</td>
<td>192,098.</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>1,697</td>
<td>117,192.</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>3,098</td>
<td>104,533.</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>16,267</td>
<td>85,505.</td>
<td>1</td>
</tr>
</tbody>
</table>
There was only one district in the largest and poorest decile that had no debt service tax in comparison with sixty-eight in the smallest and wealthiest decile.

Table XII reports the answer to the twelfth research question.

Question: How many Texas school districts grouped by local enrichment deciles were there that did not levy a tax for debt service?

Table XII
NUMBER OF DISTRICTS WITHOUT A DEBT SERVICE TAX WITHIN EACH DECILE GROUPED BY LOCAL ENRICHMENT

<table>
<thead>
<tr>
<th>Decile</th>
<th>Local Enrichment Per ADA</th>
<th>(Refined ADA)</th>
<th>Number Without a Debt Service Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$ 86.10</td>
<td>2,540</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>166.70</td>
<td>1,871</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>232.30</td>
<td>1,995</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>298.10</td>
<td>2,755</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>365.80</td>
<td>2,371</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>449.00</td>
<td>3,061</td>
<td>15</td>
</tr>
<tr>
<td>7</td>
<td>581.50</td>
<td>2,558</td>
<td>15</td>
</tr>
<tr>
<td>8</td>
<td>795.10</td>
<td>5,194</td>
<td>20</td>
</tr>
<tr>
<td>9</td>
<td>1,107.90</td>
<td>1,260</td>
<td>25</td>
</tr>
<tr>
<td>10</td>
<td>2,189.80</td>
<td>609</td>
<td>48</td>
</tr>
</tbody>
</table>

Here, too, the wealthiest districts had over five times as many debt service tax-free districts as the poorest.
Discussion

In the last ten years, state courts have struck down finance systems which had large inequities in the amount of money spent per pupil by school districts of differing wealth. The first major legal challenge to the Texas school finance system came in 1973 with the case of Rodriguez v. San Antonio Independent School District, which was heard by the United States Supreme Court. In a five to four decision, the Supreme Court did not overturn the Texas system of school finance, but implied that the system was inequitable and that the Legislature should look at the situation.

The Legislature's first steps towards equalizing the Texas system of school finance began in 1975 with the passage of House Bill 1126. For the first time, funds were provided for equalization aid to districts with less than average wealth. Substantial movement towards equalization was impeded, however, by a "hold harmless" clause in the bill. The effect of the hold harmless provision was to assure most school districts of close to the same amount of funding received the previous year. Consequently, needed equalization money had to come from other sources; it could not merely be transferred from the funds that had been going to the richer districts. In the final outcome, the assignment of some money for equalization meant that some of the wealthier districts did not receive as much state aid as they had hoped to get, and the hold harmless clause did permit
some reductions in state aid. Therefore, some districts had to raise more money locally, and as a result, some of the wealthier school districts increased their taxes (2). This situation might quite possibly explain what is shown in the local enrichment tables reported in this study concerning effort for maintenance and operation and total tax rate. In these two tables, the wealthiest districts did exert a higher effort but were able to produce much larger revenues than the poorest districts.

The enrichment versus equalization question raises numerous controversial problems; namely, what is an adequate education? Theoretically, the Foundation School Program is designed to give every student a basic education, but many districts believe that more money needs to be spent than the Foundation School Program provides. Wealthy districts maintain that if their residents choose to exert the tax effort necessary for what they consider to be a top quality educational system, then the state should not deny them their decision. Poor districts see this situation from a different perspective. They contend that their children deserve the same quality educational system as that in the rich districts. The poor districts propose that the state provide equalization money for them so that they can match the spending in the rich districts. With the 1977 legislative emphasis on property tax relief, Senate Bill 1 was passed, providing $357 million for local share reduction
and only $108 million in equalization (2). The result, as evidenced in this study, was that the gap widened between the money available for education in rich districts and poor districts.

