



A Union of Professionals

TEXAS

For more than 50 years, the United States has claimed to provide equal public education to all students, regardless of background or identity. But in fact, as income and wealth inequality have become more brutal and entrenched, low-income students, students of color, and students with disabilities have systematically and continuously been deprived of the resources that more privileged students take for granted. This fact sheet details how the federal government underfunds public schools and identifies revenue options that could achieve equity for our schools and ensure that the rich and corporations pay their fair share.

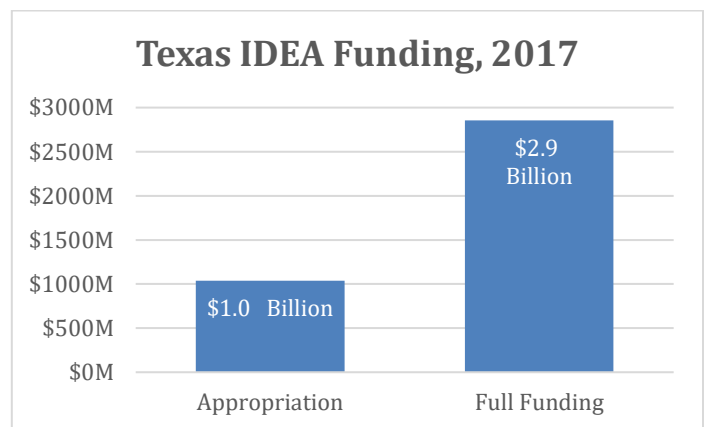
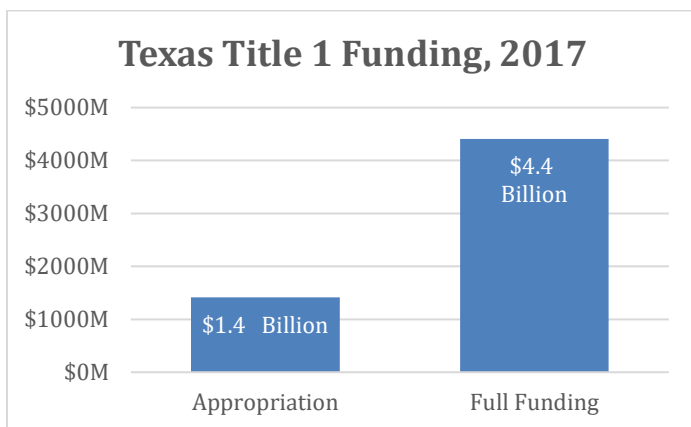
Federal Underfunding of Public Schools

In 1965, the federal government passed the Elementary and Secondary Education Act (ESEA), which sought to address the need for additional resources for schools in economically deprived communities. The legislation recommended that the federal government provide additional funding for low-income students, at a level up to 40% on top of average per-pupil state spending. That commitment, known as Title 1, has been underfunded every year.

If the federal Title 1 commitment had been met, Texas would have had an additional \$3 billion to spend on low-income children in 2017 alone. Over the past 13 years -- since this year's high school graduates entered kindergarten -- Texas schools have been shortchanged \$31.9 billion in federal Title 1 funds.¹

In 1975, Congress passed the law now known as the Individuals with Disabilities Education Act, or IDEA, which requires schools to provide students with disabilities with the supports they need in school. IDEA assumes that on average, the cost of educating a child with disabilities is *twice* the cost of educating a non-disabled student, and Congress pledged that the federal government would pay up to 40% of this cost. That commitment has also never been met.

If the federal IDEA commitment had been met, in 2017 alone, Texas would have had an additional \$1.8 billion to spend on students with disabilities. Over the past 13 years -- since this year's high school graduates entered kindergarten -- Texas schools have been shortchanged \$18.2 billion in federal IDEA funds.²



¹ US Department of Education Budget Service and US Census Bureau, and National Education Association.

