Feasibility of School District Services Consolidation

Evaluation Report
February 2009

Office of Performance Evaluations
Idaho Legislature

Report 09-04

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Per your directive, we studied the feasibility of consolidating school district services. In order to manage the breadth and complexity of issues involved in this assignment, we deliberately narrowed the scope of the study by excluding instructional staff, administrators, and school boards from our analyses. We chose an incremental approach of first looking for services that we believed could easily be consolidated and then, if necessary, reviewing more complex areas in the future.

Considering the political nature of any consolidation study, we sought input from key stakeholders to make sure we understood the study context and to learn from them the services they perceived to be likely candidates for consolidation. Stakeholders provided input through two rounds of focus groups in all six regions and a survey of all superintendents, principals, and business managers.

Results of our work, which included a detailed review of district expenditures, showed that the state and districts could benefit from consolidation of three service areas: purchasing of supplies and materials, professional development, and pupil transportation. Our work also showed that consolidation of services alone will not be enough to find significant savings for the state or districts. To potentially achieve greater savings, the Legislature should consider a review of major expenditure areas such as administration salaries, which may lead to a discussion of the feasibility of consolidating district administration or districts themselves.

The report includes responses from the Governor, the State Superintendent of Public Instruction, and the Executive Director of the State Board of Education. We appreciate the cooperation and assistance we received from the State Board of Education, the State Department of Education, and Idaho's public school districts and charter schools.

Sincerely,

Rakesh Mohan

Rakesh Mohan

Table of Contents

		Page
Executive Summary		ix
Chapter 1:	Introduction	1
	Overview of Services Consolidation	1
	Legislative Interest	1
	Methodology	2
Chapter 2:	Current Consolidation Efforts	5
	Background	5
	Statute Provides More Incentives for Consolidating Districts than for Consolidating Services	5
	Districts Report That Current Efforts Have Saved Money and Improved Services	7
Chapter 3:	Potential Areas for Consolidation	11
	Many Factors Affect Feasibility of Consolidation	11
	Consolidating Services Can Benefit Rural School Districts	12
	Selection of Services for Potential Consolidation Based on Several Criteria	14
	Three Service Areas Show Potential for Consolidation	15
Chapter 4:	Looking Forward	21
	Department of Education Should Assist Districts in Applying Existing Consolidation Models	21
	Legislature Should Expand Statute to Include Services Consolidation	23
	Legislature Should Create Transportation Cooperatives	24
	Legislature Should Consider Exploring Other Areas for Potential Consolidation	25
	Legislature Should Consider a Study of District Administration Salary Expenditures	27

Page

Appendix A: Education Service Agencies 29

Appendix B: Maintenance and Custodial Expenditures..... 35

Appendix C: District and Charter Expenditures 43

Responses to the Evaluation

Office of the Governor..... 47

State Board of Education 49

State Department of Education 51

List of Exhibits

		Page
Exhibit 2.1:	General M&O Fund Expenditures for K–12 Education, Fiscal Year 2007	6
Exhibit 3.1:	Idaho School Districts by Size and Region	13
Exhibit 3.2:	Average Per Pupil Expenditures by District Size, Fiscal Year 2007	14
Exhibit 3.3:	Reasons School Districts Share Services	15
Exhibit 3.4:	Average Per Pupil Expenditures for General Supplies and Materials by District Size, Fiscal Year 2007	16
Exhibit 3.5:	Top Three Types of Information Survey Respondents Would Find Helpful on a Centralized Website	18
Exhibit 3.6:	Pupil Transportation Costs Per Rider by District Size, Fiscal Year 2007	19
Exhibit 4.1:	Potential Savings of Transportation Cooperatives	24
Exhibit 4.2:	Projected Savings Over Time of Potential Transportation Cooperative Between Two Adjoining Districts	25
Exhibit 4.3:	Average Per Pupil Salaries for District, School, and Business Administration by District Size, Fiscal Year 2007	28
Exhibit A.1:	Consolidated Services Provided in Idaho and Neighboring States Through Education Service Agencies	33
Exhibit B.1:	Average Maintenance and Custodial Expenditures Per Building by District/ Charter Size, Fiscal Year 2007	36
Exhibit C.1:	District and Charter Expenditures by Size and As a Percent of Total General M&O Fund Expenditures, Fiscal Year 2007	43

Executive Summary

Feasibility of School District Services Consolidation

Consolidation of school district services has emerged in Idaho and across the country as an innovative and efficient way to provide services that districts may not be able to provide on their own. While Idaho is one of just a few states that does not offer a state supported, regional approach to services consolidation, many districts throughout the state collaborate with neighboring districts to improve the quality of education and maximize scarce financial resources.

The Department of Education should assist districts in developing and implementing ways to consolidate services, particularly in three areas: purchasing of supplies and materials, professional development services, and pupil transportation. The Legislature should consider providing incentives to districts for services consolidation and should consider creating transportation cooperatives.

The Legislature should also consider future studies in employee health insurance and special education support services. These two areas emerged in our study as likely candidates for potential consolidation. Additionally, the ongoing increases in transportation costs may warrant a review of the pupil transportation program. We were unable to explore these areas in depth due to scope, time, and data limitations.

Even with additional incentives provided to school districts, the consolidation of services alone will not be enough to find significant savings for the state or districts. To potentially achieve greater savings, the Legislature should consider a review of major expenditure areas such as administration salaries, which may lead to a discussion of the feasibility of consolidating district administration or districts themselves.

Perceptions Affect Feasibility of Consolidation Efforts

Historically, Idaho school districts have reported varying levels of success in working together to provide services. In our review of current service consolidation efforts, we found that districts are generally working to consolidate services with other districts, but the feasibility of such consolidation depends on many factors. Some of these factors include a perceived loss of control over resources when working with other districts, being too far away from neighboring districts, and being a different size than neighboring districts.

To better understand current consolidation efforts and the feasibility of future efforts, we asked superintendents, business managers, and principals about their perceptions of services consolidation. Less than half of respondents reported that they thought services consolidation could take place in a way that was beneficial to their district, and just 30 percent of superintendents and business managers felt that an education service agency would work in Idaho. Overall, survey respondents and focus group participants stressed that one model would not work for all districts, and that any efforts must take into consideration individual district needs and challenges.

Districts Report Current Efforts Have Saved Money and Improved Services

Although stakeholders identified potential limitations to the feasibility of consolidating services, we found numerous examples of districts that have reported successful partnerships with other districts or universities to provide a variety of services.

- COSSA, the Canyon-Owyhee School Service Agency, is a five-district cooperative that provides professional-technical education, an alternative high school, special education, and gifted and talented programs. In the 2005–2006 school year, COSSA reported saving its participating districts over $2 million in special education services.

- The Idaho School District Council, which is open to all school districts and charter schools, offers a wide array of services. These services include health insurance pricing and cooperative purchasing opportunities. Over three-fourths of school districts use the council to obtain competitive pricing for their health insurance. One superintendent from a small district said his district relies on the council to afford health insurance.

- The League of Schools is comprised of 15 districts and provides professional development opportunities, research resources, grant writing, early college programs, and curriculum development for member districts. Housed within Idaho State University's Center for School Improvement, the league leverages university education department resources to facilitate educational training opportunities for member districts.

- Professional-technical education (PTE) includes education courses, programs, training, and services for vocational, technical, and applied technology careers. PTE schools, which can be comprised of more than one district, work together to provide highly qualified instructors, state-of-the-art equipment, and reduce the duplication of services among participating districts. At one PTE school, participating districts are able

to offer programs to their students at one-third of the cost than the schools would be able to offer separately.

Opportunities Exist for Additional Consolidation

During our focus groups, we asked superintendents what school district services were most feasible for consolidation. The most commonly reported non-instructional services were employee health insurance, maintenance and custodial, professional development, pupil transportation, purchasing of supplies and materials, and special education support services.