With the exception of the local enrichment, there was a close correspondence between district size and wealth. The deciles were grouped by size from smallest (decile 1) to largest (decile 10); by wealth, from poorest (decile 1) to the richest (decile 10). The smallest districts were in the wealthiest deciles and vice versa. Examining the data to see if there was a clue to a reason for this variation in effort for local enrichment, particularly with deciles 7 and 8, a possible solution was discovered. Three of the largest central cities in Texas were in decile 7, and ten large industrial cities that cluster around the Houston-Galveston area were in decile 8. Berke noted that there was a mismatch between educational resources and educational and fiscal demand for those resources in large cities. He also found that another hindrance to the cities' ability to raise educational revenues derived from the far higher costs cities bear for public service. In explanation, Berke called attention to the relationship between low income-ethnic minority status and educational disadvantage, noting that large central cities exceed their surrounding areas by substantial margins in terms of both nonwhite population and proportion of low income families. Furthermore, Berke supported the fact that the low income families require
higher expenditures for teaching, counseling and special programming in attempts to compensate for environmental disabilities. Consequently, even though the large cities tend to have relatively high tax bases, they must work harder to provide for their high educational and non-educational expenditures (1).

The system of financing the public schools in Texas is characterized by marked disparities in educational expenditures. These disparities can be attributed to the state's allowing the creation of local districts with unequal sources of revenue and then adopting a state funding system that has failed to overcome those imbalances (1). Because of the changing and very unequal distribution of wealth, the attempt on the part of different communities to meet the demands set by the state has caused very unequal burdens. What one community has been able to do with ease has often been an excessive burden for another community. Findings in this study were indicative of the existence of such disparities. In comparing deciles 1 and 10 when grouped by size, decile 1 had 49 Texas school districts with an average daily attendance of 65 or less while the largest enrollment for any district in decile 1 was 105. Additionally, 21 of these same districts had over $1,000,000 per ADA, and not any of these districts had less than $94,000 per ADA. In decile 10, average daily attendance ranged from a low of 4,231 to 173,861 in the largest district. Only two of the districts of the 10
largest had over $100,000 per ADA, with the lowest of the
decile at $10,506 per ADA. These large, poor districts in
decile 10 exerted nearly 3 times the effort for total taxa-
tion as did the small, wealthy districts in decile 1.

Berke reported, as did Sunderman and Hinely, that
maintenance and operation is a tax burden on many poor, large
districts (1, 5). This fact was substantiated by the findings
in this study. Additionally, it was found that debt service
is also a burden on local districts that are poor and have
large enrollments. Consequently, as shown in this study, if
a district is already financially strapped trying to produce
adequate maintenance and operation revenue, it could be in
dire straits if it had to produce debt service revenue also.


CHAPTER V

SUMMARY OF FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS FOR FURTHER STUDY

This chapter presents a summary of the findings of this study and points to some conclusions that result from the analysis of data. Included in the chapter are recommendations for further studies related to inequity in Texas school finance.

The purposes of this study were to determine whether the poor school districts were exerting more or less effort for debt service, maintenance and operation and total taxation than were the wealthy districts; to determine how the size of Texas school districts was related to district wealth; to determine the number of Texas school districts that did not levy a tax for debt service; and to provide information for persons interested in school finance matters; namely, legislators, educators, students of finance and lay citizens who may not be property taxpayers. To accomplish these purposes, an investigation was made comparing the most recently available financial reports of the 1,071 school districts in Texas with respect to (1) the wealth of the districts as determined by the average value of taxable property in the district per student in average daily attendance; (2) the size of the
districts as determined by average daily attendance; (3) the enrichment funds available within the districts per average daily attendance; and (4) the total funds available for maintenance and operation costs per average daily attendance.

The necessary data from the official annual budgets were made available by the Texas Education Agency. The 1,071 school districts in Texas for the year 1979-1980 were grouped into deciles according to wealth, size and local enrichment by the Computing Center at North Texas State University. A mean value in each set of deciles for each category was computed for purpose of comparison. These deciles ranged from the property poorest to property wealthiest of the districts; from the smallest average daily attendance (ADA) to the largest average daily attendance (ADA) of the districts, and from the lowest enrichment revenue produced to the highest enrichment revenue produced of the districts.

