

EXTERNAL COST ADJUSTMENTS AND THE WYOMING SCHOOL FUNDING MODEL

A PRESENTATION TO
THE JOINT APPROPRIATIONS COMMITTEE

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A Two-Part Test for Cost Adjustment

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- Do we have a reliable estimate of cost for each educational resource?
- Do we have reliable estimates of the changes in those costs over time?

Do we have a reliable estimate of cost for each educational resource?

The Determinants of Cost

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Cost = Price X Resource Quantity



Picus &
Associates
Model

Legislatively
Enhanced
Model

Do We Have Reliable Price Estimates?

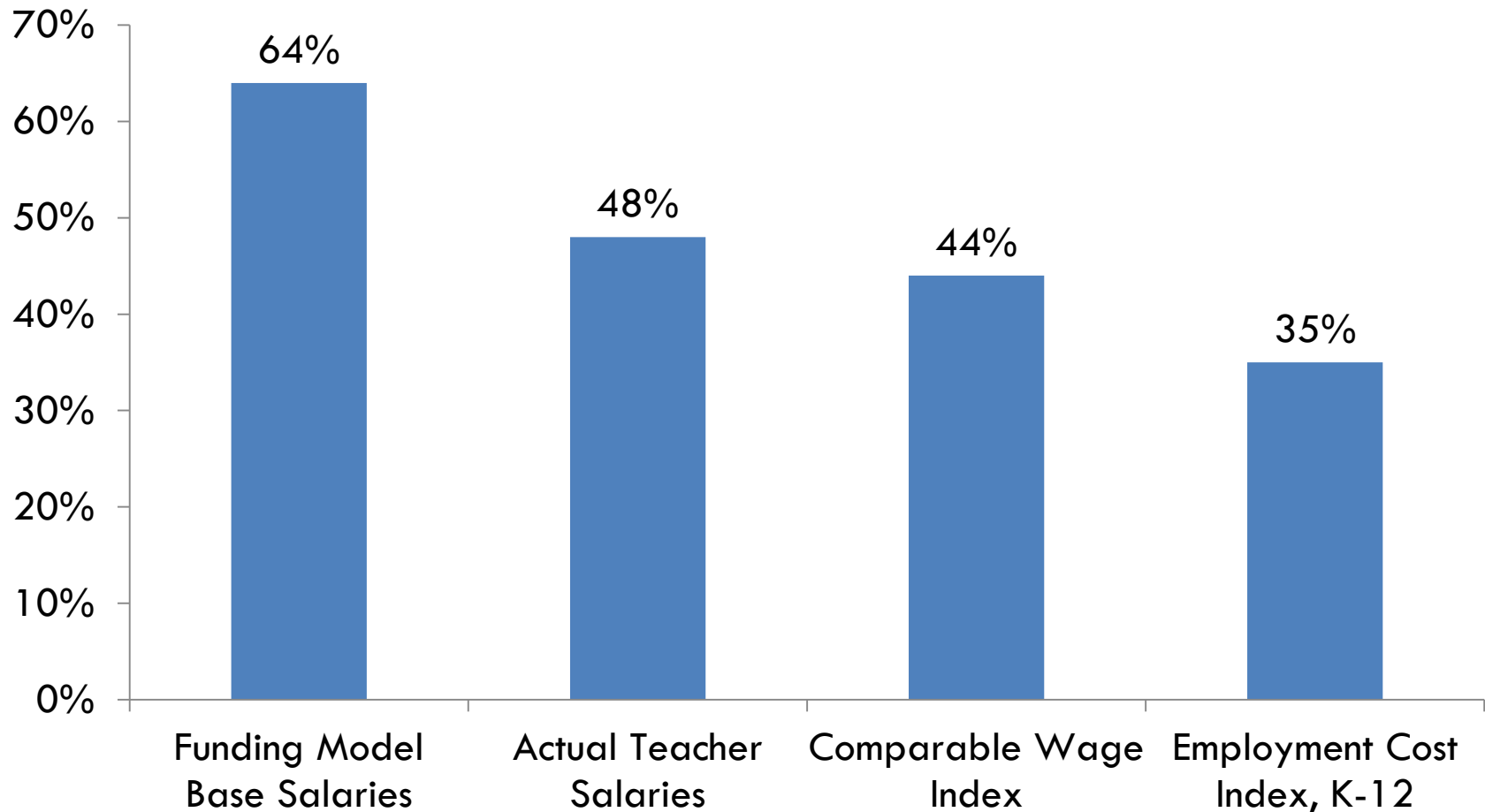
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- Some components of the funding model are purchased by all types of firms
 - ▣ Paper & Pencils
 - ▣ Software
 - ▣ Energy
- Other components of the funding model are purchased only by schools
 - ▣ Teachers
 - ▣ Principals
- It's hard to know the market price for resources purchased only by schools

