



WYOMING LEGISLATIVE SERVICE OFFICE

# Memorandum

**DATE** September 15, 2017

**TO** Members, Joint Education Committee

**FROM** Matthew Willmarth, Senior School Finance Analyst  
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**SUBJECT** Potential Efficiencies and Cost Saving Options for Wyoming Public Education

This memorandum offers an outline of potential efficiencies and cost saving options for school operations and major maintenance requested by the Joint Education Committee (Committee) as part of the Committee’s first priority for the 2017 Interim and identified by staff. Per Management Council’s direction, Committee recommendations are to be reported to the Select Committee on School Finance Recalibration not later than November 10, 2017.

The options identified in this memorandum are summarized in Table 1, can be categorized as current funding model options and major maintenance funding options, and are further explained in the memorandum.

**Table 1. Summary of Current Funding Model and Major Maintenance Cost Saving Options.**

Option	Potential Savings
<b>Current Funding Model</b>	
Average Daily Membership – Greater of Approach at District Level	Unknown
Average Daily Membership – Prior Year Only	Unknown
Health Insurance – Require School Districts to be in State Plan	Unknown
Charter School Adjustments – First Year Double-Funding	Unknown
Charter School Adjustments – Enrollment and Grade Expansion	Unknown
Co-Located Schools Eliminated	\$4.1m annually
Interim/Formative Assessment Resources	\$2.3m annually
School District Site Acreage for Groundskeepers	Unknown
Special Education – Rules and Regulations	Unknown
Special Education – Extrahazardous Worker’s Compensation	\$3.1m annually
Transportation – Rules and Regulations	Unknown
Transportation – Eliminate Lease Option, Reimburse Purchase	\$500k to \$700k annually
Advertising Costs – Reduce Publication Requirements	No savings to SFP
Off-Model Teacher Extra Compensation	\$200k annually
<b>Major Maintenance Funding Options</b>	
Charter School Leases	\$250k annually

Source: LSO analysis.

One note of caution is in order. As previously discussed, the Legislature must fully fund a cost-based education system that provides every Wyoming public school student an equal opportunity to a quality education. *Campbell Cty. Sch. Dist. v. State*, 907 P.2d 1238 (Wyo. 1995). Reducing public K-12 education funding incrementally, including by implementing options contained in this memorandum outside of the recalibration process, may ultimately violate the State's constitution by creating an education funding system that is not cost-based. To avoid this concern, options to reduce education system funding should be vetted through the recalibration process.

## **CURRENT FUNDING MODEL OPTIONS**

The Committee could consider amending the current funding model and associated state statutes to implement cost savings or efficiencies. While the Select Committee on School Finance Recalibration is reviewing the entire funding model as part of the recalibration effort, the following options are provided to help facilitate review of areas that may not be specifically addressed as part of this effort. These options include: average daily membership, health insurance, charter school adjustments, co-located school configurations, interim/formative assessment resources, school district site acreage for groundskeepers, pupil transportation, special education, advertising costs, and off-model teacher extra compensation grants. This is not intended to be an exhaustive list and further discussion or prior public testimony may yield additional options for the Committee to consider.

### ***Average Daily Membership (ADM)***

During the 2005 recalibration, the funding model was modified from primarily generating resources at the district level to generating resources at the school level, where determined appropriate. By doing so, the law was amended to provide *each school* in the funding model the greater of the prior school year's ADM or its three-year ADM average. Each school's model ADM is then aggregated to a district model ADM to allocate resources generated at the district level. Using the "greater of" approach provides school districts with decreasing enrollment time to respond to a reduction in students and school districts with increasing enrollment are immediately funded for the increase. There are at least two options policymakers have with regard to adjusting how the funding model uses ADM: 1) determine the "greater of" ADM decision for all schools at the *district level* rather than at each school, or 2) fund school districts using only prior year ADM.

The "greater of" approach for model ADM at the *school level* (current law) creates a duplication of students among the total model ADM amount. For example, if a student in an elementary school transitions to a middle school, the elementary school where the student was previously enrolled may utilize the three-year average and the middle school where the student is now enrolled, may use the prior year ADM, effectively counting the student two-thirds in the elementary school and fully in the middle school. If the decision point of which ADM to use for schools was at the *district level*, the duplication of students among schools within a single district is lessened. To be exact, changing the decision point for model ADM to the *district level* rather than the *school level* would operate as follows: if a school district's prior year ADM was greater than the three-year average, *all* schools would use the prior year ADM, but if the district's three-year average ADM was greater than the prior year, all schools would use the three-year average. Table 2 depicts the difference in the model ADM (current law) compared to the prior year, three year average, and the model ADM if the decision for ADM used was done at the *district level*.

**Table 2. Average Daily Membership Counts in the Funding Model.**

ADM Counts	FY 2017	FY 2017 Difference from Current Law		Est. FY 2018	Est. FY 2018 Difference from Current Law	
		Amount	Percent		Amount	Percent
Model ADM (Current Law)	93,963			93,928		
Prior School Year ADM	92,733	(1,230)	-1.3%	92,034	(1,894)	-2.0%
3-Year Average ADM	91,717	(2,246)	-2.4%	91,822	(2,046)	-2.2%
<i>Model ADM (District Level Decision for School ADM)</i>	93,005	(958)	-1.0%	92,787	(1,141)	-1.2%

Source: LSO calculations.