Our analyses suggest that in relation to district size, overall average costs per pupil decreased as district pupil counts increased. Very large districts were the exception, as their overall per pupil spending was nearly as high as the small districts. While very large districts may be able to consolidate services within their individual district, smaller districts should be encouraged to work with other districts to explore additional services consolidation in the following three areas.

Professional Development. Our financial analysis revealed that at least 48 districts contracted for professional development services and reported spending $1.3 million in General Maintenance and Operation Fund expenditures. Less than 25 percent of survey respondents reported working with other districts to provide those services. Districts should pool their resources for professional development services, which may help districts provide higher quality training opportunities for district employees.

Pupil Transportation. In fiscal year 2007, the state reimbursed almost $70 million on transportation expenditures to districts. While the funding cap put into place in fiscal year 2005 has reduced overall state spending, transportation costs have increased beyond the rate of inflation from fiscal year 2004 to fiscal year 2007. These increases have occurred despite the fact that the total number of riders has not increased significantly. Districts should continue to evaluate their transportation services and find ways to work with neighboring districts— such as busing students to the same extra-curricular activities or by consolidating the number of bus routes and eliminating duplicative staff positions.

Purchasing of Supplies and Materials. We found that per pupil costs for general supplies and materials decreased as the number of students increased. The 69 districts that provided us with detailed information in this category reported spending over $17 million on general office supplies. This spending represented about 23 percent of total supply spending or approximately $108 per pupil. More cooperatives can be formed to encourage districts to work together and take advantage of competitive pricing based on purchasing in bulk; districts can then save both staff time and money.

Looking Forward

As Idaho continues to explore more economical means of delivering services, consolidating services—whether through collaboration, cooperation, or formal consortiums—is a way for districts to better serve their staff and students. Any consolidation at the state level should consider factors that contribute to a district's decision whether to partner with another district—including district size, geographic challenges, local control concerns, wide variations in school district spending, and the large number of rural school districts. We suggest the following areas for the Department of Education and the Legislature to consider.

Department of Education Should Assist Districts in Applying Existing Consolidation Models

Given the success of current cooperative efforts throughout the state, districts clearly recognize the value of working together to provide services to students and staff. However, many districts, particularly smaller districts, have limited staff and financial resources to do so. The Department of Education should assist districts with the development and implementation of applying existing cooperative models to other services, such as professional development, purchasing supplies and materials, and pupil transportation.

By building on existing infrastructure and expertise at the department level, districts can increase their access to resources. Education service agencies, which develop, manage, and provide services or programs to local school districts, emerged as a viable option in many states for districts to pool their resources but generally incur some costs to the state. When economic conditions are more favorable, the department may wish to consider this approach for Idaho.

Legislature Should Expand Statute to Include Services Consolidation

The Legislature should consider modifying statute to include incentives for services consolidation. Statute currently provides districts with incentives to pursue consolidation of districts but not services. The addition of new language would help districts determine if consolidating services is indeed more economical.

Legislature Should Create Transportation Cooperatives

The Legislature should consider amending statute to allow for the creation of transportation cooperatives. Cooperatives would provide districts with a method to find additional savings with a neighboring district and allow those districts to report expenditures jointly. Both the state and districts could reduce pupil transportation costs by consolidating bus routes and eliminating the duplication of staff positions.

Legislature Should Consider Exploring Other Areas for Potential Consolidation

Employee health insurance, maintenance and custodial services, and special education support services were mentioned frequently throughout our study as areas that districts would be interested in consolidating. However, because of the complex nature of each of these areas, additional studies are necessary to thoroughly analyze the feasibility of such consolidation. Additionally, the ongoing increases in transportation costs may warrant a review of the pupil transportation program. We were unable to explore these areas in depth due to scope, time, and data limitations.

The consolidation of services alone will not provide the state with significant cost savings. A review of major expenditure areas, such as administration salaries, may provide more information about areas for greater savings and could lead to a discussion of the feasibility of consolidating district administration or districts themselves.

Acknowledgements

We appreciate the assistance we received from the State Board of Education and the State Department of Education, as well as superintendents, principals, and business managers throughout Idaho's school districts.

Amy Lorenzo, Jennifer Etter Hill, and Jared Tatro of the Office of Performance Evaluations conducted this study. Margaret Campbell was copy editor. Additional assistance was provided by two consultants:

- Kathleen Sullivan, Ph.D., former Professor and Director of the Center for Educational Research and Evaluation, University of Mississippi, Oxford, Mississippi
- Tedd McDonald, Ph.D., Associate Professor and Director of the Master of Health Science Program, Boise State University, Boise, Idaho

Chapter 1
Introduction

Services consolidation in Idaho is not a new concept. Various cooperative efforts throughout the state provide districts with services that include professional development opportunities, cooperative purchase pricing, and discounted health insurance options. With an increased focus on stretching scarce financial resources, questions were raised as to whether school districts are maximizing efficiencies and whether more can be done at the district level. This evaluation is designed to identify potential areas for consolidation, as well as evaluate the feasibility of future consolidation efforts.

Overview of Services Consolidation

Services consolidation is an area of interest to many Idaho school districts. Consolidation comes in many forms, including collaboration and cooperation. Some districts work together based on good informal working relationships, others through formal agreements. Some districts also have partnerships with universities involving staff development and research opportunities. Whatever the term or approach, districts recognize the value of working together and often do so when feasible.

We identified formalized cooperative efforts in areas that include cooperative food purchasing, health insurance pricing, professional-technical education, professional development, purchasing of supplies and materials, and special education. As discussed in the following chapters, some of these efforts have a statutory framework or state-level financial support, while others were started at the district level based on several districts sharing the same need.

Legislative Interest

The Joint Legislative Oversight Committee directed us to study the feasibility of consolidating school district services. We reviewed the types of services school districts provide and the amounts and costs of these services. We also assessed the feasibility of consolidating services, including practical limitations to any consolidation efforts.

The study focused on the following questions:

- What types of services do Idaho schools districts provide or purchase? What percent of a school district's annual expenditures is spent on these services? What percent of the state's public education spending do these services represent?

- From stakeholders' perspectives, do Idaho school districts currently purchase or provide services that could be considered for consolidation? What efforts have Idaho school districts already made to consolidate services?

- How have other states approached consolidation of school district services? What have been the outcomes of those efforts? Are there best practices related to the consolidation of services? Are there generally accepted criteria for consolidation? Are any of these options feasible for Idaho?

- If consolidation of services is feasible in Idaho, what are the potential impacts of such consolidation? Do state laws and rules provide incentives or disincentives for consolidation of services?

Methodology

The study request did not specify which areas of consolidation to review. To maintain a manageable project scope, we did not look at instructional staff (e.g., teachers or assistants), administrators (e.g., principals or superintendents), or school boards. With those exclusions, we employed a variety of research methods to answer our questions about the feasibility of services consolidation.

- In spring 2008, we conducted focus groups in all six regions of the state, meeting with 53 superintendents and district representatives to gain their perspective on what services they were currently consolidating, what services could be considered for consolidation, and what barriers they perceived to any consolidation efforts.

For purposes of this report, district size is measured by the average daily attendance of its students.

- Using the feedback we received at the focus groups, we identified five major service areas in which we conducted an in-depth review of school district expenditures: supplies and materials, maintenance and custodial, professional development, special education support services, and pupil transportation. Prior to sending a request to all districts and charter schools, we pilot tested our request among districts of varying size. Because the level of detail necessary for our study was beyond what is required by the Department

of Education, we asked all school districts and charter schools to self report expenditure information in these areas; we asked each district and charter for nearly 400 fields of data. Overall, 80 districts, (70 percent) and 10 charters (36 percent) complied with our request. Many smaller districts and charters were unable to meet our request because they did not maintain financial records at the level of detail necessary for our analysis or had limited staff resources.

- Because charter schools generally provided only a small share of necessary expenditure data and operate within different governing statutes, we did not conduct an analysis of charter schools. Basic information on school district, virtual charter school, and brick and mortar charter school spending can be found in appendix C.