Labor Price Indices and the Growth in Wyoming Teacher Salaries

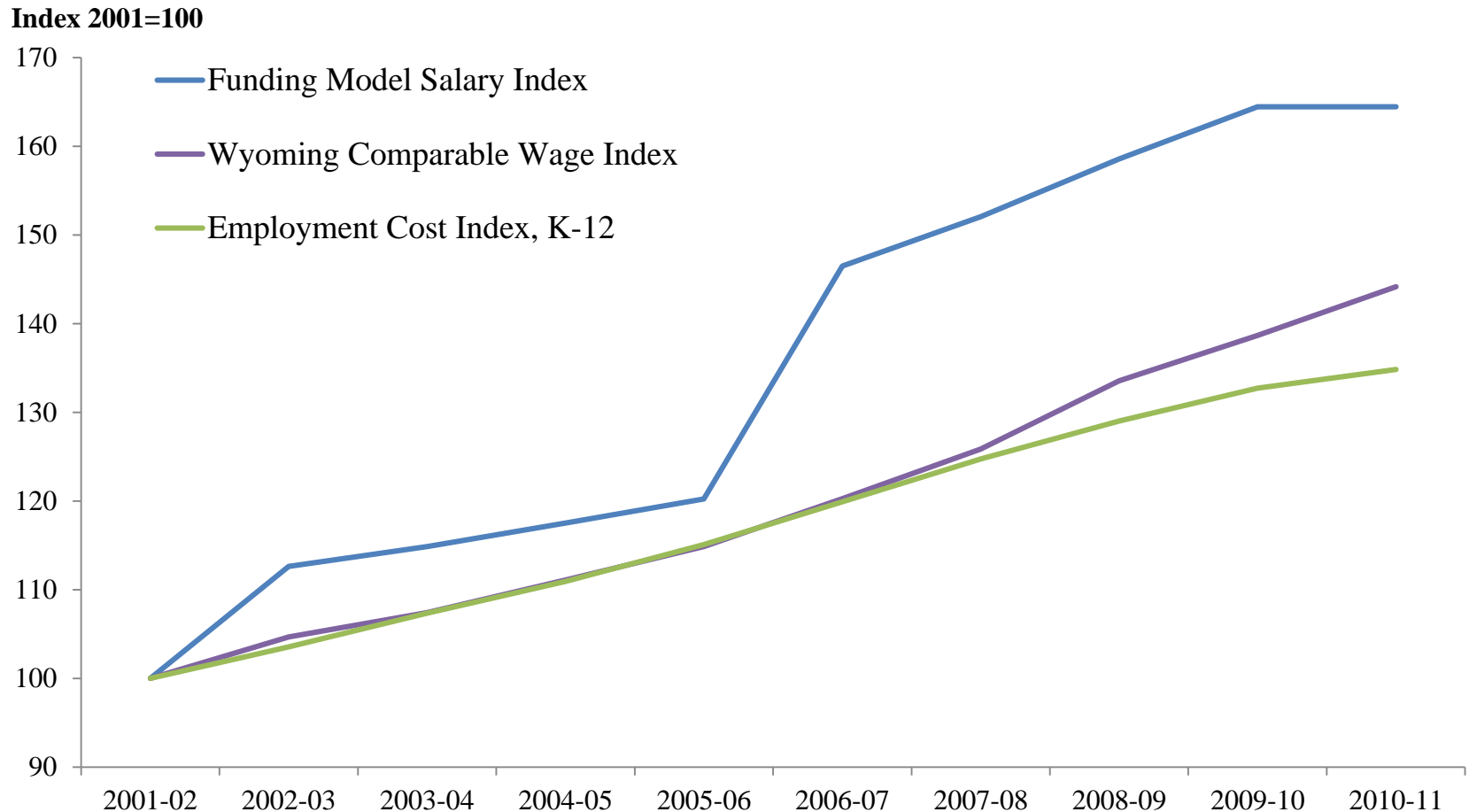
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Growth from 2001-02 through 2010-11