Table 3 depicts the number of schools under current law utilizing prior school year ADM and the three-year average ADM for FY 2017 and estimated FY 2018. Table 3 also identifies the impact if the funding model's ADM decisions were made at the *district level* by the number of districts and schools utilizing the prior school year ADM and the three-year average ADM. The shift in the number of schools using the prior year ADM in estimated FY 2018 is a result of a total statewide decrease in ADM in SY 2016-2017.

**Table 3. Count of Schools and Districts Using Prior Year and Three-Year Average ADM.**

Number of Schools and Districts: Prior Year and Three-Year Average ADM	FY 2017		Est. FY 2018	
	Count	%	Count	%
<b>Current Law</b>				
Schools Using Prior Year ADM	196	54.7%	171	47.6%
Schools Using Three-Year Average ADM	162	45.3%	188	52.4%
<b>District Level Decision for School ADM</b>				
Districts using Prior Year ADM	30	62.5%	23	47.9%
Districts using Three-Year Average	18	37.5%	25	52.1%
Schools Using Prior Year ADM	253	70.7%	155	43.2%
Schools Using Three-Year Average ADM	105	29.3%	204	56.8%

Source: LSO calculations.

For FY 2017, if all schools' ADM decision had been made at the *district level*, the total model ADM would have decreased by 958 ADM or -1.0% from current law and the difference between the prior year ADM and the model ADM would have been 272 students, not 1,230 as it is under current law. For FY 2018, if all schools' ADM decision was made at the *district level*, the total model ADM would decrease by an estimated 1,141 ADM or -1.2% from current law and the difference between the prior year ADM and the model ADM would be an estimated 753 students, not 1,894 as it is under current law.

Utilizing the "greater of" approach at the *school level* funds a larger amount of ADM than actually exists from the prior school year. If FY 2017 funding amounts had been based upon the district-level decision, rather than the school-level decision, total funding would have decreased by an estimated \$9.8 million or -

0.65%.<sup>1</sup> If estimated FY 2018 funding amounts are based upon the *district level* decision, rather than the *school level* decision, funding would decrease an estimated \$10.8 million or -0.73%.

If the policy was use of the prior year ADM, rather than consideration of the three-year average, the following impacts are estimated: for FY 2017, funding would have decreased an estimated \$11.7 million or -0.78% and in estimated FY 2018, funding would decrease approximately \$17.3 million or -1.17%.

For the FY 2019-2020 biennium, estimated changes in funding become difficult to predict as assumptions assume a flat enrollment going forward.

### **Health Insurance**

A funding model component the Legislature could consider modifying is health insurance. The current approach to funding health insurance has been to derive an amount in the funding model based upon the State of Wyoming's insurance premiums for its employees and school district participation in their health insurance plans. This dollar amount is provided for every staff position in the funding model. Health insurance expenditures for special education and transportation staff have been reimbursed at 100% of allowable expenditures. The historical health insurance per employee amounts included in the funding model's formula are listed in Table 4.

**Table 4. Historical Funding Model Amount for Health Insurance per FTE.**

School Year	Funding Model Amount per FTE	Change from Prior Year	Percent Change from Prior Year
2006-2007	\$8,169		
2007-2008	\$9,468	\$1,299	15.9%
2008-2009	\$9,562	\$94	1.0%
2009-2010	\$9,801	\$239	2.5%
2010-2011	\$10,489	\$688	7.0%
2011-2012	\$12,805	\$2,316	22.1%
2012-2013	\$13,180	\$376	2.9%
2013-2014	\$12,523	(\$657)	-5.0%
2014-2015	\$13,129	\$606	4.8%
2015-2016	\$14,958	\$1,829	13.9%
2016-2017	\$15,037	\$79	0.5%
2017-2018	\$15,105	\$68	0.5%

Source: LSO analysis of historical funding models.

Table 5 summarizes across all school districts: total funding model staff FTEs, actual staff counts, and actual staff FTEs enrolled in school district health insurance plans. These data exclude special education and transportation staff and only include State funded positions to make a comparison to the funding model staff resourced to school districts. Prior to SY 2011-2012, the Wyoming Department of Education (WDE) could not identify federally funded or other funded positions, thus the analysis is able to cover only school years beginning with 2011-2012.

<sup>1</sup> For FY 2017, Fremont County School District #2 (Dubois) would have experienced a substantial decrease in funding on a percentage basis (9.31%) due to a change in classifying Dubois High School as a small school (49 or fewer students) and the school would not have received the minimum teacher adjustment of 10 teachers. This anomaly does not appear to occur in estimated FY 2018.

