

# EXTERNAL COST ADJUSTMENTS AND THE WYOMING SCHOOL FUNDING MODEL

A PRESENTATION TO  
THE JOINT EDUCATION COMMITTEE

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Lori L. Taylor, PhD

# 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

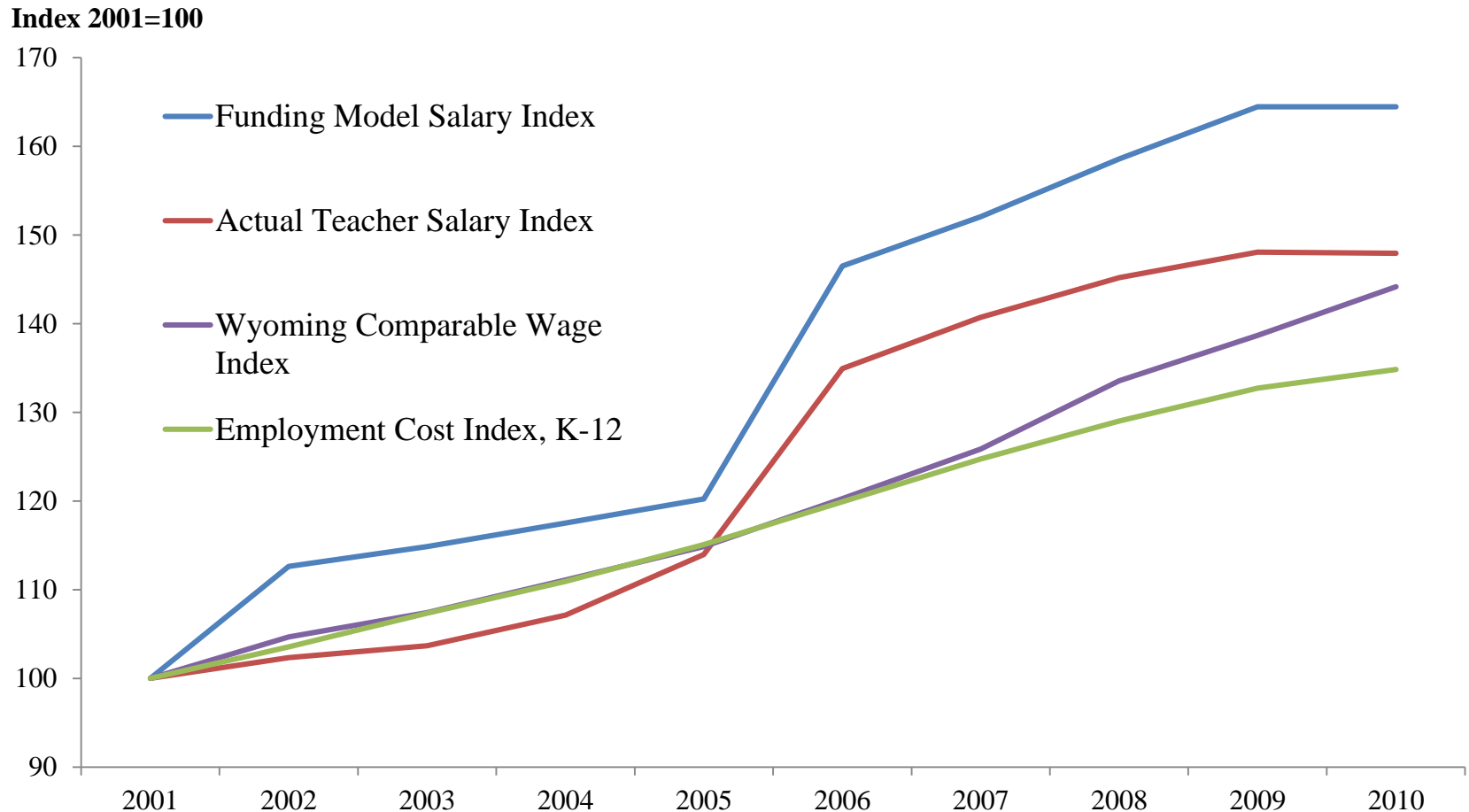
# Do We Have Reliable Price Estimates?