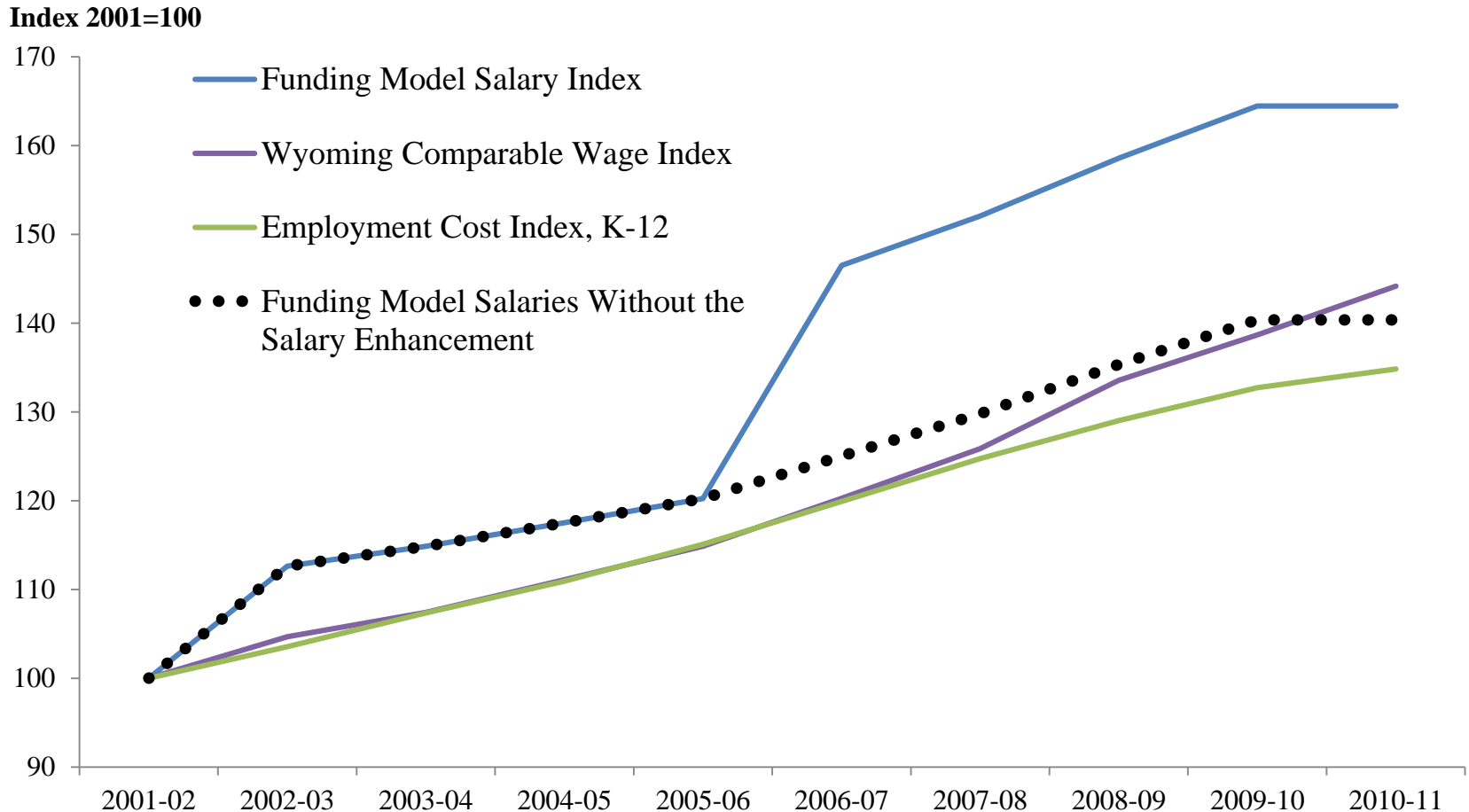


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