**Table 5. School District Employee Participation in District Health Insurance Plans.**

School Year	Funding Model Staff FTEs	Enrolled Staff Count in District Plans	Staff Count Difference from Model	Staff Count as % of Model FTEs	Enrolled Staff FTE in District Plans	Staff FTE Difference from Model	Staff FTE as % of Model
2011-2012	11,735	10,330	(1,405)	88.0%	9,330	(2,405)	79.5%
2012-2013	11,864	10,224	(1,640)	86.2%	9,284	(2,580)	78.3%
2013-2014	12,001	10,378	(1,623)	86.5%	9,320	(2,682)	77.7%
2014-2015	12,139	10,515	(1,624)	86.6%	9,353	(2,786)	77.1%
2015-2016	12,213	10,374	(1,839)	84.9%	9,338	(2,875)	76.5%

Source: LSO analysis of WDE data.

Analysis of Wyoming school district expenditures show most districts spend less on health insurance than they receive from the funding model. Table 6 is a statewide summary of health insurance resources provided by the funding model and school district expenditures from the general fund for health insurance. For SY 2015-2016, school districts spent approximately \$41.8 million (-23%) less than the amount provided in the funding model, a \$13.1 million increase from the prior school year.

**Table 6. Funding Model Health Insurance Actual Expenditure Analysis.**

School Year	Funding Model Health Insurance Funding	District Health Insurance Expenditures Less Special Education and Transportation <sup>1</sup>	Difference between Funding Model and Actual Expenditures	Special Education and Transportation Expenditures for Health Insurance	Total Funding Model Health Insurance Funding
2006-2007	\$92,099,184	\$88,510,435	(\$3,588,749)	\$19,397,360	\$111,496,544
2007-2008	\$106,877,460	\$88,811,798	(\$18,065,662)	\$21,248,032	\$128,125,492
2008-2009	\$108,637,971	\$96,098,625	(\$12,539,346)	\$22,632,344	\$131,270,315
2009-2010	\$112,521,857	\$108,205,405	(\$4,316,452)	\$27,083,951	\$139,605,808
2010-2011	\$121,730,508	\$110,722,363	(\$11,008,145)	\$28,200,612	\$149,931,120
2011-2012	\$150,261,535	\$122,555,090	(\$27,706,445)	\$31,107,345	\$181,368,880
2012-2013	\$156,366,504	\$127,644,956	(\$28,721,549)	\$32,507,456	\$188,873,960
2013-2014	\$150,289,624	\$126,343,050	(\$23,946,574)	\$33,488,194	\$183,777,817
2014-2015	\$159,373,384	\$130,663,036	(\$28,710,347)	\$35,639,306	\$195,012,689
2015-2016	\$182,682,867	\$140,885,660	(\$41,797,207)	\$39,601,436	\$222,284,303

Source: LSO analysis of WDE data from the WDE601 Annual District Report, General Fund, Objects 23x and 27x excluding special education and transportation functions 1210,1250,2230,3510, and 3520.

Notes: [1] Sublette #9 funded \$7,905,000 and \$1,822,685 in 2006-2007 and 2007-2008 respectively in prepaid HRA expenses with rebated recapture funds.

An option the Legislature could consider would be to require all school districts to participate in the State health insurance plan and eliminate any funding for health insurance through the funding model. Current

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law allows a school district to participate in the State's health insurance plan, however, the funding model still provides funding for all model generated staff, not just those staff participating in the plan. There would be a cost to the executive branch expenditures as Employee Group Insurance would have to expand the size of its staff to handle the increased participation in the State's insurance plan. Limitations could be included to ensure State funding would exclude staff positions not considered in the funding model (i.e., federally funded school district staff, food service/enterprise fund staff, etc.).

The potential savings of requiring school districts to participate in the State's health insurance plan is unknown as the number of participants and the cost to implement the change in Employee Group Insurance is indeterminable at this time. However, one could infer there could be substantial savings since the funding would only be provided for school district staff participating in the State's health insurance plan. There may be other options rather than a strict requirement for school districts to participate in the State's health insurance plan the Committee could request the Select Committee on School Finance Recalibration to explore.

### ***Charter School Adjustments***

Since SY 2002-2003, there have been six new charter school openings and the schools have been provided \$6.8 million for adjustments under current law. Since any adjustments would be made prospectively, potential reductions in funding by eliminating charter school adjustments are unknown.

### First-Year Double-Funding

Wyoming Statute 21-3-314(a)(i)(C) provides the funding model average daily membership (ADM) for a charter school is multiplied by two for the first year of operation, if the charter school is not initiated by a school district. Multiplying the charter school's funding model ADM by two provides a charter school two benefits a traditional new school does not receive: 1) funding for the first year of operation; a traditional new school is funded on its prior year data; and 2) multiplying the ADM by two.

The Legislature could consider a cost saving option by eliminating any double funding for charter schools. If a student was previously enrolled in the school district, the school where the student was previously enrolled could have its funding model ADM moved to the charter school for funding purposes. If the student was not previously enrolled in the district, the student's enrollment could be multiplied by the average district per pupil cost. The funding for a first year charter school would still exist on current year data in this scenario, but the double funding would be eliminated. The potential savings of implementing the change is unknown as the opening of new charter schools is indeterminable.

