

A REVIEW OF K-12 REGIONAL COST ISSUES

**Presentation to the House
Subcommittee
on Education Finance Structures
January 21, 2005**

Office of Financial Management

OFM Study

- Completed in December, 2000.
- Response to a statutory provision asking the Office of Financial Management to review K-12 regional cost of living differences as well as methods to determine those differences.

Housing Cost is the Main Issue

- Section 3 of the report provides detailed statistical analysis to support this.
- There are other significant components of the cost of living.
- They are relatively unimportant in explaining differences in the cost of living within Washington State.

Two Potential Sources of Housing Cost Data

- Runzheimer International
- Economic Research Institute

Runzheimer

- Highest cost source of data
- Local housing cost data are likely to be more accurate than other cost of living data.
- Provides data to the Department of Defense.

ERI

- Relatively inexpensive.
- Estimates available for all counties in Washington and 100 cities.
- Used for research purposes because of cost.

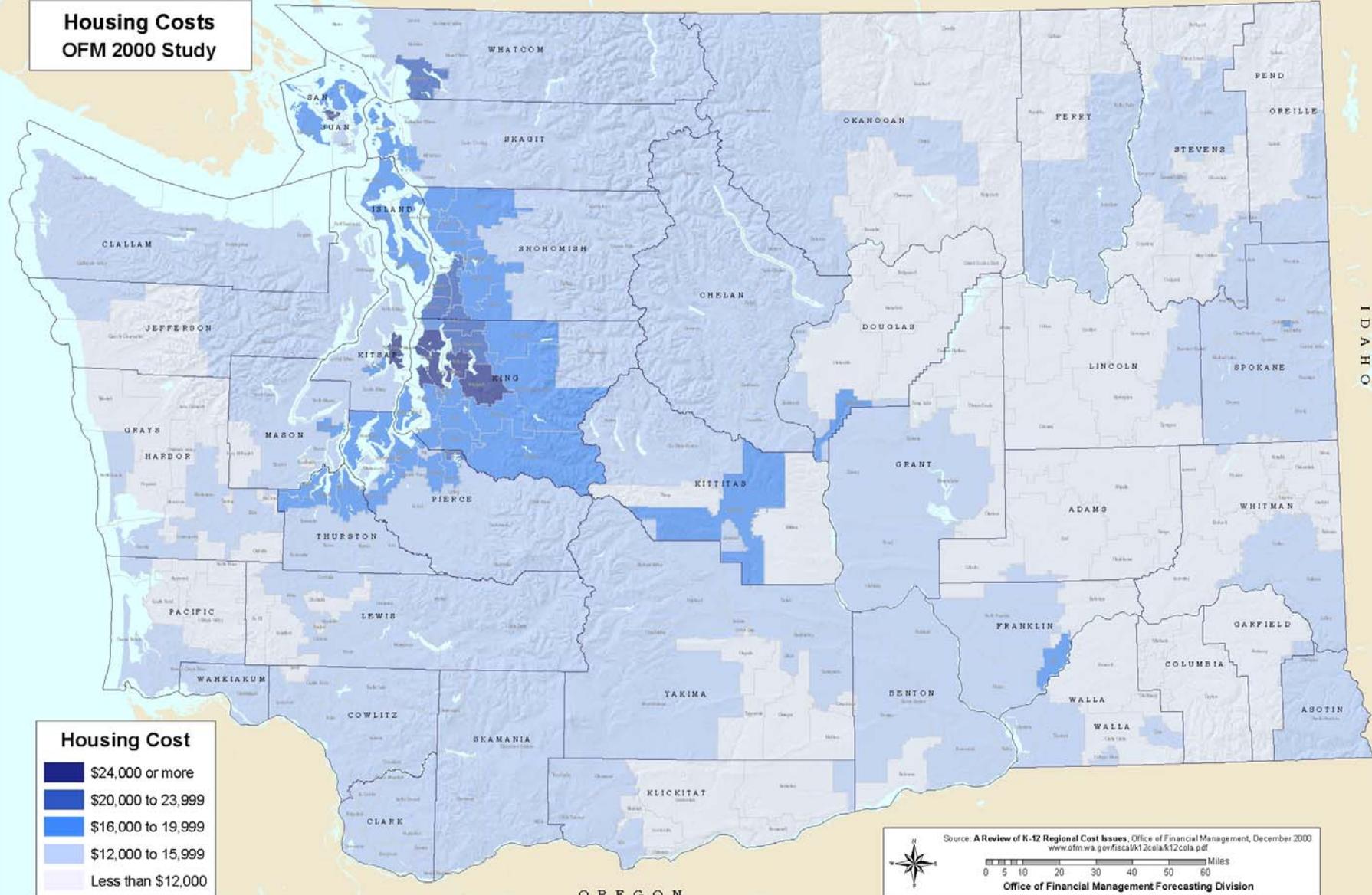
Cost of Housing Index

- Based on a representative homeowner household
- 65 percent of teachers are homeowners (State Population Survey)
- 1,500 square foot house
- Estimate constructed for every school district based on the ERI data.

Estimated Housing Cost by District

- The highest was Mercer Island at \$42,809.
- The lowest was Roosevelt at \$8,698.
- Coupeville is at the median with a cost of \$16,092.
- Estimates for all districts are provided in the report.
- These estimates have been used by LEAP in their continuing analysis.

Housing Costs OFM 2000 Study



Source: A Review of K-12 Regional Cost Issues, Office of Financial Management, December 2000
www.ofm.wa.gov/foia/k12cola/k12cola.pdf

Office of Financial Management Forecasting Division

Additional Issues

- Basis for the policy: equity or attrition and turnover?
- Is there evidence of recruitment/retention problems in high cost areas?
- What is the right geographic unit?
- Place of work and place of residence are not the same.
- How can border effects be mitigated?

Additional Issues

- Fixed dollar amount or proportional to base salary?
- Certificated staff only?
- Would labor market information be a better approach?
- Other state employees paid on a statewide scale have the same issues.

Other Options

- Signing bonuses
- Mortgage subsidies
- Local levy authority
- Allow school districts to use capital bond proceeds to buy down mortgages.