Summary of Findings from Research Questions

There is wide variation among Texas school districts in how heavily they tax themselves. Rich districts can raise plenty of money with low tax rates. Poor districts can also set low tax rates but raise little money, or they can set high rates that produce more money but impose financial burdens on their taxpayers. The willingness of a district to tax itself is referred to as its tax effort. A district's best measure of its tax effort is the effective tax rate.
This rate is calculated by dividing the total tax revenue by the actual market value of property in the district. For actual market value, the School Tax Assessment Practices Board figures are used.

To carry out the purposes of the study, the following questions were answered:

1. What average effective tax rate for debt service was levied by Texas school districts grouped by wealth deciles?
2. What average effective tax rate for debt service was levied by Texas school districts grouped by size deciles?
3. What average effective tax rate for debt service was levied by Texas school districts grouped by local enrichment deciles?
4. What average effective tax rate for maintenance and operation was levied by Texas school districts grouped by wealth deciles?
5. What average effective tax rate for maintenance and operation was levied by Texas school districts grouped by size deciles?
6. What average effective tax rate for maintenance and operation was levied by Texas school districts grouped by local enrichment deciles?
7. What was the average effective total tax rate levied by Texas school districts grouped by wealth deciles?
8. What was the average effective total tax rate levied by Texas school districts grouped by size deciles?
9. What was the average effective total tax rate levied by Texas school districts grouped by local enrichment deciles?

10. How many Texas school districts grouped by wealth deciles were there that did not levy a tax for debt service?

11. How many Texas school districts grouped by size deciles were there that did not levy a tax for debt service?

12. How many Texas school districts grouped by local enrichment deciles were there that did not levy a tax for debt service?

1. When grouped by wealth deciles, the average effective tax rate for debt service was least for the wealthiest districts and produced more revenue per ADA than the highest effective tax rate produced per ADA in the poorest districts.

2. When grouped by size deciles, the average effective tax rate for debt service for the largest school districts was ten times that of the smallest districts, yet produced only twice the revenue per ADA.

3. When grouped by local enrichment deciles, the average effective tax rate for debt service for the poorest districts was approximately three times greater than that of the richest districts, but produced only approximately one-third of the revenue per ADA.

4. When grouped by wealth deciles, the average effective tax rate for maintenance and operation for the poorest districts was nearly twice that of the richest districts;
however, the richest districts raised nearly thirteen times more revenue per ADA.

5. When grouped by size deciles, the average effective tax rate for maintenance and operation for the smallest districts was one-half that of the largest, yet produced over three times the revenue per ADA for the smallest districts.

6. When grouped by local enrichment deciles, the average effective tax rate for maintenance and operation in the wealthiest districts was nearly twice that of the poorest districts, but it produced fifteen times more revenue per ADA.

7. When grouped by wealth deciles, the average effective total tax rate for the poorest districts was over twice that of the wealthiest districts, yet the wealthiest districts amassed nearly three times more revenue per ADA.

8. When grouped by size deciles, the average effective total tax rate for the largest districts was nearly three times that of the smallest districts, but the largest districts amassed one-third less revenue per ADA. The decile with the largest ADA was also the poorest; the smallest ADA, the richest.

9. When grouped by local enrichment deciles, it was shown that the wealthiest districts were also the smallest districts and that they taxed themselves at a slightly higher tax rate than the largest, poorest districts, but the wealthy districts raised over twice the revenue.
10. When grouped by wealth deciles, there were fifty-three school districts that did not tax themselves for debt service compared to only five such districts in the poorest decile. The wealthiest districts also had the smallest ADA.

11. When grouped by size deciles, there were sixty-eight districts in the decile with the smallest ADA that did not tax themselves for debt service compared to only one in the decile with the largest ADA. The decile with the smallest ADA was also the richest; the largest ADA, the poorest.

12. When grouped by local enrichment deciles, forty-eight of the districts in the wealthiest decile did not tax for debt service compared to nine districts in the poorest decile. The ADA for the wealthiest decile was approximately one-fourth of that in the poorest decile.