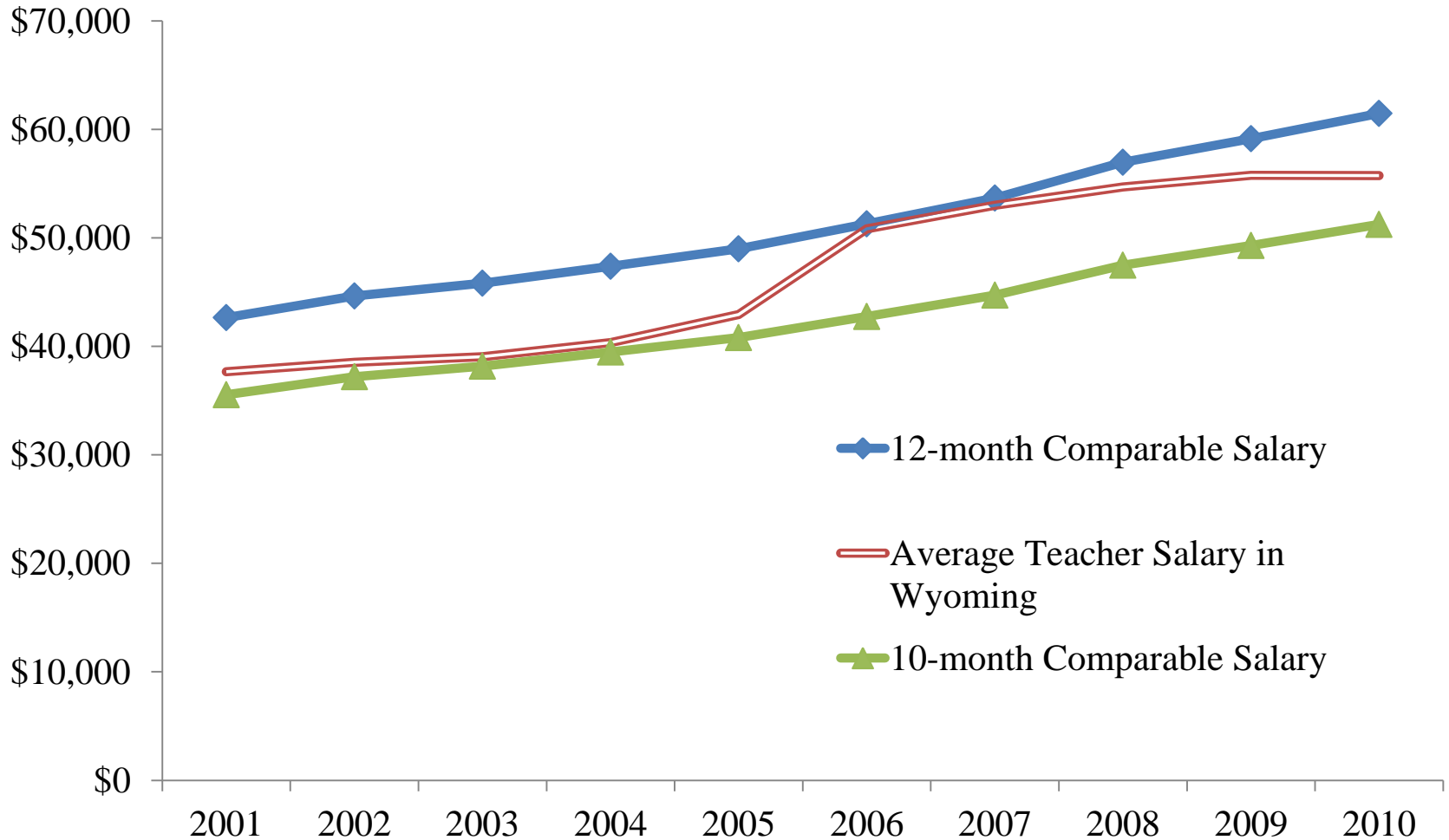
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