- We analyzed district expenditures using calculations of means and standard deviations and conducted multiple regression and correlation analyses. Expenditure data was analyzed and compared by district size, region, and size within region.

- Using a web-based survey tool, we surveyed all superintendents, principals, and business managers about their perceptions of services consolidation, access to information, and how familiar they were with the concept of a regional model for services delivery—first pilot testing the questions with various stakeholder groups. Overall 325 recipients (35 percent) completed our survey.

- In fall 2008, we conducted a second round of focus groups with 60 participants throughout the state to gauge the feasibility of consolidating the support services that were identified in the first round of focus groups, survey responses, and through our financial analyses. We also asked the participants what role they felt the state should play in consolidation efforts.

- In addition to the Department of Education, including its Rural Education Task Force, several education organizations helped us identify relevant issues for stakeholders: Idaho Association of School Administrators, Idaho Education Association, and Idaho School Boards Association.

- We reviewed consolidation efforts in Iowa, Michigan, New York, Oregon, South Dakota, Texas, and Washington. These states were chosen because of the regional models they use to deliver services, the types of services they offer, and the overall success of their consolidation efforts as mentioned in literature. We also interviewed education service agency directors and state education leaders in these states.

- We reviewed existing Idaho statute for services consolidation, specifically the creation of cooperative service agencies. We then compared this information to statute addressing school district consolidation, including any incentives provided to districts for pursuing such consolidation.

- We reviewed pupil transportation costs from fiscal years 2004–2007 to identify any trends in expenditure data. To ensure the most accurate analysis, we adjusted for inflation using the Consumer Price Index—west urban data from the US Department of Labor, Bureau of Labor Statistics. We also worked closely with the Department of Education, legislative Budget and Policy Analysis, and school districts to identify savings and logistics for sharing pupil transportation services.

Chapter 2
Current Consolidation Efforts

While Idaho statute encourages districts to form cooperatives, it only provides a basic structure for interested districts to work together to consolidate services. In contrast, statute provides several incentives for those districts that are willing to pursue district consolidation. Additionally, perceptions surrounding consolidation can impact the level to which districts are willing to work together. Despite a lack of statutory structure and perceptions about consolidation, we found several examples where districts have pooled their resources to save money and improve services.

Background

In fiscal year 2007, Idaho had 114 school districts and 28 charter schools, spending over $1.5 billion in General Maintenance and Operations (M&O) Fund expenditures.[1] As shown in exhibit 2.1, salaries and benefits comprise over 80 percent of these expenditures. Of the remaining expenditures, nearly $300 million was spent on purchased services, supplies and materials, capital objects, and other costs.

Statute Provides More Incentives for Consolidating Districts than for Consolidating Services

If two or more school districts want to partner to provide services, Idaho statute does not provide those districts with significant incentives to work together.

Statute for *services* consolidation is relatively basic:

- Districts are encouraged to form cooperatives when feasible or when the district is unable to provide the service independently
- Statute outlines the general requirements and structure for a cooperative
- Cooperatives are authorized to generate revenue through local levies[2]

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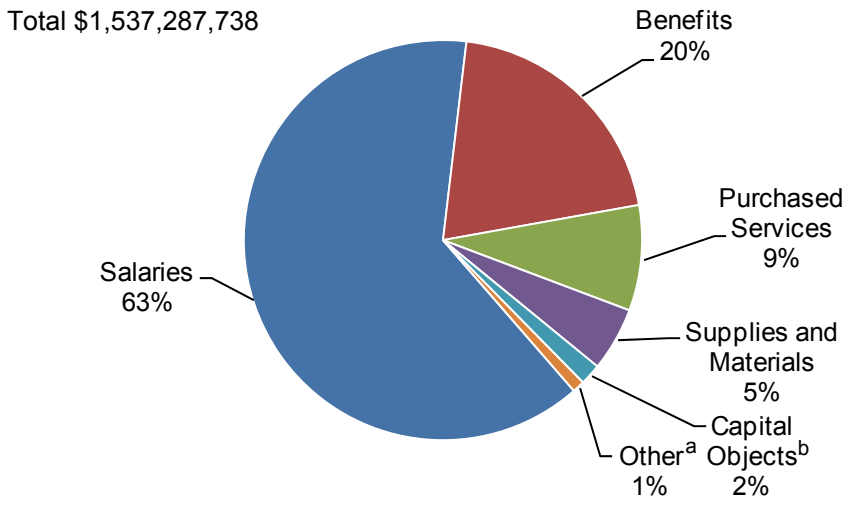
[1] The General M&O Fund is the primary fund of school districts, comprised of state, federal, and local revenue sources.

[2] Cooperative levies are in effect for up to ten years, while district levies cannot exceed two years. Officials in some districts told us that levies can be more of a burden than an incentive because of the difficulty in passing them.

EXHIBIT 2.1 GENERAL M&O FUND EXPENDITURES FOR K–12 EDUCATION, FISCAL YEAR 2007



Source: Office of Performance Evaluations analysis of expenditure data from the State Department of Education.

[a] Includes debt retirement, insurance, and judgments.
[b] Includes land, buildings, equipment, technology, and vehicles.

In contrast, statute for *district* consolidation provides numerous incentives:

- $10,000 per district to study the feasibility of district consolidation[3]
- Should two districts merge, districts keep the continued individual funding formula amounts for seven years and half of the savings for every year thereafter[4]
- To eliminate the duplication of certain functions, severance packages are available for willing district employees[5]

The current disconnect between the two statutes may suggest the state has encouraged district consolidation more than services consolidation. Without additional structure, districts may not have the means to thoroughly evaluate the feasibility of services consolidation. As discussed in chapter 4, existing statutes for consolidating services could be expanded to provide incentives similar to those provided for consolidating districts.

[3] IDAHO CODE § 33-310B.
[4] IDAHO CODE § 33-1003.
[5] IDAHO CODE § 33-521.

Districts Report That Current Efforts Have Saved Money and Improved Services

Districts report numerous cooperative efforts throughout the state that have saved districts money and have improved services to students and staff. As summarized in chapter 4, the examples listed in the following sections contain common characteristics, as well as some unique elements, that districts could consider applying to other services.

Canyon-Owyhee School Service Agency (COSSA)

The Canyon-Owyhee School Service Agency, known as COSSA, is a five-district cooperative.[6] It was formed to provide services that were financially impossible for districts to provide individually to students. COSSA is funded from several sources. By statutory authority, it generates revenue through local levies.[7] It also receives funds through a formula from participating districts based on 60 percent of the district's overall enrollment and 40 percent of the district's participation in COSSA programs and receives professional-technical program funds directly from the state. Annually, COSSA serves about 1,000 students through four different programs:

- Professional-technical education
- Alternative high school
- Special education
- Gifted and talented

COSSA reports that it serves approximately 120 students in its alternative school programs and over 500 students in special education and gifted and talented programs each year. The special education portion of COSSA reported significant savings to districts of over $2 million in the 2005–2006 school year.

The professional-technical programs serve over 250 students each year. According to COSSA staff, these students have earned over 600 college credits in the last three years as part of their COSSA participation. In the 2006–2007 school year, COSSA students had a 96 percent positive placement rate entering the workforce or higher education.

COSSA officials said that member districts work together to provide the best education for all students. One superintendent said that the savings go beyond just dollars and that working together contributes to higher student retention rates.

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[6] Created in 1969 in IDAHO CODE § 33-315–§ 33-318.
[7] IDAHO CODE § 33-317.

Food Cooperatives

District food cooperatives throughout Idaho create bulk purchasing power. In one cooperative, participating districts semi-annually determine the quantity needed of each food item they serve. After estimating the amount they plan to purchase, all of the districts' amounts are added together and the cooperative opens each item for bid. For example, instead of one district buying 100 cases of burritos for the year, the cooperative asks interested suppliers for a price for 2,000 cases for the entire cooperative. The cooperative price per case of burritos would then be $10 less than what each district would pay separately. The cooperative pays a lower price based on the combined amounts needed by all member districts. Vendors also offer better prices because the amount purchased is often substantial and is guaranteed.

