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Regional Cost Adjustment

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Presentation Overview

- Review stakeholder feedback
 - Will address in each presentation
 - Received feedback from all but one district
- Review the three scenarios previously discussed
 - Including any revisions to these figures
- Discuss recommended regional cost adjustment
 - Implementation recommendations/considerations

Stakeholder Survey Questions

- What cost drivers should be considered to create a regional cost adjustment in the new formula?
- Do you have any specific concerns about wage competitiveness in your area?
- What other concerns, if any, do you have with including a regional cost adjustment in the funding formula?

Survey Responses:

RCA Factors that Should be Considered

- Factors that should be included in a regional cost adjustment
 - Wages - not limited to professional salaries
 - Energy
 - Health care
 - Cost of goods and shipping (including food service)
 - Cost of living, including housing
 - Internet

Survey Responses:

Feedback on RCA

- RCAs do not adequately address recruitment and retention issues
- An adjustment that only benefits one or two districts is not equitable
- An average of two approaches (“Best Of”) doesn’t make sense
- Specific comments about CWI:
 - All professions/industries/education levels should be considered
 - Unsure whether higher wages in rural counties reflect a need or just their ability to offer
 - Wages can take many years to adjust to cost of living changes in a market, so a CWI method would be very slow to adjust to the realities of area affordability
- About CWI alternatives:
 - A cost of living adjustment makes the most sense in that it is relatively easy to understand, update and better reflects current conditions
 - A dynamic hedonic model that is updated periodically would be more accurate



Survey Responses:

Salary Competitiveness

- Districts face challenges to compete with mining, gaming and construction industries
 - In rural areas, challenges to compete with urban districts
- Salaries are not sufficient to address high health care or housing costs

Nevada RCA Alternatives

- Cost-of-Living (COL)
 - Based upon Bureau of Economic Analysis (BEA) regional price parities (RPPs)
- Comparative Wage Index (CWI)
 - Using all industries, all education levels
- Nevada Cost of Education Index (NCEI)
 - CWI used for wage portion of funding (72 percent)
 - COL used for non-wage portion of funding (28 percent)
- Figures for alternatives all shown indexed to the state average, only applied over 1.0

RCA Comparison Chart

District	COL	CWI (All Workers/All Education Levels)	NCEI
Carson City	1.000	1.000	1.000
Churchill	1.000	1.026	1.030
Clark	1.000	1.037	1.031
Douglas	1.000	1.000	1.000
Elko	1.000	1.026	1.030
Esmeralda	1.000	1.026	1.030
Eureka	1.000	1.026	1.030
Humboldt	1.000	1.026	1.030
Lander	1.000	1.026	1.030
Lincoln	1.000	1.026	1.030
Lyon	1.000	1.000	1.000
Mineral	1.000	1.026	1.030
Nye	1.000	1.026	1.030
Pershing	1.000	1.026	1.030
Storey	1.000	1.000	1.000
Washoe	1.012	1.000	1.000
White Pine	1.000	1.026	1.030

Recommended RCA

- Recommend using the NCEI
 - For wage adjustments, research in this area is consistent that the wages of comparable workers are the best way to reflect the mix of cost of living and attractiveness of location
 - Cost-of-living adjustments may be overly influenced by housing costs, and does not address competitiveness
 - CWI using all professions and all education levels is appropriate in the absence of specific data on occupational patterns in Nevada
 - Incorporating a non-wage component is reflective of the split of expenses in the state
 - Positively impacts majority of districts

Implementation Recommendations/ Considerations

- The state should collect district-by-district information on comparison wages, housing, goods and services
- Update each biennium
- Only apply over 1.0
- Phase in as other weights are phased in
 - Consider placement in “waterfall”
- An RCA is intended to address relative salary differences, does not address if salaries are sufficient
 - This would be part of optimal funding



Questions?