Alternative Approaches to Measuring the Cost of Education
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Abstract - School finance equity remains at the forefront of the education reform debate in many states. For the most part, the school finance debate has focused on differences in school district fiscal capacity, and aid formulas typically make some effort to compensate low-capacity districts. Much less attention has been paid to the other side of the school district budget, where cost differences have a major impact on educational outcomes. In this paper, we develop a method for estimating a comprehensive district-level educational cost index that builds on the existing literature on production and costs in education and can be implemented with available data and then to estimate this index using data for New York State. The main contribution of our approach is the development of new methods to select educational outcome measures and to control for school district efficiency. We also find that several widely used methods for estimating educational costs based on ad hoc or incomplete adjustments for costs do not provide reasonable approximations for our method, which is to be preferred on conceptual grounds.

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