### Enrollment and Grade Expansion Adjustment

Wyoming Statute 21-13-314(a)(iv) provides that the funding model ADM for a charter school is adjusted in the current year by its enrollment for the second and third year of operation. Wyoming Statute 21-13-314(a)(v) adjusts a charter school's model ADM if a charter school expands its grade configuration to include one or more consecutive grade levels beyond the third year of operation. These adjustments are not provided for a traditional new school as it is funded on its prior year data. Further, enrollment counts are typically 1.5% larger than actual year-end ADM counts resulting in additional funding.

The Legislature could consider a cost saving option by eliminating the current year adjustment for the second and third years of operation and for an expansion of grades and only fund charter schools based upon prior year ADM. The potential savings of implementing these changes is unknown as the opening of new charter schools or the expansion of grades is indeterminable.

### Co-Located Schools

The funding model allocates school level resources based upon the prior school year's grade configuration for each school. However, for district level routine operations and maintenance resources, two or more schools co-located in a single building have the schools' data aggregated to the building level.<sup>2</sup> Wyoming Statute 21-13-309(m)(vi)(C) prohibits a reconfiguration of more than one school in a single school building but grandfathers the existing co-located schools or configurations, excluding charter and alternative schools.

An example of co-located schools is found in Albany County School District #1. Three schools, Rock River Elementary, Rock River Junior High School, and Rock River High School are allocated school level resources for three separate schools, but are contained in a single school facility. The three schools have routine maintenance and operations resources funded as a single building at the highest level. Major maintenance resources are allocated as a single building as well. The fact that school districts configure similarly sized school populations differently can affect the level of resources through the funding model.

An option the Legislature could consider would be to eliminate all co-located schools and resource the school buildings based upon all grades served in the building. Based upon SY 2016-2017 configurations, there are 23 instances of co-located schools, housing 54 individual schools. Of the 54 schools, 47 share a principal with the other school(s) located at the same site/building. Eliminating co-located schools and funding schools based upon the building's total grade configuration would reduce funding by approximately \$4.1 million for estimated FY 2018 funding levels. The primary funding model components where a decrease in funding would occur are: small school teachers, librarians, principals, and secretarial staff. See Table 7 for a district-by-district analysis of the estimated funding difference if co-located schools were eliminated.

**Table 7. Estimated FY 2018 Impact of Eliminating Co-Located Schools in the Funding Model.**

District	Change in Funding	Percent Change in Total Funding	District	Change in Funding	Percent Change in Total Funding
Albany #1	(\$10,000)	0.0%	Natrona #1	(\$325,000)	-0.2%
Big Horn #1	(\$783,000)	-4.7%	Niobrara #1	(\$291,000)	-2.3%
Big Horn #4	(\$232,000)	-3.2%	Platte #1	(\$187,000)	-1.1%
Converse #2	(\$375,000)	-3.4%	Platte #2	\$47,000	0.9%
Fremont # 2	(\$143,000)	-3.2%	Sheridan #1	(\$224,000)	-1.5%
Fremont # 6	(\$257,000)	-3.1%	Sheridan #2	(\$11,000)	0.0%
Fremont #21	(\$455,000)	-4.7%	Sweetwater #1	(\$165,000)	-0.2%
Fremont #24	(\$503,000)	-6.1%	Weston #1	(\$143,000)	-1.1%
Goshen #1	\$61,000	0.2%	Weston #7	(\$117,000)	-1.9%
Laramie #1	\$9,000	0.0%	<b>Total</b>	<b>(\$4,104,000)</b>	<b>-0.3%</b>

Source: LSO calculations.

<sup>2</sup> Aggregation at the building level is based upon how allocations are made for the major maintenance formula calculated by the State Construction Department's School Facilities Division.

### ***Interim/Formative Assessment Resources***

The funding model resources school districts an amount equal to \$25 per ADM for interim or formative assessments. For FY 2018, the funding model will generate approximately \$2.3 million or 0.2% of the total Foundation Program guarantee for interim or formative assessments. However, as part of the new statewide summative assessment contract, the WDE will provide school districts the opportunity to administer interim assessments throughout the school year at no cost to the school district. According to the WDE, the interim assessments will be similar to the summative assessment in that they are built with similar items, but are shorter and administered during seasonal testing windows. In grades 3-10, the interim assessment will be adaptive and offer instant, detailed reporting at the domain level, and educators will be able to see each student's response to items. The K-2 interims will be fixed form assessments. Students in grades K-2 will participate in the spring interim, and this data will be used by schools to ensure students are proficient in reading by the end of grade 3 in order to meet requirements of W.S. 21-3-401(c). Given the new statewide assessment system offers interim assessment to districts, the Legislature could consider eliminating the funding in the funding model for interim or formative assessments.