The Treasure Valley Food Cooperative is one Idaho food cooperative with 15 participating districts and four charter schools. One district in the cooperative reported saving $5,000 on milk purchases during one school year. Another district added more than $50,000 to its balance sheet in the two years after joining the cooperative, using the savings to purchase freezers, stoves, dishwashers, and tables.

Food cooperatives have previously found some state level support for their efforts. In 2002, the Department of Education made workshops available across the state encouraging districts to form food service cooperatives. Several statewide cooperatives were started through these efforts. Citing legal concerns about vendors, the department no longer provides these workshops but continues to work with individual districts on food purchases.

Idaho School District Council

The Idaho School District Council is the only cooperative service agency that works throughout the entire state to provide an avenue for districts to pool their resources and negotiate on behalf of its members.[8] Currently 111 public school districts (97 percent) and 23 charter schools (72 percent) are members of the council. The purpose of the council is twofold:

- Provide educational services more economically or efficiently through cooperation with two or more member districts
- Enter into contracts, as the members' representative, to employ specialized personnel or to purchase materials or services, including insurance

[8] IDAHO CODE § 67-2328 and § 33-315–§ 33-318.

The council's administrative costs are covered by annual membership dues from the participating districts, cash discounts provided by vendors, and an administrative fee paid to the council as part of health insurance negotiations.

The council offers 11 programs to its members ranging from health insurance negotiations to cooperative purchasing. More than half of all current members participate in health and dental insurance programs, professional appraisal services, and life insurance.

Service	Participation Rate
Health insurance	87%
Dental insurance	66%
Professional appraisal services	62%
Life insurance	52%

Health insurance options are negotiated by the council. The council does not bid on health insurance programs; instead it works closely with the current provider to set rates for different coverage options.[9] Each district selects its own option and signs an individual and unique contract with the provider.

The council estimates that 19,000 employees are insured. Currently, 31 of 34 (91 percent) of the smallest districts participate in the health insurance program. In comparison, only 4 of 11 (36 percent) of larger districts use the council for this service. One superintendent from a small district said that without the council, his district would not be able to afford health insurance. In contrast, one large district superintendent said that since leaving the council three years ago, the district has saved over $400,000 dollars in health insurance costs as a result of being self-insured.

Currently 54 of 111 member districts (49 percent) participate in the council's cooperative purchasing program. Although the council handled nearly $679,785 of cooperative purchases during the 2006–2007 school year, some superintendents said their districts were often able to purchase goods or access services more affordably through local retailers.

League of Schools

The League of Schools is a 15-district cooperative started in 1982 between southeastern Idaho school districts and Idaho State University (ISU) to foster communication between the university and superintendents. Each district pays into the league based on district size; membership in the league provides districts with opportunities for professional and curriculum development, student-teacher placement, grant writing, research, and early college programs for students.

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[9] Options offer varying deductibles, coinsurance, prescription drugs, dependents, and accident coverage.

The league is currently assisting member districts in aligning their curriculum with state standards. It is using a NASA space grant to deliver online professional development to K–12 teachers on lunar exploration.

League members and ISU also recently developed a memorandum of understanding to enhance classroom instruction through early college programs for concurrent enrollment. Chemistry, physics, and advanced calculus are examples of classes offered to students in two participating districts through this agreement. The students can earn college credit while taking these courses, helping them to already have credits when they enroll in college.

Professional-Technical Education

Professional-technical education (PTE), which includes educational programs for vocational, technical, and applied technology careers, is an instruction-based program and outside the scope of our report. However, we found that PTE is an excellent example of school districts working together to provide a shared service. Districts and charter schools have the option of providing PTE through several different models—some are listed below:

- Traditional programs are offered independently of other districts or charter schools
- Traditional programs are offered in cooperation with another district or charter school that a student would not otherwise have access to
- PTE schools, approved by the Division of PTE, serve more than one high school or district using high-end, state-of-the-art programs

Professional-technical schools are required by statute and rule to provide quality programs with qualified faculty.[10] PTE schools operate with added incentives of additional funding, state and industry expert support, and high-end programs for students. Furthermore, the Division of PTE provides grant funds to several division-approved school districts to coordinate PTE programs and services.[11]

Over half of Idaho's school districts are involved in one of 12 PTE schools, which vary in both size and the number of programs offered. For example, one PTE school is comprised of 20 school districts, while another is comprised of just the four high schools within one school district. Some PTE schools offer all programs at one central location, while other PTE schools use existing facilities with programs scattered throughout participating districts.

The Riverbend PTE School in north Idaho reports that three of the five programs it offers operate through the Riverbend budget at an approximate cost of $300,000. This cost is evenly shared among three districts. The school's administrator reports that each district offers these programs to their students at one-third the cost of an individually-operated program.

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[10] IDAHO CODE § 33-201–§ 33-207 and IDAPA 55.

[11] These grants are specifically applicable to professional-technical education and cannot be applied to coordinators in other service areas.

Chapter 3
Potential Areas for Consolidation

Despite variations in perceptions and practical limitations, superintendents, principals, and business managers identified several services that could be considered for consolidation. Through two rounds of focus groups, a web-based survey, and a financial expenditure request, three services emerged as having potential for consolidation:

- *Purchasing supplies and materials in cooperation with a neighboring district will help some smaller districts achieve greater economy*
- *Professional development consolidation would allow for higher quality training and access to better resources*
- *Pupil transportation emerged as a service with potential for sizeable financial savings to the state over time*

Many Factors Affect Feasibility of Consolidation

In both sets of our focus groups and the survey of superintendents, principals, and business managers, several concerns were mentioned as major barriers to successfully working with other districts. The term consolidation communicated a loss of local control in most of the regions, with many superintendents associating the term with actual school district consolidation. Survey respondents identified losing local control of resources as one of the top three reasons they are not sharing services with another district. Superintendents in several regions also suggested they would be more comfortable with the terms collaboration or cooperation as more accurately reflecting a voluntary approach.

Superintendents in several regions expressed confusion over the interest in services consolidation, given the recent increase in charter schools. Superintendents throughout the state also noted examples of districts that had previously tried to work together, only to have those efforts fail because of conflicts among communities or differences in educational philosophies.

In addition to variations in perceptions, many superintendents and business managers raised concerns about practical limitations that have affected their ability to work with other districts. These limitations included distances from

neighboring districts, differences in sizes among districts, and differences in student needs. Despite these potential challenges, the following sections discuss several services that may benefit from additional consolidation, particularly for rural school districts.

Consolidating Services Can Benefit Rural School Districts

Rural districts have to meet the same needs as districts that serve larger numbers of students, such as offering the same quality curriculum, hiring qualified teachers, and demonstrating continuous school improvement for federal requirements. Consolidating services may help many rural districts with professional development opportunities, school improvement planning and implementation, cooperative purchasing, curriculum development, and overall support services.

A large number of Idaho's school districts serve students in rural areas. As shown in exhibit 3.1, over half of Idaho's districts serve fewer than 1,500 students. Rural districts can face difficulties finding resources to meet the needs of their students and staff. According to a national research journal, rural communities put forth great effort to fund their schools but have smaller fiscal support capacity and generally higher per pupil costs. Rural district challenges include lack of adequate resources, location and retention of qualified personnel, lack of access to professional development opportunities, and access to research and other information services.

To address growing concerns about the quality of education in rural school districts, the Department of Education created the Idaho Rural Education Task Force in 2007.[1] The task force focused on rural school improvement and challenges such as declining enrollment, attracting and retaining highly qualified teachers, and providing academic opportunities.

In January 2009, the task force released a report recommending that the Legislature establish incentives for rural districts to consolidate services, including the areas of transportation, special education services, professional development, and purchasing. Through our analysis of focus groups, survey, and district expenditure data, we also found potential for consolidation in several of these areas for districts beyond those that are considered rural. These areas are discussed in more detail in the following sections.