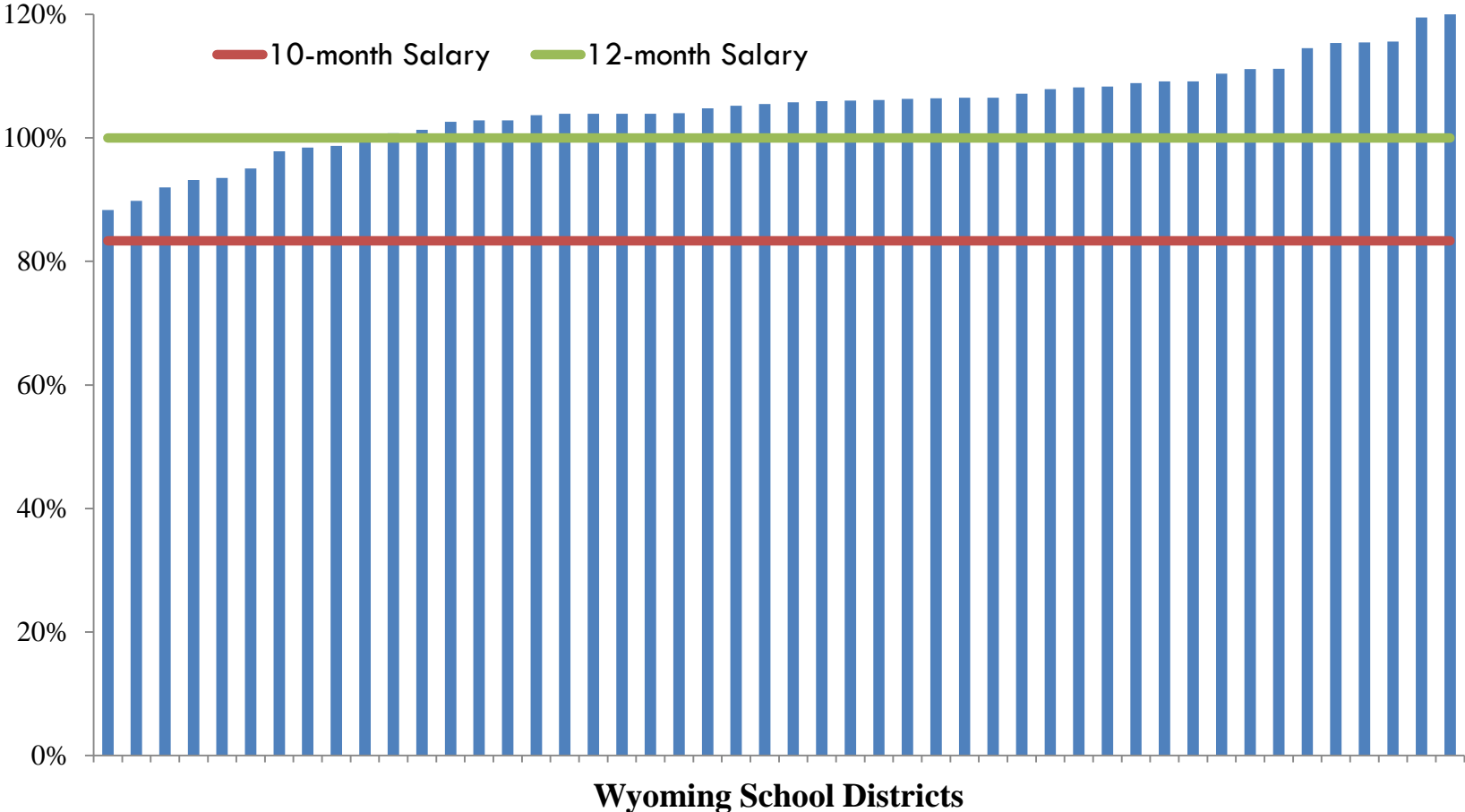
Labor Price Indices and the Growth in Wyoming Teacher Salaries