### ***School District Site Acreage for Groundskeepers***

Resources for groundskeepers are determined at the site rather than school building/program level. The number of FTEs for all sites is based on the number of acres of the site. The initial groundskeeper FTE is adjusted for the primary school level or use of the site, with non-school sites and elementary school sites receiving no additional adjustment, middle school sites receiving an adjustment factor of 1.5 and high school sites an adjustment factor of 2.5. Groundskeeper FTE calculations for acreage acquired by a district after July 1, 1997, are based upon the lesser of the actual site acreage on which the facility is situated or the SFD/SFC guidelines. The guidelines are: elementary schools (four acres plus one acre for every 100 ADM); middle schools (10 acres plus one acre for every 100 ADM); and high schools (20 acres plus one acre for every 100 ADM). In instances where districts acquired acreage after July 1, 1997, through an exchange of land with another government entity, and the acreages involved in the exchange were originally acquired by the district and the government entity on or before July 1, 1997, the acreage is not subject to the SFC guidelines. If a district has acquired a site after July 1, 1997, and the site is without a facility situated on it or has a facility under construction, groundskeeper FTEs will not be generated for the acreage. In all instances where a district acquired the site prior to July 1, 1997, the entire site acreage is used in the calculation for groundskeepers.

There are certain cases where school districts have acquired acreage of vacant land or large parcels that do not contain a school building. For example, in Laramie #1 there are two parcels of land totaling 644 acres, generating 30 groundskeeper FTEs. All other sites (46 in total) in Laramie #1 generate 37 FTEs. The statewide range of non-school related acreage as a percent of school related acreage begins at 0% (0 acres) in Fremont #21 and Platte #2 and reaches 268% (82.5 acres) in Fremont #38. Table 8 contains a school district analysis showing the total school site acreage and non-school site acreage and the percentage of non-school site acreage of the total.

An option the Legislature could consider would be to limit the total acreage allowed for non-school related sites, similar to funding for major maintenance. The Legislature could also consider resourcing a separate amount based on a percentage of non-school related acreage as is done for custodians in the funding model. Custodians in the funding model are provided at the district level equal to 10% of the amount generated at the school level. In the major maintenance formula, W.S. 21-15-109(c)(vii)(A)



through (E) limit the funding for office and warehouse gross square footage (GSF) based upon the proportion of educational GSF to the sum of office and warehouse GSF.<sup>3</sup>

**Table 8. Total School and Non-School Site Acreage by School District.**

District	School	Non-School	Non-School as % of Total	District	School	Non-School	Non-School as % of Total
Albany #1	125.1	75.6	60%	Lincoln #1	58.7	46.9	80%
Big Horn #1	58.2	7.7	13%	Lincoln #2	195.5	18.6	9%
Big Horn #2	54.1	2.0	4%	Natrona #1	335.7	57.8	17%
Big Horn #3	22.9	23.5	103%	Niobrara #1	29.6	1.5	5%
Big Horn #4	21.1	17.0	81%	Park #1	96.9	23.6	24%
Campbell #1	353.0	158.1	45%	Park #6	67.9	42.2	62%
Carbon #1	98.0	65.4	67%	Park #16	7.5	4.4	59%
Carbon #2	91.7	42.7	47%	Platte #1	56.9	18.2	32%
Converse #1	142.2	9.5	7%	Platte #2	19.3	0.0	0%
Converse #2	31.8	10.0	31%	Sheridan #1	92.0	13.7	15%
Crook #1	70.8	9.8	14%	Sheridan #2	114.3	23.5	21%
Fremont #1	147.6	89.5	61%	Sheridan #3	5.7	1.9	33%
Fremont #2	16.1	18.2	113%	Sublette #1	67.2	99.1	147%
Fremont #6	45.5	42.0	92%	Sublette #9	51.6	6.8	13%
Fremont #14	117.9	99.2	84%	Sweetwater #1	247.9	104.4	42%
Fremont #21	37.2	0.0	0%	Sweetwater #2	144.5	14.8	10%
Fremont #24	97.1	11.5	12%	Teton #1	120.7	51.2	42%
Fremont #25	134.9	15.5	11%	Uinta #1	125.2	62.1	50%
Fremont #38	30.8	82.5	268%	Uinta #4	44.0	32.3	73%
Goshen #1	89.9	25.1	28%	Uinta #6	53.4	7.0	13%
Hot Springs #1	33.9	3.5	10%	Washakie #1	72.9	5.0	7%
Johnson #1	197.3	6.5	3%	Washakie #2	6.1	10.7	177%
Laramie #1	556.6	711.7	128%	Weston #1	52.2	5.7	11%
Laramie #2	62.7	22.9	36%	Weston #7	27.2	16.0	59%
				<b>Wyoming</b>	<b>4,729.0</b>	<b>2,216.7</b>	<b>47%</b>

Source: LSO analysis of funding model data.

### **Special Education**

In addition to the recalibration effort regarding this specific component, two areas may be worth further consideration as recommended by school districts during the June 20-21, 2017, meeting.

<sup>3</sup> If the proportion is 10% or less, 100% of office and warehouse GSF is funded; if the proportion is greater than 10% or less than 16%, 90% of office and warehouse GSF is funded; if the proportion is 16% or greater but less than 21%, 80% of office and warehouse GSF is funded; if the proportion is 21% or greater, 70% of office and warehouse GSF is funded.

Extrahazardous Designation for School District Employees

During the June 20-21, 2017, meeting the Committee reviewed recommendations from five school districts related to cost savings. One of the recommendations was to amend W.S. 27-14-108(d)(xvi) to “require coverage for only those special education employees whose scope of duties place them in an extrahazardous environment and whose risk of injury is substantially greater than those in a regular classroom.” For background purposes, during the 2015 General Session, the Legislature amended W.S. 27-14-108(d)(xvi) to include certified teachers and related services providers in the extrahazardous designation for worker’s compensation benefits. The amended law is provided below.

