

Quick Facts: Costing Out Analysis for School Finance

1. Why do a Costing Out analysis of an education system?

- a. As states have moved to high stakes assessments and accountability systems in addition to standards based education, determining the costs of an education system have become important due to litigation and for accountability and transparency measures. Many state legislatures, Governors and education organizations have taken on this task. In Colorado, the Colorado Association of School Boards, the Colorado Education Association and the Colorado Association of School Executives have all supported the completion of a Costing Out analysis.

2. What methods are used to cost out a school finance system?

- a. Nationally, there are four accepted methodologies and is considered a “term of art” – **Evidenced Based, Professional Judgment, Statistical and Successful School District**. Each approach:
 - i. has pros and cons to their use,
 - ii. provides different types of information, and
 - iii. uses different methodologies for incorporating information into a new formula.
- b. **Evidenced Based** – *has limited use* as there is no research to support each state’s specific goals and expectations. Can help as a guideline for establishing some minimal criteria. Does not establish a base amount for funding.
- c. **Professional Judgment** – utilizes professionals representing different types and sizes of school districts to determine the programs, people, and resources needed to meet state objectives established through statute and regulation. Enables the creation of variances needed for different student populations and district characteristics. *Establishes a base amount and student and district weights reflective of the base amount.*
- d. **Statistical Model** – *has limited use* due to the information necessary for evaluation. Must have school level spending data in addition to student data.
- e. **Successful School District** – evaluation looks at current spending by a “successful” district (identified successful by Colorado’s accreditation process at a specific point in time) and removes adjustments for size and cost of living. Being identified as “successful” does not mean the district has implemented all current reforms and/or has implemented programs needed to be successful in the future. *Creates a base amount, but no weights or adjustments.*

3. What are the cautions to interpreting and using the results of a Costing Out analysis?

- a. *The Professional Judgment model determines a base amount and weights; the weights have a direct relation to the base amount and are not stand-alone weights to be applied to another base amount.* For Colorado, the base amount to reach each student (as defined by full implementation of all legislative statutes) includes more time for both teachers and students, more technology, and more student individualization. By including more items in the base to reach all students, the weights are lower.
- b. *The Evidence Based was utilized in conjunction with the Professional Judgment analysis.*
- c. *The Successful School District establishes a base amount. Adjustments for Size and Cost of Living have been stripped from this analysis so the base is accurate.* In creation of a new formula adjustments must be given to Size and Cost of Living to address issues of equity and economies of scale. Weights for the Successful School Districts model are created by taking into account the information obtained from the Professional Judgment analysis along with national statistics.
- d. The information from the Professional Judgment, Evidenced Based and Successful School District analysis are used in conjunction with one another, to determine a school finance act. Due to the differing methodology used in each approach, a piece of information from one analysis is not intended to simply substitute or “plug into” another analysis. Due to the differing methodology used in each approach, a piece of information from one analysis is not intended to simply substitute or “plug into” another analysis.

4. How have other states implemented School Finance tied to a high-stakes, standards-based education system when there isn't enough money in one year?

- a. Other states have developed a plan and a yearly commitment to reach the desired monetary objective. The plan may take multiple years to complete and includes a yearly analysis to determine how far they are from the goal and what progress they have made. A yearly analysis also incorporates new and/or changes to legislative and statutory regulations