Comparing Salary Levels over Time

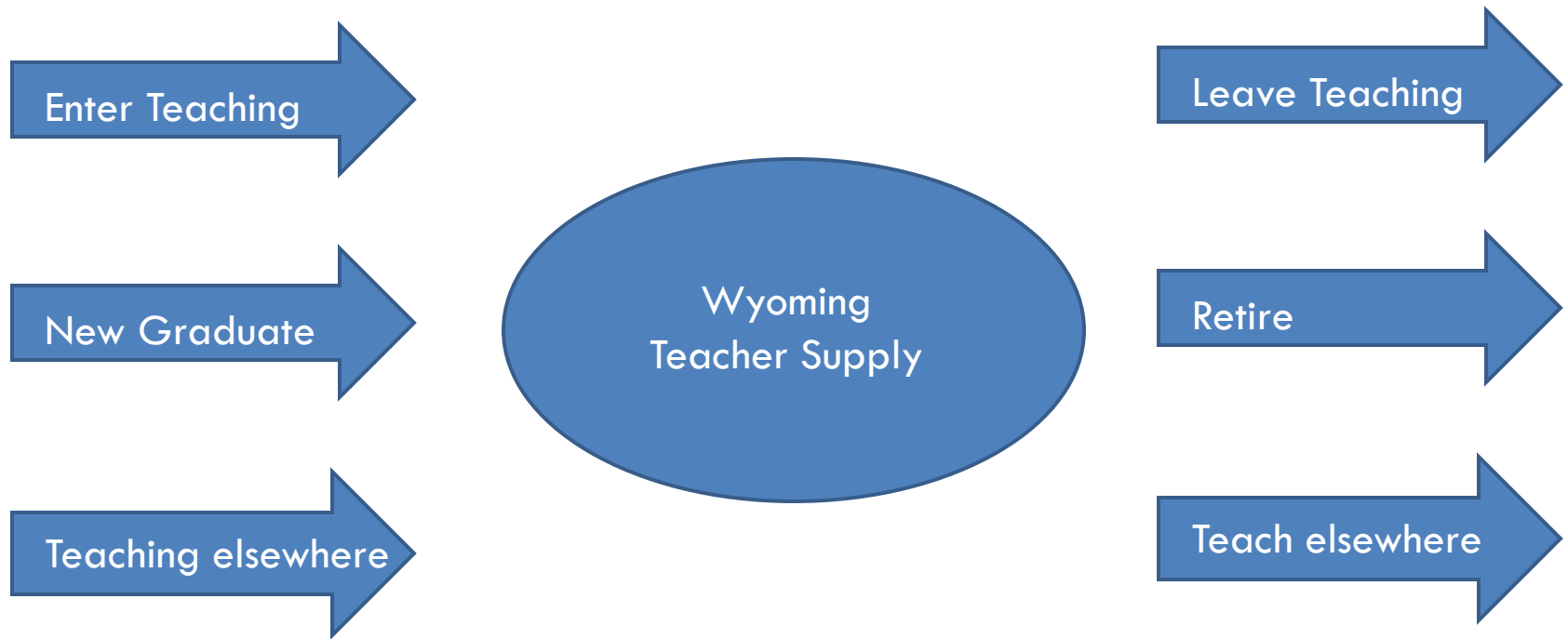


Relative Starting Salaries, 2010-11



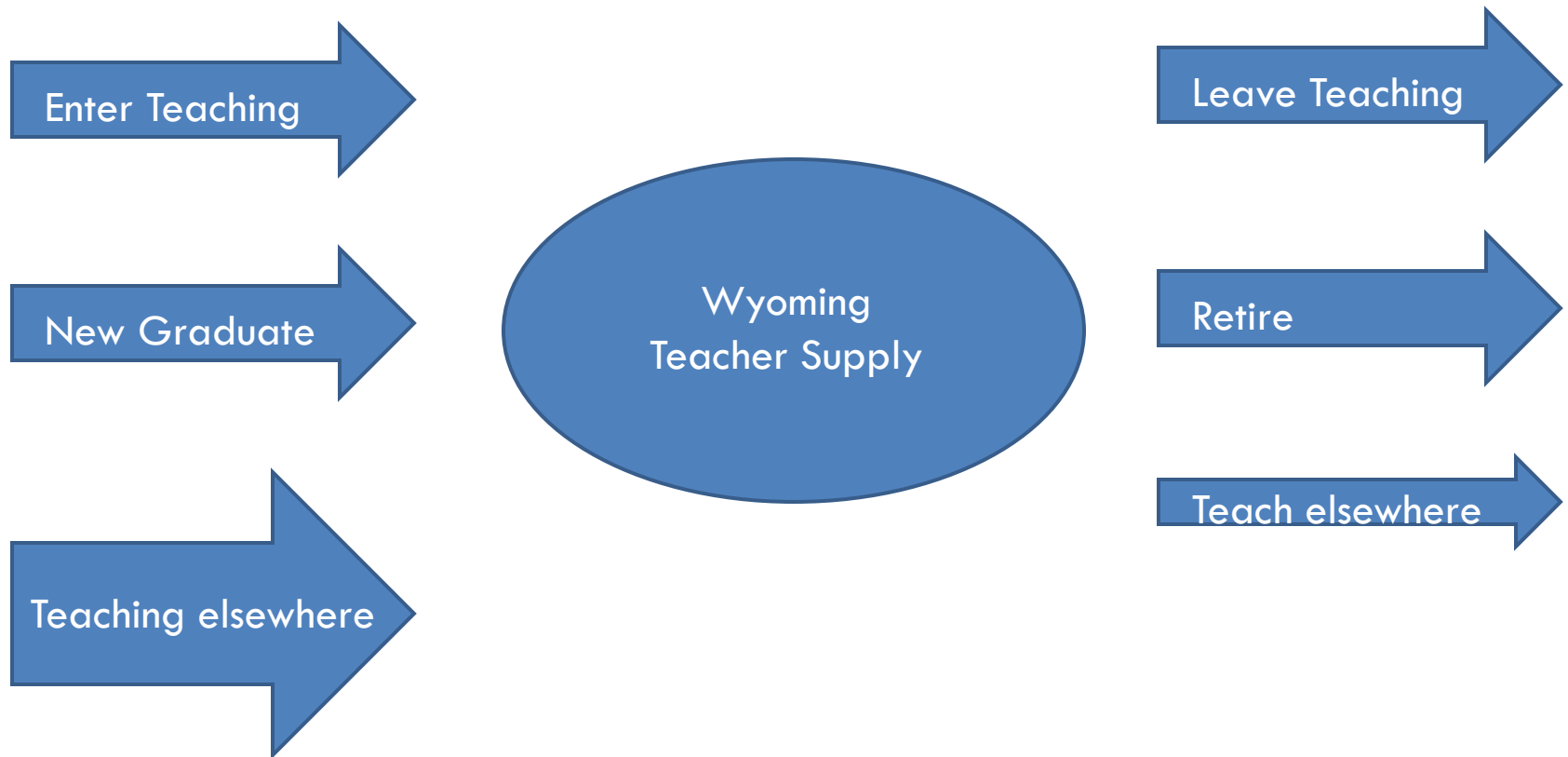
The Flow of Educator Labor

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Factors Outside Wyoming Are Changing the Flow of Educator Labor

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Surge in New Teaching Licenses

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Year	New Teaching Licenses	Renewed Teaching Licenses
2007	897	1,575
2008	902	1,570
2009	911	1,902
2010	901	1,945
2011 YTD	960	1,987

Source: Wyoming Professional Teaching Standards Board

Current Estimates of Price

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- Wyoming has historically priced personnel in the model based upon averages of salaries actually paid in the districts
- Evidence suggests that those prices are currently above market
- Tools developed by Dr. Stoddard will indicate when the educator salaries face market pressures
- When the educator labor market begins responding to pressure, we will know the prices are at market

Do we have reliable estimates of the changes in those costs over time?