**27-14-108. Extrahazardous industries, employments, occupations; enumeration; definitions; optional coverage.**

(d) This act applies to governmental entities engaged in an industrial classification listed under subsection (a) of this section and to employees of governmental entities engaged in or employed as the following:

(xvi) Public school educational assistants who provide services to special education students and certified special education teachers and related services providers as defined by 34 C.F.R. 300.18 and 300.156 and W.S. 21-2-802 and 21-7-303 who provide services to eligible students with behavioral, emotional, cognitive, learning, physical or health disabilities that require educational services to be provided outside of the regular classroom because the use of supplementary aids and services cannot be achieved satisfactorily in the regular classroom;

The WDE estimates expenditures for special education worker’s compensation premiums increased by approximately \$3.1 million in FY 2016, as a direct result of the amendment to W.S. 27-14-108(d)(xvi).

Rules and Regulations

A school district recommended the Committee have the Legislature direct the WDE and K-12 education stakeholders revise WDE rules and regulations related to special education to meet an established reduction threshold.

**Transportation**

In addition to the recalibration effort regarding this specific component, two areas may be worth further consideration as recommended by school districts during the June 20-21, 2017, meeting.

Eliminate Bus-Lease Purchase Agreement and Provide Full Reimbursement

Current law allows school districts to acquire student transportation vehicles through purchasing or entering into lease-purchase agreements. The initial capital outlay required for a purchase is often a consideration in a district’s choice to purchase or lease a vehicle. Leased vehicle payments are reimbursed at 100% of the actual year’s expense whereas purchased vehicles are reimbursed at 20% of the approved purchase price over a five-year period. The interest rate for a leased vehicle is included in the reimbursable amount.

During the 2016 interim, the WDE presented information to the Committee on finance charges reimbursed by the State for vehicle lease payments and the potential impact to the School Foundation

Program Account if vehicles were fully reimbursed at the time of purchase.<sup>4</sup> An analysis was performed using data reported to the WDE Pupil Transportation Unit and reimbursement requests submitted through the WDE 103-Transportation Reimbursement Report.

The interest fees associated with leased vehicles could be reduced or eliminated if the State moved to full reimbursement at the time the vehicles are acquired; replacement cycles may require a greater number of vehicles to be replaced in certain years. Additional considerations would need to be made to ensure the School Foundation Program Account would be able to meet cash flow obligations during periods of increased vehicle purchasing.

Table 9 summarizes the number of vehicles purchased or leased and the purchase/lease price for FY 2007 through FY 2015. These figures represent the number of new vehicles added to school district fleets before funding model reimbursements are made over five years. Lease price and fees are derived from un-audited pupil transportation data. Lease fees reflect the projected total cost to the school district over the term of the lease and do not reflect early principal or interest payments. For multiple vehicles purchased through a single transaction, total lease fees are allocated evenly to each vehicle. Total vehicle prices include approved options and do not account for trade-in or sale values.

**Table 9. Wyoming School District Vehicle Purchases and Leases by Fiscal Year.**

Fiscal Year	Vehicle Purchases		Leased Vehicles		
	Vehicle Count	Total Purchase Price	Vehicle Count	Total Lease Price	Lease Fees
2007	30	\$2,516,588	116	\$8,799,406	\$1,059,599
2008	31	\$2,435,484	87	\$7,805,205	\$891,875
2009	49	\$4,087,529	101	\$8,809,758	\$961,554
2010	28	\$2,112,164	92	\$8,948,359	\$924,571
2011	40	\$2,905,187	76	\$7,068,268	\$589,783
2012	47	\$3,803,470	128	\$11,977,702	\$690,190
2013	45	\$4,277,711	70	\$6,114,106	\$361,348
2014	48	\$4,663,518	81	\$8,208,505	\$418,064
2015	31	\$2,953,432	100	\$9,656,957	\$494,337

Source: WDE analysis of statewide payment models; WDE Pupil Transportation Data.

### Rules and Regulations

A school district recommended the Committee have the Legislature direct the WDE and K-12 education stakeholders to revise WDE rules and regulations related to transportation to meet an established reduction threshold.

### **Advertising Costs**

During the June 20-21, 2017, meeting, the Committee requested the WDE provide a summary of historical advertising costs. An option to reduce expenditures for school districts would be to lessen the

<sup>4</sup> See June 13-14, 2016, meeting minutes, Appendix 16:

[www.wyoleg.gov/interimCommittee/2016/04\\_0613Appendix16.pdf](http://www.wyoleg.gov/interimCommittee/2016/04_0613Appendix16.pdf).

statutory requirements to publish in newspapers and allow them to post this information their websites. This would not be a cost savings to the School Foundation Program Account, but it would reduce district expenditure obligations, allowing funds to be directed to other priorities. Various Wyoming Statutes require school districts to publish information in newspapers. A summary of the statutes can be found in Table 10.