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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

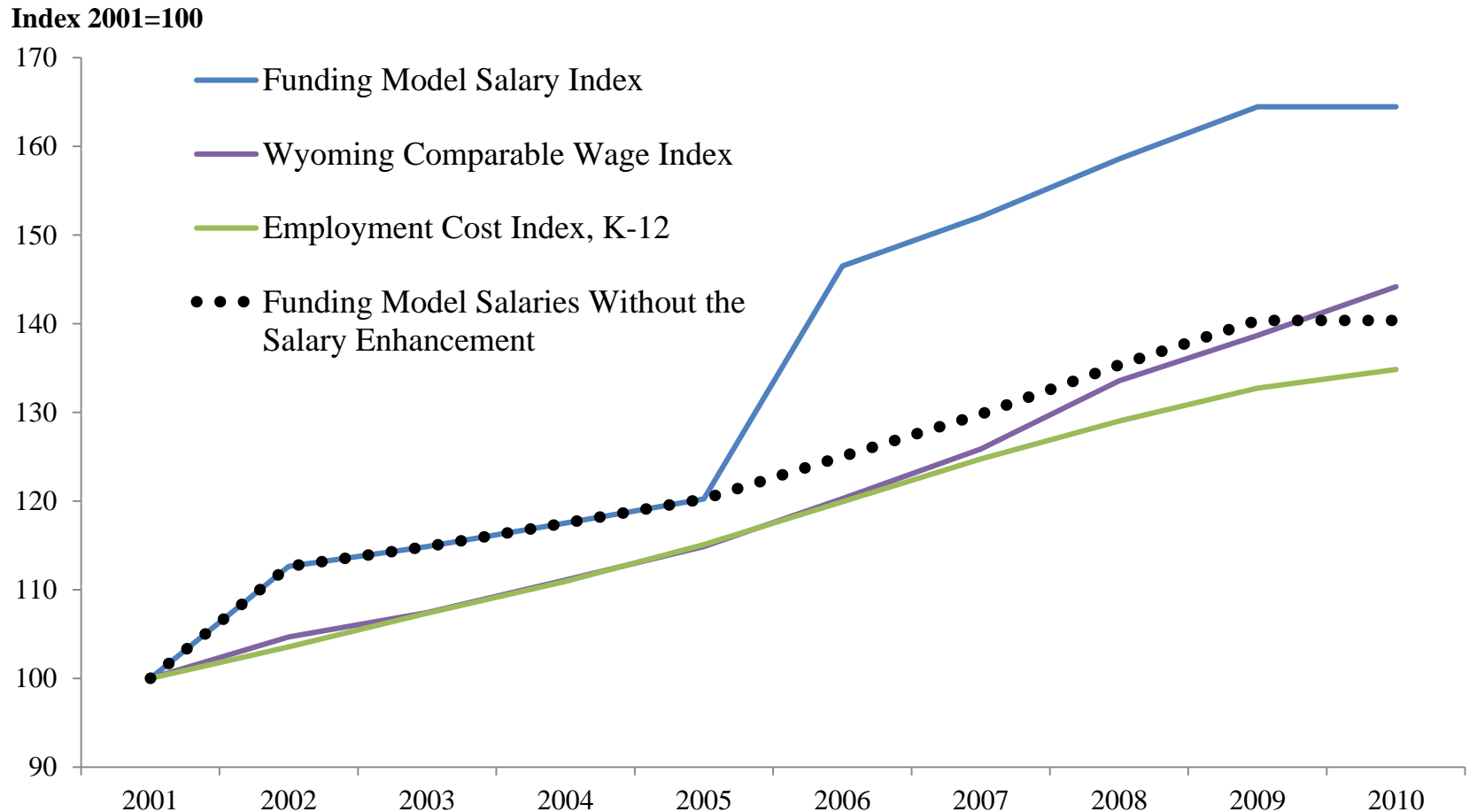
# Labor Price Indices and the Growth in Wyoming Teacher Salaries