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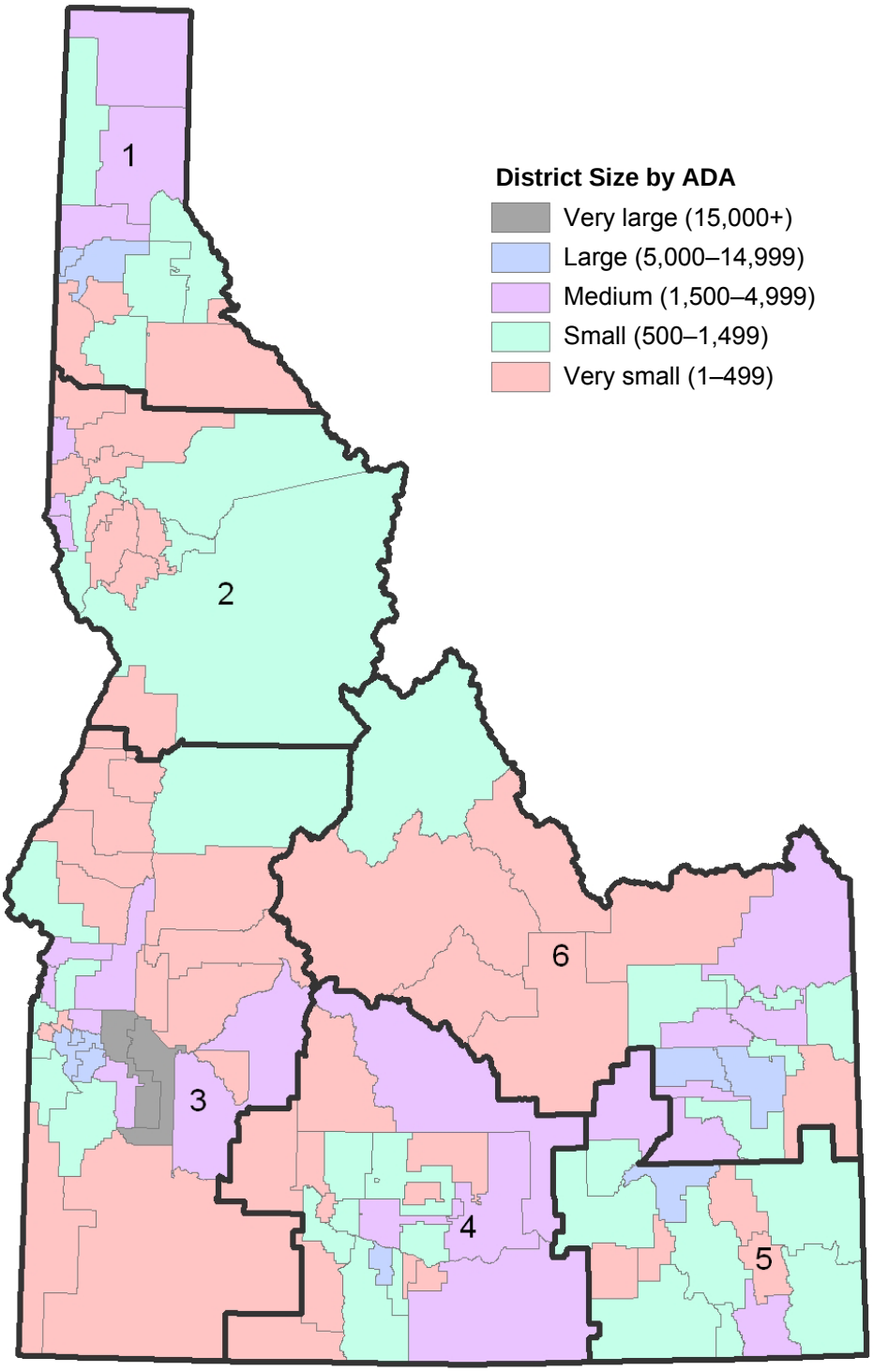
[1] In fiscal year 2008, the Legislature appropriated the State Department of Education $100,000 to study the challenges facing rural schools.

EXHIBIT 3.1 IDAHO SCHOOL DISTRICTS BY SIZE AND REGION



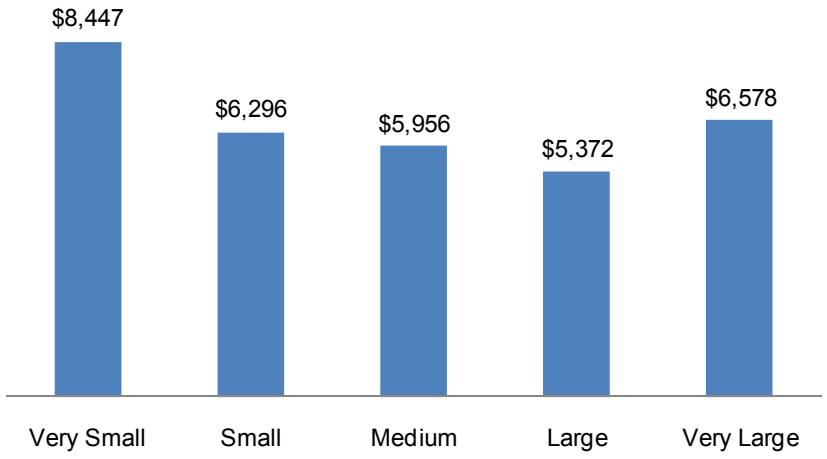
Source: Office of Performance Evaluations analysis of data from the State Department of Education, fiscal year 2007.

Selection of Services for Potential Consolidation Based on Several Criteria

In spring 2008, we conducted focus groups in conjunction with regional superintendent meetings to identify services that the state could consider for consolidation. Using the feedback we received at the focus groups, we identified service areas in which we conducted an in-depth review of school district expenditures.[2] Expenditure information, combined with feedback from our stakeholder survey, further refined the services that were discussed in the second round of focus groups.

Based on our analyses, we found that the size of a district affects its per pupil costs. Overall, large districts serve the most students per building. As shown in exhibit 3.2, large districts were also the lowest in General Maintenance and Operations (M&O) Fund expenditures per pupil.[3] The smallest districts had the

EXHIBIT 3.2 AVERAGE PER PUPIL EXPENDITURES BY DISTRICT SIZE, FISCAL YEAR 2007



Source: Office of Performance Evaluations analysis of General M&O Fund expenditure data and average daily attendance counts from the State Department of Education.

Note: Per pupil expenditures consist of salaries, benefits, purchased services, supplies and materials, and capital objects.

[2] Financial expenditure data is reported to the state at a level not detailed enough for the purposes of our study. We asked all school districts and charter schools to provide detailed expenditure data from fiscal year 2007 in eight service areas. Because charter schools generally provided only a small share of necessary expenditure data and operate within different governing statutes, we did not conduct an analysis of charter schools.

[3] Per pupil expenditures were calculated by combining expenditures reported in salaries, benefits, purchased services, supplies and materials, and capital objects, and dividing that total by the average daily attendance of students.

widest range and highest per pupil expenditures. Most of the services we analyzed indicated that small districts spent the same amount per pupil as the very large districts, suggesting that in these services, those districts might be either too small or too large to be efficient.

Several districts also expressed interest in consolidating health insurance and special education support services. Health insurance contracts are unique to each school district; therefore, a detailed review of all 115 contracts would be needed to identify potential cost savings. Special education support services were the most frequently suggested service for consolidation, but neither the department nor the districts collect or report this expenditure data at a detailed level. As discussed in chapter 4, the Legislature may wish to consider conducting additional studies of these services.

Three Service Areas Show Potential for Consolidation

As mentioned in chapter 2, districts often rely on neighboring districts to fully maximize scarce resources. We asked superintendents, business managers, and principals to identify the top reasons districts should share services. As shown in exhibit 3.3, 77 percent of principals named saving money as their number one reason. Seventy percent of superintendents and business managers responded that offering services a district could not otherwise offer was their primary rationale for sharing services.