**Table 10. Wyoming Statutes Requiring School District Publications in Newspapers.**

<b>Wyoming Statute</b>	<b>Summary of Publishing Requirement in Newspaper</b>
21-3-110(a)(ii) Duties of boards of trustees	Publish each warrant over \$500 in a legal newspaper of general circulation within the respective county and individual yearly gross salary payments published once in March of each year.
21-3-110(a)(viii) Duties of boards of trustees	A call for bids shall be published at least once in a newspaper of general circulation in the district if the amount to build a school, or when any repairs, additions or improvements to a school building, facility, or other district property, or when any purchase of insurance, supplies or materials other than textbooks exceeds \$25,000.
21-3-110(a)(xvi)(A) and (B) Duties of boards of trustees	A notice of school board meetings and availability of minutes and changes to the time and place of its regular meetings shall be published in a newspaper of general circulation in the school district.
21-3-118 Duties of treasurer of school district.	Publish a detailed report showing the sources of revenue and the purposes for which moneys were expended to be published at the close of each fiscal year in some newspaper of general circulation within the school district.
21-6-206 Duties of secretary. (District Boundary Boards)	The secretary shall give each member one day written notice before each hearing or meeting and shall publish in a newspaper of general circulation within the county, notice of any hearing or meeting at which a change in boundaries or reorganization of a school district or combining of school districts is to be considered at least once each week for the two weeks immediately preceding the time set for the hearing or meeting.
21-6-207(b)(vii) Proposal to change boundaries, reorganize or combine districts; criteria.	A public hearing or hearings shall be held prior to the submission of a proposal by the district boundary boards prior to the organization, reorganization, boundary adjustment or combining of school districts to receive and keep a record of testimony. Notice of each public hearing shall be published in a newspaper of general circulation in the area at least once each week for the two weeks immediately preceding the time set for each hearing.
21-13-103 Cancellation of unpaid warrants; remedy of holders.	The treasurer of each school district shall on the first Monday in April of each year cancel all unpaid warrants of such school district which have been issued for a period exceeding twelve months, and shall at the same time certify to the board of trustees of such school district the number and amount of each warrant which he has canceled. Such list of canceled warrants shall be entered in the minutes of the board and published at least once in a regular issue of a newspaper published in the county, during the month in which such warrants were canceled.
21-13-704 Sale of bonds generally.	If a proposed issue of bonds has been approved in the election and issuance thereof has been authorized by the school district board of trustees as provided by this article, the bonds shall thereafter at one (1) time or from time to time be sold at public or private sale. If the bonds are to be sold at public sale, the school district board of trustees shall give notice of sale by at least one insertion of such notice in some newspaper of general circulation in the district of its intention to sell the bonds.

Wyoming Statute	Summary of Publishing Requirement in Newspaper
21-20-110(b). Additional special school district tax; election; limitations; special community college district levy.	Additional tax levied for BOCES. The proposition to impose the additional levy shall be submitted at an election held on a date authorized under W.S. 22-21-103. The board shall publish notice of the election within a newspaper of general circulation in the affected districts and the election shall be conducted in accordance with the procedures provided by W.S. 22-22-301 through 22-22-304. Each member school district shall pay all costs incident to the election within its district or if a concurrent election, an equally proportioned share of the costs as determined by the county clerk.

Source: LSO analysis.

The WDE collects school district expenditures for advertising under object code 350, which includes advertising for personnel recruitment, salary publications, budget notices, bids/procurement and other advertising costs for operations. School district reporting requirements do not identify advertising costs separately for statutory requirements. A statewide summary of district general fund advertising expenditures are included in Table 11.

**Table 11. General Fund Advertising Costs and Operating Expenditures, FY 2006 through FY 2016.**

Fiscal Year	Advertising Costs	Total Operating Costs	% of Total Operating Costs
2006	\$574,754	\$867,700,294	0.07%
2007	\$606,070	\$1,019,851,262	0.06%
2008	\$662,568	\$1,088,718,204	0.06%
2009	\$692,548	\$1,159,950,605	0.06%
2010	\$647,453	\$1,212,940,413	0.05%
2011	\$731,193	\$1,253,968,770	0.06%
2012	\$783,207	\$1,301,822,124	0.06%
2013	\$777,871	\$1,325,776,090	0.06%
2014	\$776,103	\$1,351,192,105	0.06%
2015	\$872,158	\$1,385,646,541	0.06%
2016	\$824,026	\$1,431,119,270	0.06%

Source: LSO analysis of WDE 601-WISE Annual District Financial Report; General Fund, Object 350-Advertising. Operating Costs include functions 1XXXs, 2XXXs, 3XXXs, 4XXXs and 5XXXs.

### **Off-Model Teacher Extra Compensation**

School districts are able to pay and be reimbursed for extra compensation to teachers pursuant to W.S. 21-13-324, copied below, if the district believes it is necessary to pay extra compensation to a teacher based upon unique circumstances. This funding is in excess of compensation amounts computed in the funding model.