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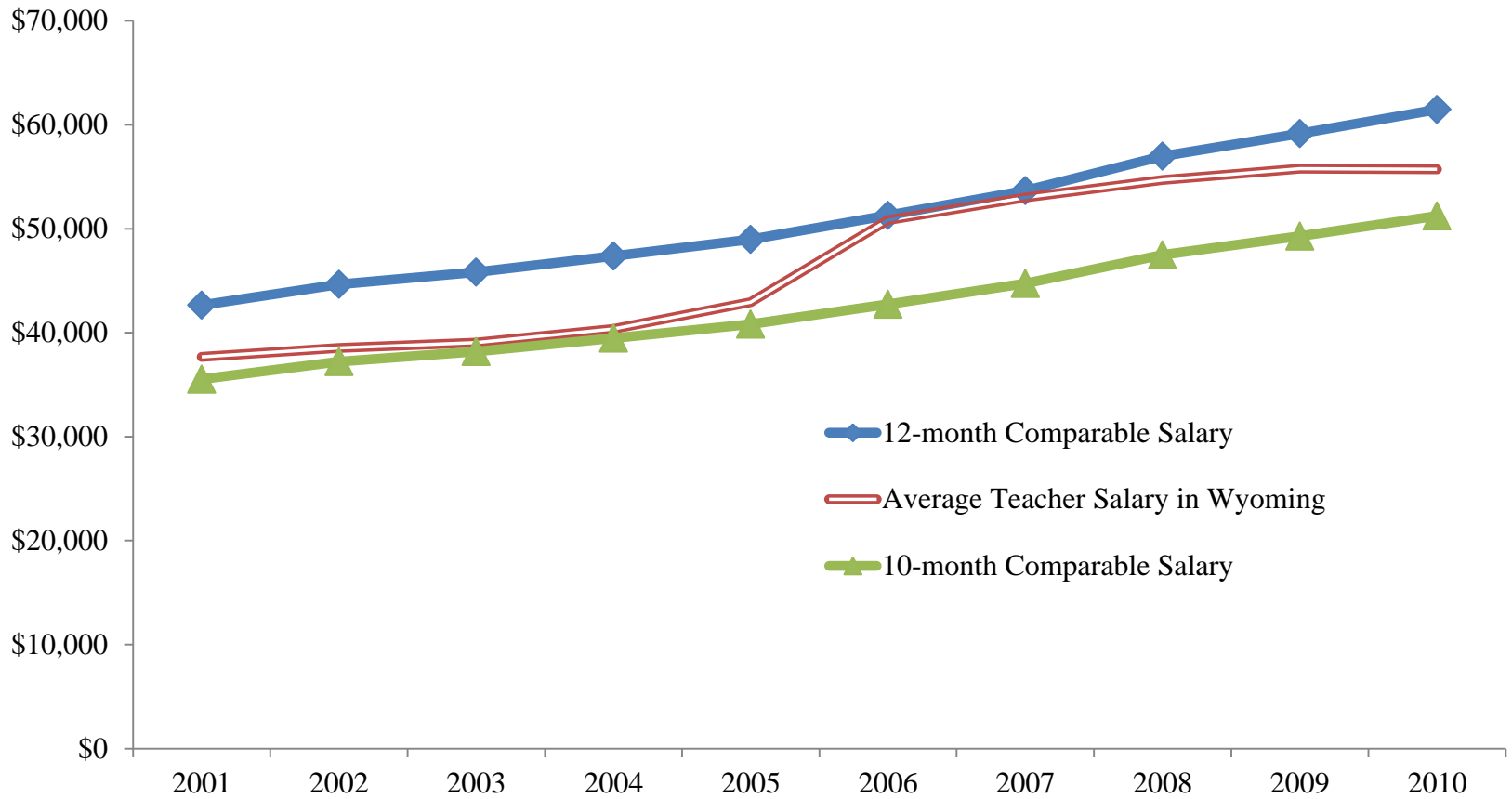


