



MONITORING THE COST-BASIS OF THE K-12 WYOMING FUNDING MODEL

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*Prepared for
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Addendum - January 2014

NON-PERSONNEL (EDUCATIONAL MATERIALS AND SUPPLIES, AND UTILITIES)

As noted in the final October 2013 report, the 2012-13 cost indices for educational materials and supplies, and energy were preliminary until the U.S. Bureau of Labor Statistics finalized May and June data. The data has been finalized and new cost indices have been calculated, as shown in Table 1. These indices will be used to adjust the cost-based levels in the Model for non-personnel categories for the 2014-2015 school year in a manner similar to past adjustments. The energy cost index changed from -1.05% to -1.06%. The educational materials cost index changed from 1.44% to 1.50%.

Table 1. Cost Indices for Model Educational Materials and Energy Components.

Year	Energy ¹		Educational Materials ²	
	Annual	Change %	Annual	Change %
2001-02	100		100	
2002-03	107	7.21%	100	0.42%
2003-04	120	11.88%	100	-0.05%
2004-05	131	9.39%	103	3.07%
2005-06	155	17.77%	106	2.08%
2006-07	148	-4.32%	109	3.51%
2007-08	156	5.19%	113	3.54%
2008-09	160	3.07%	117	3.64%
2009-10	142	-11.69%	117	-0.65%
2010-11	142	0.11%	119	2.18%
2011-12	134	-5.11%	122	2.78%
2012-13	133	-1.06%	124	1.50%

Note: All indices have been rebased so that 2001=100.

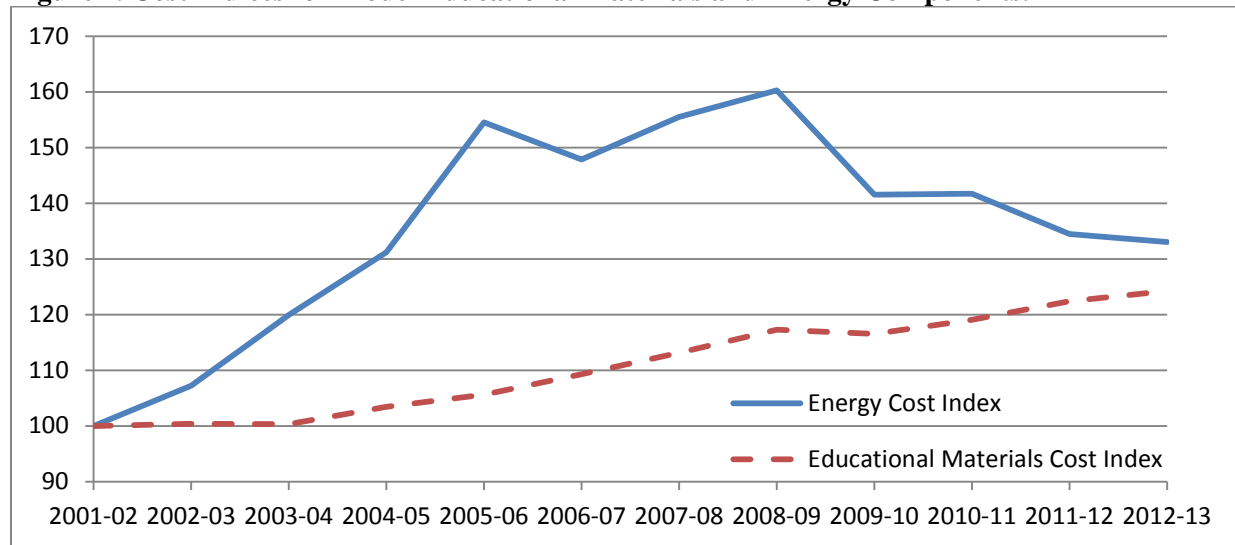
Source: Legislative Service Office analysis of U.S. Bureau of Labor Statistics data.

Figure 1 provides an illustration of the data in Table 1. As the figure illustrates, the costs of educational materials have been rising in recent years, while the cost of energy (which comprises less than three percent of the Model) has been falling. The decline in the energy cost index reflects sharp declines in the price of natural gas.

¹ The energy cost index is a weighted average of the PPIs for commercial electricity and natural gas, where the weights are 0.441 and 0.559, respectively.

² The educational materials cost index is the PPI for office supplies.

Figure 1. Cost Indices for Model Educational Materials and Energy Components.



Source: Legislative Service Office analysis of U.S. Bureau of Labor Statistics data.