Conclusions

The following conclusions have been made based on the findings in this study:

1. While it may be possible to maintain schools entirely by local taxation, the doing so involves very slight efforts on the part of some communities and very excessive burdens for other communities.

2. Once the inequity of a state's school funding plan for current expenditures has been exposed, the unfairness in
plant financing appears a fortiori. Large, poor districts have to exert more effort for debt service in order to produce equal, and often less, revenue than is produced by the small, wealthy districts with much less effort.

3. Inordinately high educational, as well as noneducational, expenditures by large, central cities have had the effect of creating disparities between central city and suburb. In nearly every finding of this study, the decile with the largest districts were also the poorest.

4. The monies behind each child to be educated or each school to be maintained is greatest where the total market value per ADA is greatest and least where the total market value per ADA is least.

5. In spite of the many recent efforts by the Texas Legislature to rectify inequities in the school finance system, inequities still exist. Not only are the wealthiest districts the smallest, but in matters of debt service and maintenance and operation, the wealthiest districts tax themselves with less effort yet produce more revenue per ADA.

6. Wealthy school districts have adequate resources to provide facilities, and districts of average wealth can provide satisfactory facilities through a high tax effort, but the poorer districts cannot afford comparable facilities unless there is outside federal or state assistance.
Recommendations

Based on this study, authorities and other research in the field of school finance, several different proposals for increased spending for education merit consideration. In support of greater efforts for equalization and of increased spending for education, it is my contention that it would not be too difficult to raise more money for education in the immediate future by tapping other resources of revenue. One plan would be to raise the state sales tax with the added revenue dedicated for education, and a similar plan would be to dedicate a part of the existing sales tax for education. Another proposal would establish a refinery tax with the revenue pledged to the financing of Texas schools.

A recommendation for eliminating local wealth as a substantial determinant of per pupil expenditures is school district reorganization or consolidation. This approach requires long-range, intensive, in-depth planning. As evidenced in this study, there are numerous small school districts in Texas that produce enormous amounts of revenue per pupil with very little effort. As previously petitioned in the Rodriguez case, redrawing school district boundaries to provide equal property valuation would insure equality of valuations per pupil while maintaining local control and requiring no major tax effort. Not only would there be a broader tax base in a consolidated district for producing necessary revenue, but the combined districts would share
existing buildings and facilities, eliminating some of the expense for capital outlay. The state of Florida is an example of county-wide consolidation with full state funding.

Ultimately, full state funding would solve the problem of fiscal disparity among Texas school districts. Under full state funding, the state would assume responsibility for raising and distributing all revenues for local schools. This approach to financing schools would not be popular politically in Texas with its zealous respect and support for local control and its legislature's role in maintaining status quo as exemplified by the continued implementation of such measures as "hold harmless" clauses in finance bills. In view of the past, unsuccessful attempts by the legislature to rectify financial disparities among Texas school districts, it appears that without a genuine, combined effort by the state and local governments to move in the direction of full state funding, there is little hope for equality in Texas educational finance.

Issues for Further Study

Many questions and issues relating to equity, control, adequacy and other matters pertinent to the financing of public schools should be faced by every state legislator, local school board member, school district administrator, taxpayer and parent. Some of the major policy issues that should have further study include the following:
1. What educational programs and services, including capital outlay, should be funded in the state's school finance plan and for whom should these programs be provided?

2. Should the state provide funds for capital outlay? If so, what would be an optimum model?

3. In funding for capital outlay, would state school building authorities or lease-purchase plans for providing school plant facilities be superior to plans based on the foundation program concepts?

4. What should be the ratio of the state share to local share in providing school revenue?

5. In efforts toward equalization of educational opportunity, should the state "level up" or "level down?"
APPENDICES
October 15, 1979

Ron Knight, Director  
Division of Information Analysis  
Texas Education Agency  
201 East Eleventh Street  
Austin, Texas 78701

Dear Mr. Knight:

I am a doctoral student in the School of Education at North Texas State University. The problem of my dissertation is to determine the degree to which capital outlay affects the financial disparity in Texas school districts. This investigation is an extension of the 1978 study Toward Equality of Educational Opportunity: A Case Study and a Projection by Harold Sunderman and Reg Hinely at North Texas State University.