Recommended Cost Indices

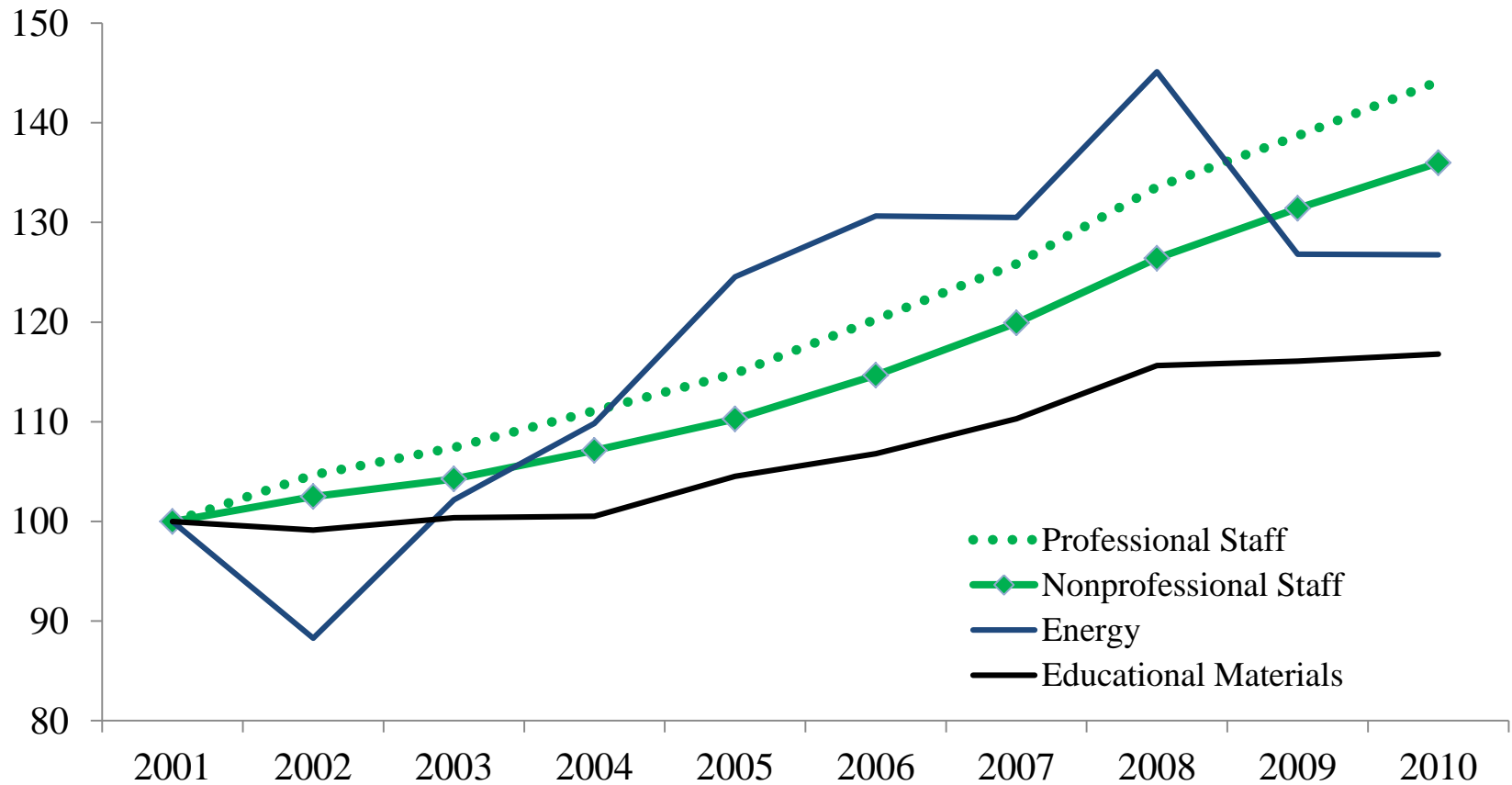
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Model Component	Recommended Cost Index	Share of Funding Model Expenditures
Professional Labor	Comparable Wage Index	66.7%
Non-professional Labor	High School Comparable Wage Index	14.6%
Energy	Weighted average of BLS producer price indices (PPIs) for commercial electricity and natural gas	3.4%
Educational Materials	BLS PPI for office supplies and accessories	15.3%

Recommended Cost Indices for the Four Major Funding-Model Components

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Index 2001=100



Conclusions

- If prices are above market, there is no need to apply an external cost adjustment
 - ▣ Personnel prices appear above market
 - ▣ Supplies and energy prices appear close to market
- As funding levels become aligned with costs, Wyoming should consider adjusting each major resource component separately using the most appropriate price index for that component
- Because Wyoming uses a block grant to fund schools, it is a policy decision whether to apply a cost adjustment to energy and supplies when there are no signs of labor market pressure

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Thank you