In our review of expenditure data, survey analysis, and focus group results, three areas emerged as having the most potential for consolidation: pupil transportation, professional development, and purchasing of supplies and materials. We also found examples of other states that have successfully consolidated these services.

EXHIBIT 3.3 REASONS SCHOOL DISTRICTS SHARE SERVICES

	Principals (%)	Superintendents and Business Managers (%)
Save money	77	38
Combine and leverage resources, such as staff	42	68
Provide better services to staff	26	18
Provide better services to students	64	61
Offer services that a district could not otherwise offer	55	70

Source: Office of Performance Evaluations analysis of 2008 survey data of superintendents, business managers, and principals.

Note: Percentages do not sum to 100 because respondents could select more than one type of information.

We conducted an in-depth review of maintenance and custodial costs but found fewer examples of successful consolidation efforts in other states. More information about building maintenance and custodial costs is provided in chapter 4 and appendix B.

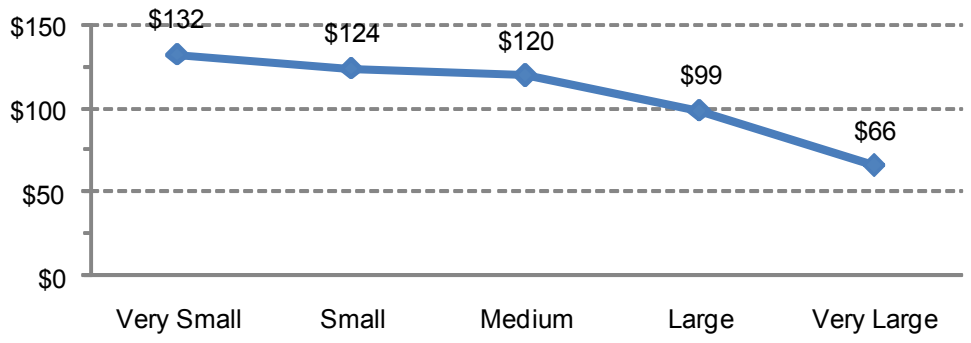
Supplies and Materials

Throughout the state, superintendents and business managers mentioned purchasing of supplies and materials as a service to consider for consolidation. Superintendents in several regions also noted that teachers have the discretion to spend $350 per school year on classroom supplies.[4] In some districts, teachers are given a pre-loaded credit card and can make individual purchases. By not centralizing the purchasing process, several superintendents noted that it increased business managers' workload to track purchases, as well as reduced bulk purchasing power.

As shown in exhibit 3.4, district expenditure data from fiscal year 2007 indicated that very small districts spent twice as much per pupil on general supplies than the largest districts. Very small districts also reported the widest range in expenditure amounts for supplies. This analysis showed that districts, especially some of the smallest districts, may increase their buying power if products are purchased with neighboring districts.

Although not all districts are working together to purchase supplies and materials, districts are using state contracts for at least some of their purchasing.

EXHIBIT 3.4 AVERAGE PER PUPIL EXPENDITURES FOR GENERAL SUPPLIES AND MATERIALS BY DISTRICT SIZE, FISCAL YEAR 2007



Source: Office of Performance Evaluations analysis of districts' self-reported General M&O Fund expenditure data.

[4] In fiscal year 2008, House Bill 669 appropriated $350 to each full-time, certificated teacher for the purchase of classroom supplies.

The Department of Administration's Division of Purchasing reported that only 33 percent of districts used state contracts in fiscal year 2004. In fiscal year 2008, that number significantly increased to 75 percent. In fiscal year 2008, districts spent over $7 million using state contracts for purchases such as business cards, computers, mailing equipment, office supplies, tires, tools, and telephone and wireless services.

During the second round of focus groups, several respondents said that purchasing supplies in bulk with other districts would be ideal, but storage is the biggest issue. One respondent said that savings from buying in bulk could be negated because storage often means more costs in personnel to maintain and deliver supplies from the warehouse. However, one superintendent with declining enrollment said that his district was using a recently closed school to store supplies.

Many states have created education service agencies, as discussed in appendix A, to provide resources to school districts. For example, Iowa operates a successful voluntary statewide purchasing program for its districts that takes advantage of the purchasing volume of many Iowa schools and frees staff time in researching prices and procuring products. A Texas service agency also manages a large purchasing cooperative that is used by over 800 school districts and several districts in Arizona. Through one Oregon cooperative purchasing program, districts have access to volume pricing, and centralized receiving and distribution of equipment and athletic, health, janitorial, food, art, office and general school supplies.

Professional Development

Professional development services are used to support, improve, and enhance district personnel with on-the-job training. Sixty percent of districts that responded to our expenditure request reported expenditures for professional development. Based on self-reported expenditure data, districts spent an average of $17 per pupil for professional development services in fiscal year 2007.

Expenditure data also showed that this service had a wide range in per pupil spending. Some of this variability may have been due to district collaboration in procuring professional development services. Some districts may have also minimized their expenditures by obtaining free or low-cost professional development services through programs of the State Department of Education and the US Department of Education or by assigning certain professional development responsibilities to personnel within the district.

Although few survey respondents said they are currently sharing professional development, they also said that more than any other service, professional development could be shared with another district. Survey respondents said that improving the quality of services should be the priority of service consolidation.

EXHIBIT 3.5 TOP THREE TYPES OF INFORMATION SURVEY RESPONDENTS WOULD FIND HELPFUL ON A CENTRALIZED WEBSITE

	Principals (%)	Superintendents and Business Managers (%)
Federal and state requirements	75	71
Professional development/staff training	69	72
School laws, regulations, and legislation	70	73

Source: Office of Performance Evaluations analysis of 2008 survey data of superintendents, business managers, and principals.

Note*:* Percentages do not sum to 100 because respondents could select more than one type of information.

As shown in exhibit 3.5, survey respondents strongly indicated that information about professional development is one of the top three services that would be helpful on a centralized website. We recognize the work of the Department of Education to accomplish this goal and encourage the department to continue enhancing professional development information on its website.

Professional development cooperatives are common in many states. For example, the Northern Michigan Learning Consortium is comprised of 13 service agencies, five community colleges, and five state universities. South Dakota offers all professional development programs for the state through one of its university-based education service agencies. Washington service agencies have partnered with its Office of Superintendent of Public Instruction to create a comprehensive, collaborative system of a standards-based mathematics education. One goal of this partnership is to create a comprehensive professional development system for teachers, principals, and superintendents.

Pupil Transportation

Pupil transportation is the operation of vehicles for transporting students to and from school, between schools within the district, and for approved instructional field trips. Costs associated with pupil transportation are reimbursed at 85 percent by the state in the following school year. Of Idaho's 250,981 students, 40 percent of students rode a bus to and from school in the 2006–2007 school year.

Analysis of district expenditure data shows that 98 percent of transportation costs variability can be accounted by the number of riders, number of routes, and number of total students in the district.[5] Large districts had the lowest per rider costs and very small districts had the highest, as shown in exhibit 3.6.

[5] The transportation cost analysis did not review the length of a route.

EXHIBIT 3.6 PUPIL TRANSPORTATION COSTS PER RIDER BY DISTRICT SIZE, FISCAL YEAR 2007

District Size	Total Costs Reimbursed	Number of Riders	Cost Per Rider
Very large	$16,463,619	18,527	$889
Large	19,421,390	27,804	699
Medium	22,739,661	32,233	705
Small	13,639,424	15,139	901
Very small	7,062,253	5,643	1,252

Source: Office of Performance Evaluations analysis of data from the State Department of Education.

From fiscal year 2004 to fiscal year 2007, transportation costs for districts and charter schools increased 8 percent beyond the rate of inflation, as measured by the US Consumer Price Index.[6] This resulted in a transportation expenditure increase of $5.3 million when adjusted for inflation. If charter schools, including virtual charter schools, are removed from the analysis, costs increased 4.7 percent beyond inflation.[7] For the 91 school districts that own and operate their own bus fleets, inflation-adjusted expenditures in three areas of transportation have increased more than others from fiscal years 2004-2007:

- Benefits increased 5 percent
- Non-fuel supplies increased 11 percent
- Fuel costs increased 68 percent[8]

While increasing 68 percent, fuel only accounted for 8 percent of the total transportation expenditures in fiscal year 2004 and 13 percent in fiscal year 2007.