# Labor Price Indices and the Growth in Wyoming Teacher Salaries

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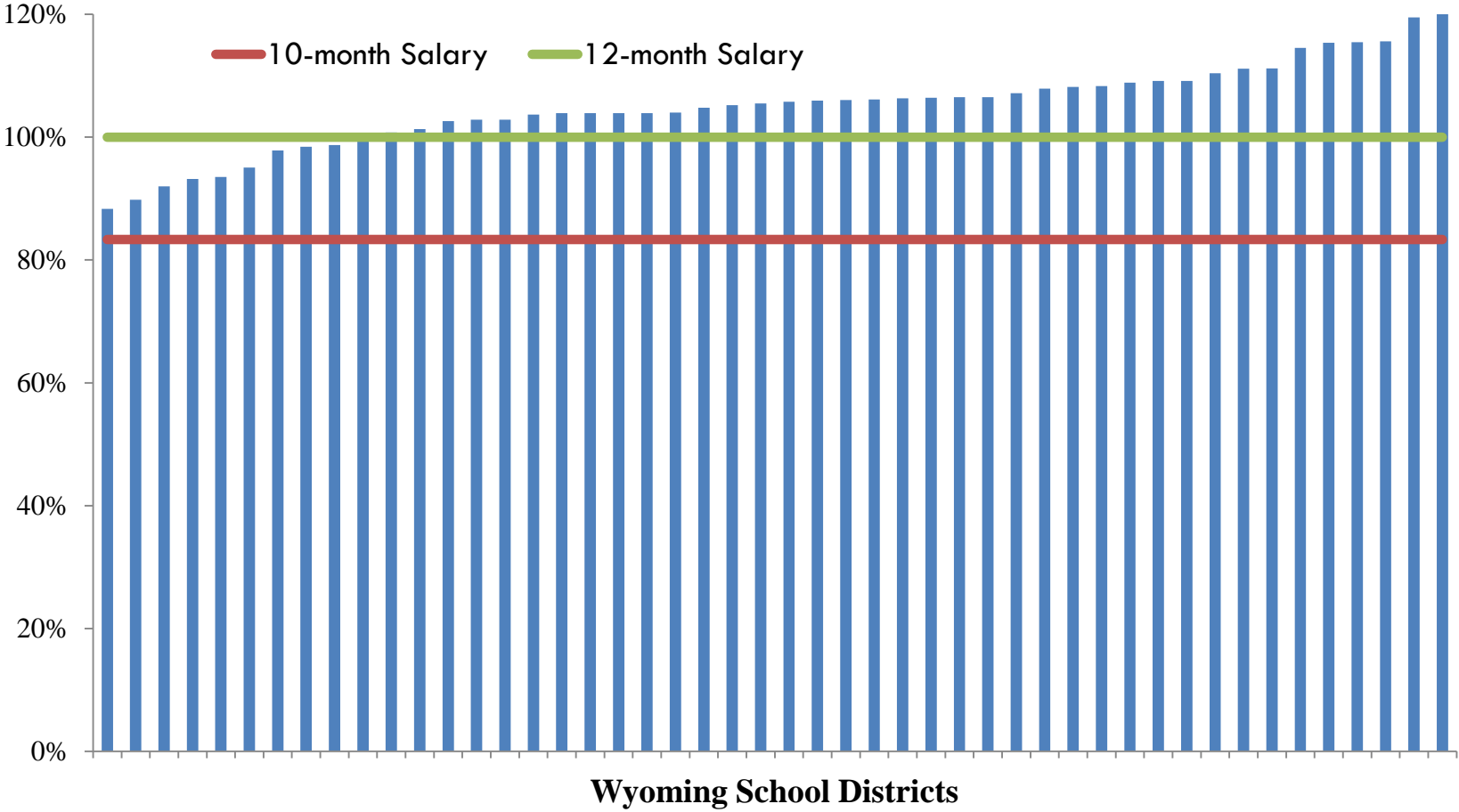