The 2013-2014 cost-based levels for the educational materials and supplies category was adjusted by the educational materials cost index (2.78%). Accordingly, the cost-based level of the energy category was adjusted by the energy cost index (-5.11%). The educational materials cost index for the 2014-2015 school year is 1.50% and the energy cost index for the 2014-2015 school year is -1.06%. The 2014-2015 cost-based levels will be adjusted to reflect the changes in these cost indices once finalized data is available from the U.S. Bureau of Labor Statistics.

The estimated difference in the cost-based funding level and the legislative funding level for non-personnel components for school year 2013-2014 is \$22.4 million. The estimated difference for each component can be seen in Table 2.

Table 2. Estimated School Year 2013-2014 Difference of Cost-Based and Model Funding Levels.

Non-Personnel Model Component	Cost-Based Funding Level	Legislative Funding Level	Difference
Central Office Non-Personnel	\$33,538,747	\$31,935,397	-\$1,603,350
Operations and Maintenance Supplies	\$12,899,416	\$12,282,748	-\$616,668
Utilities	\$32,367,152	\$34,077,197	\$1,710,044
School Supplies and Materials	\$14,320,510	\$32,263,588	\$17,943,078
School Technology and Equipment	\$23,937,116	\$26,612,831	\$2,675,715
Vocational Education Supplies	\$3,053,572	\$2,907,593	-\$145,979
Gifted and Talented	\$2,794,896	\$2,661,283	-\$133,612
Professional Development	\$11,179,582	\$10,645,132	-\$534,450
Assessment	\$3,436,760	\$3,436,760	\$0
Student Activities	\$27,669,466	\$30,739,517	\$3,070,051
Total	\$165,197,217	\$187,562,046	\$22,364,829

Source: LSO Analysis and Calculations of Estimated 2013-2014 Funding Models.

The estimated difference in the cost-based funding level and the legislative funding level for non-personnel components for school year 2014-2015 is \$21.1 million. The estimated difference for each component can be seen in Table 3. Please note, the legislative funding level does not take into consideration the cost indices calculated in Table 1.

Table 3. Estimated School Year 2014-2015 Difference of Cost-Based and Model Funding Levels.

Non-Personnel Model Component	Cost-Based Funding Level	Legislative Funding Level	Difference
Central Office Non-Personnel	\$34,588,109	\$32,447,876	-\$2,140,234
Operations and Maintenance Supplies	\$13,166,627	\$12,351,906	-\$814,721
Utilities	\$32,024,061	\$34,077,197	\$2,053,136
School Supplies and Materials	\$14,731,976	\$32,796,629	\$18,064,653
School Technology and Equipment	\$24,541,952	\$27,039,896	\$2,497,944
Vocational Education Supplies	\$3,099,375	\$2,907,593	-\$191,782
Gifted and Talented	\$2,865,516	\$2,703,990	-\$161,527
Professional Development	\$11,462,065	\$10,815,959	-\$646,106
Assessment	\$3,491,911	\$3,491,911	\$0
Student Activities	\$28,535,190	\$31,018,998	\$2,483,808
Total	\$168,506,781	\$189,651,953	\$21,145,172

Source: LSO Analysis and Calculations of Estimated 2013-2014 Funding Models.

EXTERNAL COST ADJUSTMENT

At the Joint Appropriations Committee October 29, 2013, meeting the Committee forwarded a recommendation to the Governor and the Legislature to consider an external cost adjustment (ECA) for school year 2014-15. The recommendation was to provide “an external cost adjustment to the education resource block grant funding model...for school year 2014-2015. In accordance with the recommendation submitted by the Joint Education Committee, an adjustment is recommended to account for inflation and to ensure purchasing power is not degraded from school year 2013-2014 levels. The recommendation directs staff to apply appropriate indices to model components as necessary to budget for recommended adjustments.” The appropriate cost indices are as shown in Table 4 in the 2012-13 row.

Table 4. Cost Indices for Model ECA Recommendation for School Year 2014-2015.

Model Component	Cost Indices	Index Amount
Professional Staff	Updated Wyoming Comparative Wage Index	2.09%
Non-Professional Staff	Updated Wyoming High School Comparative Wage Index	1.91%
Energy	Weighted Average of the BLS Producer Price Index for Commercial Electricity and Natural Gas	-1.06%
Educational Materials	BLS Producer Price Index for Office Supplies	1.50%

Source: LSO analysis.

The estimated cost of the ECA recommendation for the 2015-2016 biennium is \$39.5 million.