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### WYOMING LEGISLATIVE SERVICE OFFICE *Memorandum*

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**21-13-324. Teacher extra compensation adjustment to district total amount per ADM.**

(a) A district may pay extra compensation to a teacher as necessary to employ teachers for providing educational programs at locations which because of their unique circumstances require additional pay. Extra compensation under this section:

(i) Shall not reflect district preference for higher salaries;

(ii) Shall be payment for performing regular duties and not be payment for performing any additional duties assigned to the teacher;

(iii) May be in the form of subsidized expenses other than rent or housing allowances, a cash bonus or a combination.

(b) If compensation is paid to the teacher for costs other than rent or housing allowances, the school district shall provide information to the state department describing the difference in the amount paid by the teacher and the average comparable market rate within the county for the subsidized cost.

(c) Upon application by a district upon a form prescribed and provided by the state department, the department shall reimburse the district from the foundation account for extra compensation paid pursuant to subsection (a) of this section, administered as if the district's total foundation program amount computed under W.S. 21-13-309(p) was increased by the amount of extra compensation paid during the preceding year. The department shall require the district to document the need for extra compensation payments.

A cost saving option the Legislature could consider would be to repeal W.S. 21-13-324. Table 12 depicts the annual reimbursements for salary and fringe benefits since FY 2008, totaling slightly over \$2.0 million. Of the \$2.0 million, 88.3% has been paid to four school districts: Campbell #1 (\$408,766, 20.0%), Johnson #1 (\$270,170, 13.2%), Laramie #1 (\$647,022, 31.6%), and Natrona #1 (480,659, 23.5%).

**Table 12. Reimbursements for Teacher Extra Compensation Under W.S. 21-13-324.**

<b>Fiscal Year</b>	<b>Salary</b>	<b>Fringe Benefits</b>	<b>Total</b>
2008	\$23,234	\$150,814	\$174,048
2009	\$23,604	\$152,073	\$175,677
2010	\$26,227	\$173,894	\$200,121
2011	\$28,418	\$161,386	\$189,804
2012	\$31,562	\$166,457	\$198,019
2013	\$35,997	\$187,527	\$223,523
2014	\$46,023	\$179,343	\$225,366
2015	\$37,198	\$187,276	\$224,475
2016	\$31,613	\$171,333	\$202,946
2017	\$42,112	\$189,396	\$231,509
<b>Total</b>	<b>\$325,987</b>	<b>\$1,719,501</b>	<b>\$2,045,488</b>

Source: LSO analysis of historical funding models.

**WYOMING LEGISLATIVE SERVICE OFFICE Memorandum**

**MAJOR MAINTENANCE FUNDING OPTIONS**

Amending the law to pay charter school leases is a potential area for cost savings within major maintenance or capital construction funding that the Committee could consider.

**Charter School Leases**

Leases for charter school facilities not owned by the school district or charter school are paid pursuant to W.S. 21-3-110(a)(x). Leases are paid if the following criteria are met:

- (I) The charter is approved by the district;
- (II) The State Construction Department determines no adequate educational facilities exist within the district for operation of the charter school;
- (III) The charter school has been approved and has successfully operated for a period of not less than three years; and
- (IV) The district pays the charter school the amount of the reimbursement received.

Wyoming Statute 21-3-110(a)(x)(B) requires charter school leases “shall not exceed the average cost per square foot to lease buildings or facilities comparable to those appropriate for public K-12 education multiplied by the total square feet leased by the district or charter school necessary to deliver the required educational program.”

For the FY 2017-2018 biennium, charter leases totaled \$796,623. For the estimated FY 2019-2020 biennium, the School Facilities Commission is requesting \$1,002,004 for charter school leases, an increase of 25.8% or \$205,381. Albany County School District #1’s Laramie Montessori lease is estimated to increase \$12,782 or 8.2%; Laramie County School District #1’s PODER Academy lease is estimated to increase \$192,599 or 30.1%. Further, PODER Secondary School, if it successfully operates for the next two years, could be eligible for a lease payment under W.S. 21-3-110(a)(x) in FY 2020; it is presently not contemplated in the School Facilities Commission proposed FY 2019-2020 biennium budget request provided to the Legislature.

The Committee could evaluate options to further limit lease payments. For example, if the limit would be an amount not to exceed the major maintenance amount computed for that school, the Laramie Montessori lease could not exceed \$38,920 for FY 2018 and the PODER Academy lease could not exceed \$103,106. The potential decrease in lease payments for FY 2018 would be \$257,824. See Table 13 for a summary.

**Table 13. FY 2018 Charter School Leases Not to Exceed Major Maintenance Formula Funding.**

School	FY 2018 Lease	FY 2018 Major Maintenance Amount	Difference
Laramie Montessori	\$79,850	\$38,920	(\$40,930)
PODER Academy	\$320,000	\$103,106	(\$216,894)
Total	\$399,850	\$142,026	(\$257,824)

Source: LSO calculations.

In conclusion, pursuant to Management Council directive, the Committee must make recommendations to the Select Committee on School Finance Recalibration on any potential cost savings or efficiencies by

November 10. These can be in concept based upon the options presented in this memorandum, prior testimony to the Committee, or other ideas that come forward as a result of discussions at the September 27-28, 2017, meeting.