Some focus group participants said that they would like to share transportation services, but the current statute makes sharing services difficult. As discussed in chapter 4, if the Legislature was to modify statute and create transportation cooperatives, districts would be able to record all transportation activities and expenditures jointly.

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[6] The US Consumer Price Index (CPI) is not necessarily the best measure for the cost increases of pupil transportation services (both personnel and non-personnel costs) occurring over time. An analysis of education cost drivers in relation to CPI inflation was, however, beyond the scope of this study.

[7] In fiscal year 2004, eight charter schools received 0.44 percent of the total transportation expenditures. Whereas in fiscal year 2007, 19 charter schools, including virtual charter schools, accounted for 3.8 percent of total transportation expenditures.

[8] For the districts that own and operate their own bus fleets, fuel costs were calculated by adding the districts' fuel, oil, and lubricants expenditures.

Washington offers transportation support with regional coordinators through its service agencies. Coordinators help the districts by offering support in bus routing and are generally available to provide technical assistance on running the district transportation systems most effectively. In Michigan, more than half of its service agencies have well established transportation cooperatives. Services provided by the agencies range from bulk purchasing in supplies and fuel, to sharing transportation coordinators, to transporting students with special needs.

Chapter 4
Looking Forward

As Idaho school districts strive to meet the needs of students and staff, services consolidation plays an important role for many districts. Nearly all districts participate in some form of cooperative effort but more could be done.

- *The Department of Education should assist districts in developing and implementing ways to consolidate services, particularly in the areas of professional development, pupil transportation, and purchasing supplies and materials. One option to consider may be applying current cooperative efforts to other services.*
- *The Legislature should consider expanding statute for district consolidation to provide incentives for services consolidation. Statute currently provides more incentives for district consolidation.*
- *The Legislature should consider modifying transportation statute to allow for the creation of transportation cooperatives, which may maximize state savings.*

Even with additional incentives provided to school districts, the consolidation of services alone will not be enough to find significant savings. The Legislature should consider future studies in employee health insurance, pupil transportation, and special education support services. To potentially achieve greater savings, the Legislature should also consider reviewing relatively large expenditure areas, such as administration salaries. A review of this area may lead to a discussion of the feasibility of consolidating district administration or districts themselves.

Department of Education Should Assist Districts in Applying Existing Consolidation Models

As discussed throughout the report, many districts are already working to consolidate services when possible, but factors including distance, size, and fear of losing local control affect the feasibility of consolidation efforts. When considering additional consolidation efforts, these factors must be kept in mind.

With 98 percent of Idaho districts participating in at least one successful cooperative effort, expanding these efforts could help districts be more economical. The following two sections highlight some of the general features found in successful cooperative models throughout Idaho and some unique elements of cooperatives that may be applicable to certain services. The Department of Education should assist districts in applying these elements, when feasible, to existing and future cooperative efforts.

We found that education service agencies are often an effective mechanism for districts to pool resources and improve services. However, successful service agencies often rely on state level financial support, which may not currently be viable in Idaho. In the event the department wishes to pursue the development of education service agencies, detailed information about their benefits and structure is provided in appendix A.

General Structure Applicable to All Cooperative Efforts

When reviewing existing cooperative efforts throughout Idaho, we found the following basic structure common to all successful efforts, regardless of the service:

- Two or more districts **share a need** to provide the same program or service. Working in a cooperative reduces redundancy and provides a more efficient and effective service.

- Districts **engage in proper planning**, often by referencing applicable statutory framework. Once a framework is established, districts often enter into written contracts or memorandums of understanding. By clearly identifying all aspects of the cooperative, districts can help to ensure their individual needs will be met.

- Districts **share responsibility** for finances, personnel, facilities, and other resources. Developing clear criteria for sharing costs not only helps to distribute those responsibilities evenly, it also encourages participating districts to seek the most efficient and economical approaches possible.

- Districts cooperate at all levels, including staff and administrators at the school, district, and state level. **Regular communication** among stakeholders strengthens working relationships and allows for more flexibility in resolving any issues that may arise.

Unique Elements Applicable to Certain Cooperative Efforts

Though the following cooperative examples maintain a similar structure, individual models provide at least one unique aspect that reflects how each cooperative approach has been adapted to meet the needs of the districts it serves and programs it provides. Districts should keep this flexibility and adaptability in mind when considering cooperative efforts.

- The networking approach used by COSSA is applicable for many Idaho school districts. Member districts are generally rural, small, share similar service needs, and maximize efficiencies by using existing facilities. COSSA districts also rely heavily upon each other for success in the programs, especially in transportation of students.
- The Idaho School District Council is self-funded through district membership dues and an administrative fee agreed upon during health insurance negotiations. Being self-funded allows the council to work closely with districts without placing an additional financial burden on the state.
- League of Schools is a regional cooperative that works closely with the local university and is self-funded through district membership fees and grant money. Partnering with a local university provides member districts with access to qualified staff and research opportunities.
- Professional-technical education programs are supported with technical assistance from Division of PTE staff and financial assistance through grants, additional student-attendance funding, and supplementary program support. The program's clear statutory requirements help participating schools meet state requirements and provide quality education to students.

Legislature Should Expand Statute to Include Services Consolidation

Idaho statute offers incentives for district consolidation, some of which could be modified to encourage districts to consider services consolidation. The Legislature should consider modifying statute to provide districts with incentives for services consolidation—several suggested incentives (similar to those already in place for district consolidation) are listed below:

- Provide money per district to offset costs of studying the feasibility of services consolidation
- If two or more districts consolidate services, continue individual funding amounts to districts for a specified number of years and a portion of the savings for every year thereafter
- To eliminate the duplication of certain functions, offer severance packages to affected employees

As discussed in chapter 2, by applying incentives similar to those offered for district consolidation, more districts may be willing to consider sharing services with neighboring districts. Participants from the second round of focus groups suggested that offering districts a financial incentive to analyze services consolidation may increase the number of consolidation efforts, reduce overall

costs, and improve services. Incentives will also help to ensure that districts are entering into cooperative agreements with proper planning and a clear understanding of the expected outcomes.

Legislature Should Create Transportation Cooperatives

The Legislature should consider modifying existing statute to allow for the creation of transportation cooperatives. Under current statute, districts are required to report their transportation expenditures at the individual district level.[1] If two districts were to form a transportation cooperative under current statute, all costs would have to be tracked and reported separately by each district. The creation of a transportation cooperative would increase reporting efficiencies by allowing the districts to report together and more easily allow for potential cost savings.

As shown in exhibit 4.1, we found that by creating a transportation cooperative and working together on transportation maintenance, administration, and general

EXHIBIT 4.1 POTENTIAL SAVINGS OF TRANSPORTATION COOPERATIVES

Hypothetical Model of Two Adjoining Districts	Savings to State	Combined Savings to Districts	Reduction in Costs
Model 1: Both districts above funding cap; combined expense: $736,833			
Eliminate supervisor	$17,739	$3,130	$20,869
Eliminate two bus routes	26,096	4,605	30,701
Eliminate supervisor and two bus routes	43,835	7,736	51,571
Model 2: One district above, one below funding cap; combined expense: $982,554			
Eliminate supervisor	$27,763	$4,899	$32,662
Eliminate two bus routes	32,122	5,669	37,791
Eliminate supervisor and two bus routes	59,885	10,568	70,453
Model 3: Both districts below funding cap; combined expense: $4,292,072			
Eliminate supervisor	$46,751	$8,250	$55,001
Eliminate two bus routes	29,421	5,192	34,613
Eliminate supervisor and two bus routes	76,173	13,442	89,615

Source: Office of Performance Evaluations analysis of data from the State Department of Education, using examples of district costs in fiscal year 2007.