# Comparing Salary Levels over Time





# Relative Starting Salaries, 2010-11



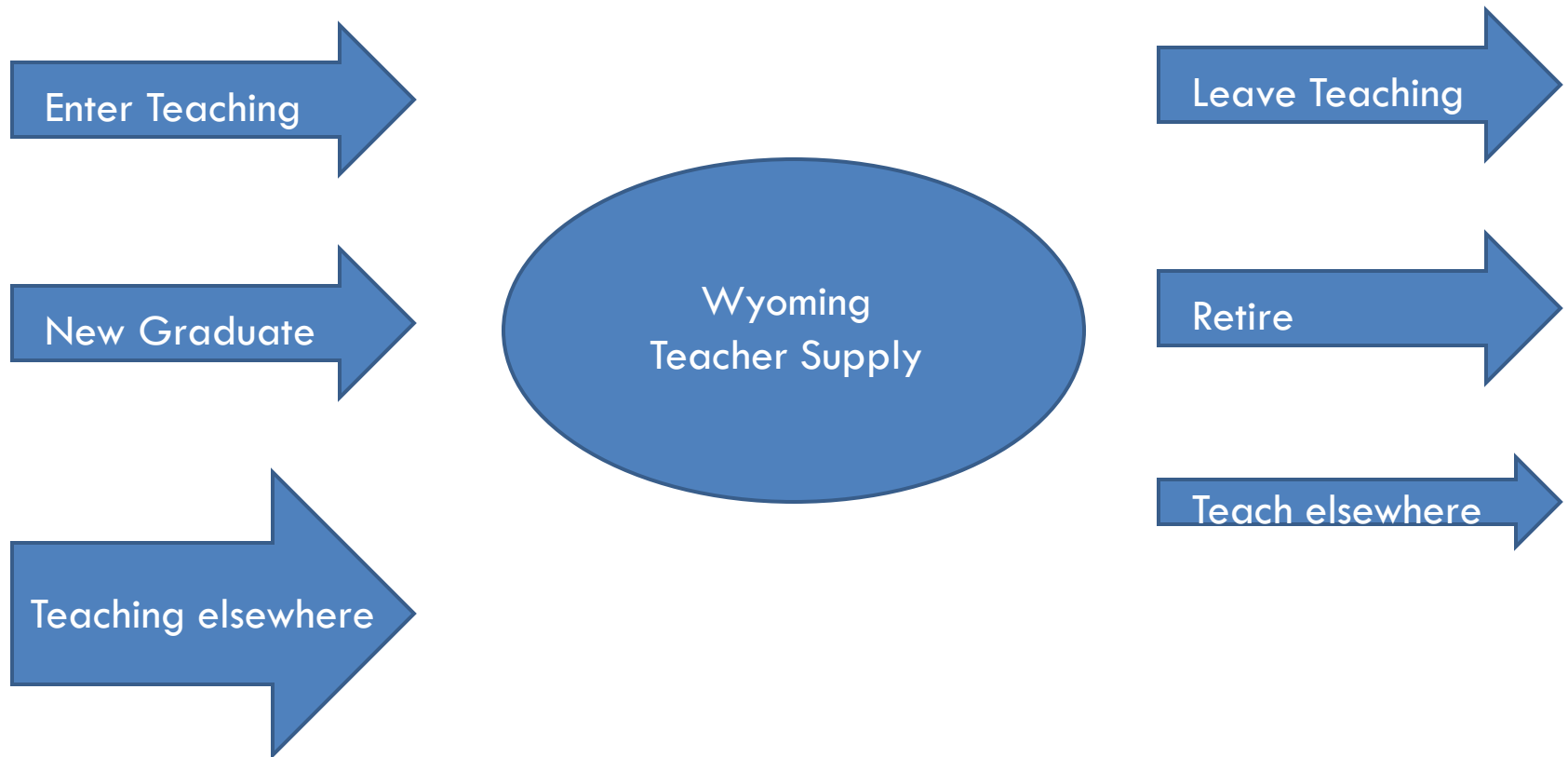
# The Flow of Educator Labor

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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