² Ibid

Make the Rich and Corporations Pay Their Fair Share

This is the wealthiest nation in the world—and among the most unequal—with the greatest concentration of wealth in the hands of the fewest people. Every year, decisions are made by political leaders that strip public funding from public education and send that money to further increase private wealth. Texas is no exception. But there are several policies that could generate millions of dollars to achieve equity in Texas public schools.

- **Enact a Personal Income Tax on High Earners.** Texas is among nine states that do not levy a personal income tax. Among the states that don't levy an income tax, more than half rank at the bottom for per pupil spending. Texas ranks 43rd among the 50 states and the District of Columbia for per pupil spending, and Texas was spending less on K-12 education in 2016 than it was before the recession, after adjusting for inflation.³ Like most states without a personal income tax, Texas relies more heavily on higher property taxes to generate revenue to pay for schools, which places a heavy burden on low and middle-income families. A personal income tax on high earners would ensure that Texas's richest residents pay their fair share.
- **Reform Property Tax Assessments.** Large commercial property owners are able to use appeals and lawsuits to lower the taxable value of their properties and avoid paying their fair share of property taxes. County Appraisers face difficulty in setting proper valuations at market value because Texas is one of 12 states that don't require property owners to disclose real-estate sale prices.⁴ That means commercial properties in many Texas counties are listed on tax rolls at half or even a third of their fair market value. The result is millions of dollars in lost property tax revenue.⁵ Texas lawmakers should adopt mandatory sales price disclosure legislation.
- **Reform the Corporate Income Tax.** An analysis by Good Jobs First estimates that corporate subsidies, official tax breaks and unofficial tax dodging cost Texas \$1.2 billion per year. Among the most costly of these tax breaks, two state authorized property tax programs cost local governments \$400 million in property tax revenues. These local tax breaks also impact the state's budget through provisions in Texas' school funding formula that are meant to replace revenues lost as a result of these property tax programs. Other state subsidy programs include Sales Tax Refunds on Enterprise Projects which cost the state of \$44.2 million and special tax rates on new or enhanced recovery oil wells, which cost the state \$41.9 million. And, a tax rule that allows retailers to keep a portion of the sales tax revenues they collect from customers (the "vendor discount") cost the state \$251 million.⁶
- **Reduce Fracking Tax Exemptions.** The special severance-tax exemption for fracking was meant to be temporary but was made permanent thanks to a sneaky legislative move back in 2003. The Legislative Budget Board estimates that the exemption costs the state \$1.2 billion a year in revenue.⁷

A decade of tax cuts for the rich and tax giveaways to wealthy corporations have drained states of the resources they need to provide all children with the schools that they deserve. State lawmakers should reverse course and raise taxes on the rich and wealthy corporations to ensure states have the revenue necessary to provide all students with an equitable and high-quality education.

³ Based on analysis by the American Federation of Teachers using U.S. Census Data retrieved from <https://www.census.gov/data/tables/2016/econ/school-finances/secondary-education-finance.html> and <https://www.census.gov/data/tables/2011/econ/school-finances/secondary-education-finance.html>

⁴ Bill Whitaker, "Disclosure of real-estate sales might help resolve property tax appraisal tensions," *Waco Tribune-Herald*, August 7, 2016, <https://bit.ly/2NpDamk>.

⁵ Tim Dickey, "Are Dallas commercial real estate owners paying their fair share?," *Dallas News*, July 20, 2018, <https://bit.ly/2NItYPR> and Real Values for Texas, "Houston: While most homeowners pay taxes on the real value of their property, many large commercial property owners routinely use appeals and lawsuits to avoid paying their fair share," August 25, 2014, <http://realvaluesfortexas.org/2014/08/25/houston-2/>.

⁶ Good Jobs First, "Putting State Pension Costs in Context: Texas," 2015, <https://bit.ly/2CCC95U>.

⁷ Kate Galbraith, "Report Recommends Changes to Tax Exemption for Fracking," *Texas Tribune*, January 16, 2013, <https://bit.ly/2CrG8IX>.