



An Introduction to Education Cost Studies

- Historically, the amount of funding provided to public schools has been based on a politically determined amount of money available for state education aid, a political struggle over how to distribute that money, and the local ability to raise money through property taxes.
- This process has led to what one author deemed an **“inequitable equilibrium,”** in which school funding is based on the distribution of wealth and political power within a state, not on the needs of students.

Standards-Based Reform

- Because most states now hold students and schools accountable for meeting state student learning standards, states should align their funding systems with their standards. A new set of questions emerges, then, on how to fund schools:
 - What **resources and conditions** do schools need in order to enable their students to meet the state's student learning standards?
 - How much **funding** is required to build and maintain the necessary resources and conditions?
 - What kind of state **education-finance system** would best deliver that funding to all schools?
- To help answer these questions, states have increasingly turned to **“costing-out studies,”** also called **“cost studies”** or **“adequacy studies.”** Since 1991, when a business group in Massachusetts conducted an education-cost study, over **50 studies** have been undertaken in over **35 states**.



Education Finance Litigation



- An additional impetus for cost studies comes from education-finance litigation. In at least five states, courts have ordered the states to conduct costing-out studies as part of their Remedial Orders.

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Methodologies

- Most cost studies have used at least one of the following four methodologies. Recently, most cost-study experts have used multiple methodologies in their studies.
 1. *Professional Judgment*: In professional judgment studies, panels of educators, including superintendents, principals, and school business officials, estimate the resources necessary for an adequate education. Economists then calculate the total costs based on the panels' decisions. This has been the predominant type of study in recent years.
 2. *Evidence-based*: Evidence-based studies use research literature to find educational strategies and resources that have been “proven effective” in increasing student achievement. In most cases, a small group of education-policy experts determine which and how many strategies are necessary to reach the specified outcome measures.
 3. *Successful School Districts*: In successful school-district studies, authors choose a definition of “success” and identify all of the school districts in a given state that are meeting the definition. Using expenditure data from these districts, the cost-study authors extrapolate the total costs for the state.
 4. *Cost-Function Analysis*: Cost-function analysis is a statistical look at education finance that attempts to determine how much a given school district would need to spend to obtain a specific performance target, given the characteristics of the school district and its student body. Cost-function analyses require extensive state-wide data on expenditures, outcomes, and student demographics.

Useful Reference:

[Rebell, Michael A. \(2007\) Professional Rigor, Public Engagement and Judicial Review: A Proposal for Enhancing the Validity of Education Adequacy Studies. *Teachers College Record* 109 \(6\), 1-73.](#)