Dr. Sunderman, my major professor, has recommended that I write to you regarding the obtaining of the necessary data in computer tape form for this research which includes the following for each of the Texas school districts:

- Total Revenue from local sources, Object Code 5710—Local Maintenance;
- Total Revenue from local sources, Object Code 5710—Debt Service;
- Total Local Fund Assignment;
- STAPS figures;
- ADA;
- Per Capita and Foundation State Aid—Object Code 5810.

I would appreciate obtaining the most recently available data, hopefully, for 1978-1979.

Thank you for your assistance in this endeavor, and I am looking forward to hearing from you as soon as possible.

Sincerely,

(Mrs.) Annette Keller  
7612-A Bridges Avenue  
Fort Worth, Texas 76118
October 26, 1979

Ms. Annette Keller
7612-A Bridges Avenue
Fort Worth, Texas 76118

Dear Ms. Keller:

Enclosed is a file layout for tape TE1200 which contains the information you have requested. I am sending you GOER (Governor's Office of Economic Research) market values rather than the STAPB (School Tax Assessment Practices Board) values. The GOER values are used to compute the Local Fund Assignment in 1978-79. The STAPB values will not be used until 1979-80. However, Dr. Sunderman does have a tape containing the STAPB values, which the Texas Education Agency sent him.

I hope this information will prove useful in your study. If you have any further questions please contact me or Ms. Kay Kurio.

Sincerely,

Ronald P. Knight
Division of Information Analysis

RPK:smw
November 25, 1980

Ron Knight
Division of Information Analysis
Texas Education Agency
201 East Eleventh Street
Austin, Texas 78701

Dear Mr. Knight:

Last October, I wrote you the enclosed letter requesting certain tapes that I planned to use in the research for my dissertation. You quickly responded, and the data was processed by the Computer Center at North Texas State University.

Since that time, however, Dr. Sunderman has died and the printouts cannot be located. Additionally, the Computing Center has discarded the disc; consequently, I have nothing to research at this time, but my plans have not changed. Dr. E. V. Huffstutler is now my major professor, and I will continue my project as originally proposed if you will be so helpful as to send me at your earliest convenience a copy of the most recent (hopefully 1979-1980) data for each of the Texas school districts which includes the following:

- Total Revenue from local sources, Object Code 5710—Local Maintenance;
- Total Revenue from local sources, Object Code 5710—Debt Service;
- Total revenue from local sources for enrichment;
- Total Local Fund Assignment;
- STAPB figures;
- ADA;
- Per Capita and Foundation State Aid, Object Code 5810.

Thank you again for your assistance in this endeavor, and I am looking forward to hearing from you as soon as possible.

Sincerely,

(Mrs.) Annette Keller
916 Bedford Court W.
Hurst, Texas 76053
Ms. Annette Keller  
916 Bedford Court W.  
Hurst, Texas  76053  

Dear Ms. Keller:  

In response to your letter of November 25, 1980, please find enclosed a file layout for tape TE1479 which contains the information which you requested. Total charges for computer time is $11.85. Please remit payment with enclosed copy of letter.  

I hope this information will prove useful in your study. If you have any questions, please contact my office.  

Sincerely,  

Brian L. Wilson, Director  
Division of Information Analysis  

BLW:CM:mas
February 9, 1981

Ms. Annette Keller  
916 Bedford Court N.  
Hurst, Texas 76053  

Dear Ms. Keller:

Please find enclosed a file layout for tape TE1509 which contains the information from tape TE1479 plus the additional information which you recently requested.

Total charges for computer time used in the processing of this request is $11.85.

I hope this information will prove useful in your study. If you have any questions, please contact my office.

Sincerely,  

[Signature]  

Brian L. Wilson, Director  
Division of Information Analysis  

BLW:CM:mas
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