- 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

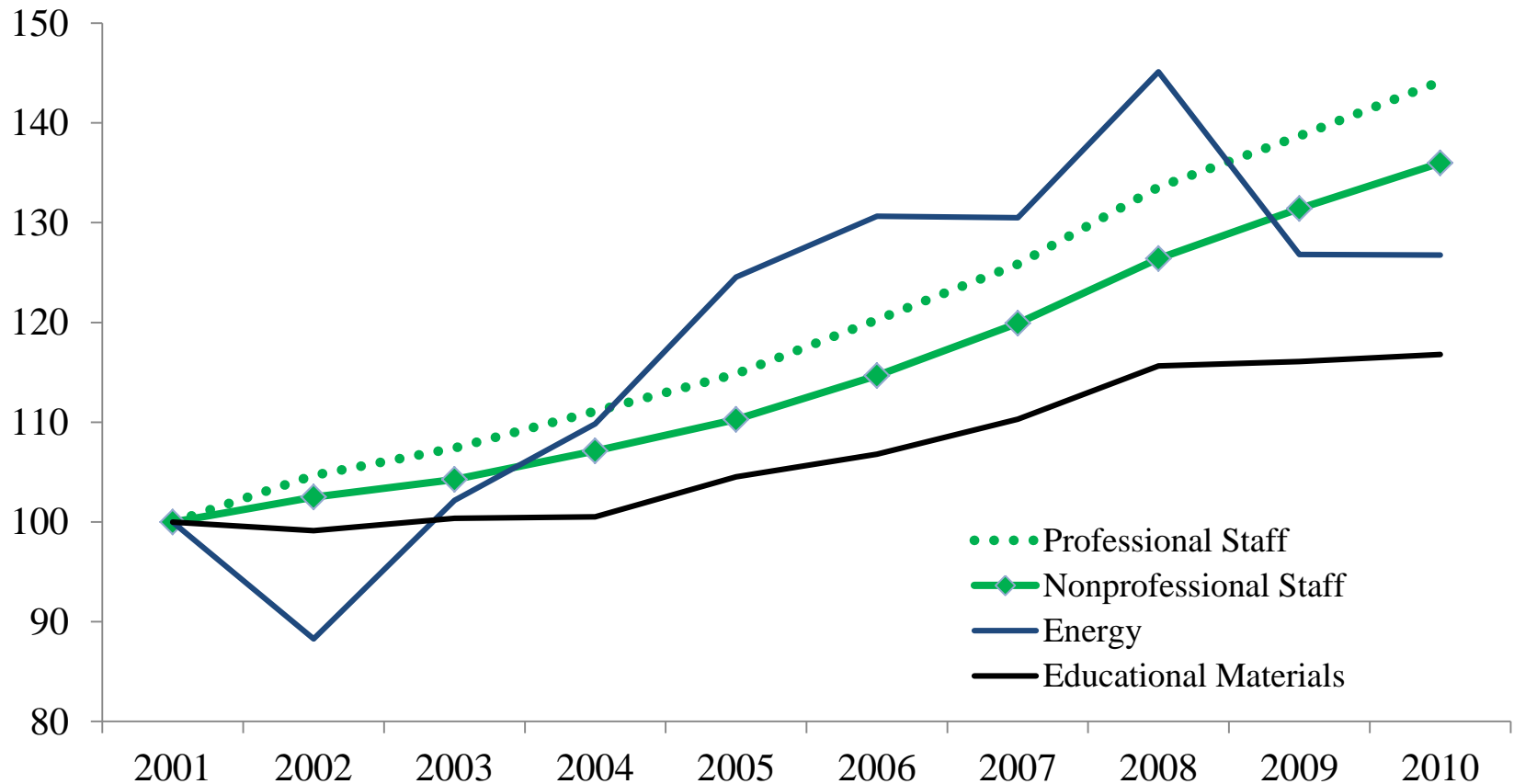
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<b>Model Component</b>	<b>Recommended Cost Index</b>	<b>Share of Funding Model Expenditures</b>
Professional Labor	Comparable Wage Index	66.7%
Non-professional Labor	High School Comparable Wage Index	14.6%
Energy	Weighted average of BLS producer price 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