

Adjusting Oregon Education Expenditures for Regional Cost Differences: A Feasibility Study

EXECUTIVE SUMMARY

The costs of delivering comparable education services varies from place to place. Therefore, to assure equality in access to educational services, the distribution of elementary and secondary funds should be adjusted for regional differences in education costs. However, despite the reality that there are region cost differences, it is impossible to specify an index that precisely captures these differences. If the Legislature uses its best judgment to approximate these regional differences to distribute education funds, the result will be an imprecise, though fairer system, than one making no regional adjustment at all.

Regional cost differences can be estimated with a mathematical model that regresses all national data on teacher salaries and other costs; from relationships derived from Oregon's statewide employment data; or from a statewide survey of consumer prices. Four other states currently make regional cost adjustments in the distribution of their education funds: Colorado and Florida base their distributions on consumer price surveys; Ohio bases its distribution on wage levels derived from employment data; and Texas utilizes a statewide regression model of education expenditures.

This report recommends that Oregon adopt a regional cost index based on wage data, consumer price data, or some combination of the two. Utilizing available employment data, MAP found that the range of education costs in Oregon can vary by as much as 75 percent or more. Utilizing a consumer price survey, we find that the range of education costs in Oregon can vary by as much as 15 percent. This report recommends that the state rank Oregon

districts by these wage-based and price-based cost levels, estimate a range of regional variation of from seven to 15 percent, and then adjust the distribution of education funds within this estimated range by the wage and price-based ranking.

Such a process can never achieve absolute precision in the adjustment of education spending for regional cost differences. Some of those affected by a regionally adjusted distribution will always feel that there are additional cost factors not accounted for by any methodology. Nonetheless, while no methodology can be absolutely precise, a regional adjustment such as that proposed here will make the distribution of Oregon education funds more equitable. It will make this distribution as equitable as is reasonably practical.