Note: According to the State Department of Education, a route is everything a bus does in the a.m., or midday, or p.m. and may be comprised of one or more runs. Dollar amounts may not sum due to rounding.

[1] IDAHO CODE § 33-1006.

EXHIBIT 4.2 PROJECTED SAVINGS OVER TIME OF POTENTIAL TRANSPORTATION COOPERATIVE BETWEEN TWO ADJOINING DISTRICTS

	Eliminate Supervisor Position		Eliminate Two Bus Routes[a]		Eliminate Supervisor and Two Bus Routes[a]	
	1 year	5 years	1 year	5 years	1 year	5 years
Savings to state	$27,763	$138,815	$32,122	$160,610	$59,885	$299,425
Savings to districts	4,899	24,495	5,669	28,345	10,568	52,840
Reduction in costs[a]	32,662	163,310	37,791	188,955	70,453	352,265

Source: Office of Performance Evaluations analysis of data from the State Department of Education.

Note: Dollar amounts are based on combined transportation expenditures of $982,554.

[a] According to the State Department of Education, a route is everything a bus does in the a.m., or midday, or p.m. and may be comprised of one or more runs.

operations, the districts and the state can save a substantial amount; the biggest savings will occur by eliminating a transportation supervisor position and reducing two or more routes.[2] Additional savings may also be found by combining transportation facilities or "bus barns." Exhibit 4.2 highlights these potential savings over one and five years.

Because the state will realize the larger share of savings from transportation cooperatives, it may need to provide incentives to districts to encourage them to invest the time and personnel in developing transportation cooperatives. One option may be to allow participating districts to keep *all* of the financial savings for a period of time.

Legislature Should Consider Exploring Other Areas for Potential Consolidation

Superintendents, principals, and business managers identified two additional services that could benefit from a more detailed review: employee health insurance and special education support services. Given the level of review required, the Legislature may wish to consider focused studies for each of these service areas. As growth in expenditures continues to exceed the rate of inflation, we also identified pupil transportation as an area for further review.

[2] Eighty-two percent of school districts that own and operate their own bus fleets report employing a transportation supervisor.

Employee Health Insurance

In fiscal year 2007, districts spent over $312 million in General Maintenance and Operations (M&O) Funds for their total benefit packages.[3] We asked school districts and charter schools to report how much was spent on health insurance. Of those who responded to our expenditure request, 78 districts reported spending 37 percent of their benefits on health insurance. Each school district has an individual contract for health insurance, often negotiated through the Idaho School District Council. A thorough review of all 115 contracts, including variations in coverage and pricing, would be necessary to identify any potential areas for cost savings.

Maintenance and Custodial Expenditures

Maintenance and custodial expenditures accounted for approximately 10 percent of General M&O Fund expenditures in fiscal year 2007, for a total of $147.9 million. In our first round of focus groups, participants in four regions identified maintenance and custodial as an area for potential consolidation. However, superintendents, principals, and business managers who replied to our survey listed maintenance and custodial as one of the areas they would least likely consider for consolidation.

Appendix B provides information by district on the total maintenance and custodial expenditures, as well as information on the number of buildings per district. Because our analysis did not account for factors such as building age, condition, or size, a detailed study would be necessary to identify any potential for savings through consolidation.

Pupil Transportation

As discussed in chapter 3, the pupil transportation funding cap in fiscal year 2005 has been successfully implemented, but costs have increased 8 percent beyond the rate of inflation from fiscal year 2004 to fiscal year 2007. Additionally, in the 2006–2007 school year, 15 percent of districts and charter schools exceeded the state funding cap. An updated evaluation of the pupil transportation program and the funding cap is needed to identify inefficiencies in how expenditures are reimbursed to districts.

Special Education Support Services

Special education support services are the personnel, activities, and services designed to assist students and staff members who work with the Exceptional

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[3] In fiscal year 2007, the Legislature appropriated $132.6 million to school districts for specific employee benefits. State appropriated benefits include employer contributions to state and federal retirement programs and unemployment insurance premiums.

Child Program.[4] Because neither the Department of Education nor the districts collect or report support positions by service and contract amounts for special education students, we were unable to conduct any in-depth analyses on this service. A detailed review and data collection of all districts' special education services, including instruction, is necessary when considering potential consolidation in this service area. Our January 2009 report *Public Education Funding in Idaho* also recommends that the Legislature should identify best practices and review Idaho's approach to special education funding.

Legislature Should Consider a Study of District Administration Salary Expenditures

As discussed in chapter 1, our study was limited to a review of the feasibility of services consolidation; we intentionally did not look at staff. Although our study provides a framework for districts to enhance their consolidation efforts, our recommendations do not address the single greatest category of expenditures—salaries. Salaries alone account for more than 60 percent of General M&O Fund expenditures. These expenditures are salaries for teachers, principals, superintendents, and other district and school employees.

As shown in exhibit 4.3, the per pupil General M&O Fund expenditures for school administrators, including principals and superintendents, is more than twice as much for very small districts than for very large districts.[5] The Legislature may wish to consider a study of district administration salary expenditures, which may eventually lead to a discussion of the feasibility of consolidating district administration or districts themselves.

The consolidation of services alone will not provide Idaho with significant cost savings. Although this study focused on the feasibility of services consolidation, a review of significant expenditure areas may provide more information about how to achieve greater savings. In January 2009, we released the report *Public Education Funding in Idaho*, providing the Legislature with tools and information for reviewing various public education funding areas. Such a review may reveal additional areas for savings.

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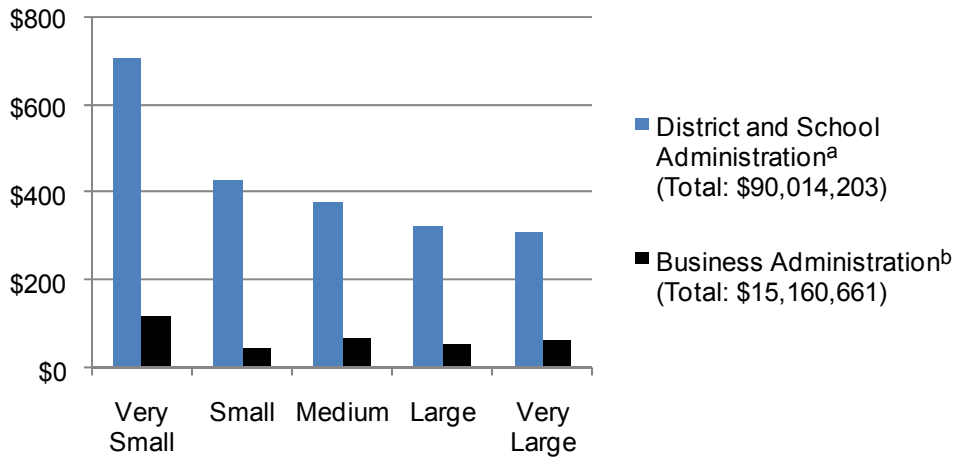
[4] For the purposes of this report, we discuss exceptional child support services as they relate to special education students, not gifted and talented students. Both special education students and gifted and talented students are a part of the state's definition of exceptional children.

[5] To understand this variation in the proper context, numerous factors are important to consider. For example, smaller districts receive more state funding per pupil. These differences may be a result of legislative intent to promote equal educational outcomes for small districts that must provide the same services for fewer students than large districts.

EXHIBIT 4.3 AVERAGE PER PUPIL SALARIES FOR DISTRICT, SCHOOL, AND BUSINESS ADMINISTRATION BY DISTRICT SIZE, FISCAL YEAR 2007



Source: Office of Performance Evaluations analysis of General M&O Fund expenditure data from the State Department of Education.

[a] District and school administration: the personnel, activities, and services associated with directing and managing the operation of the district and its schools (e.g., superintendents, principals, assistant principals, secretaries, and clerks). We did not include local school boards.

[b] Business administration: the personnel, activities, and services concerned with a district's financial responsibility, budgeting, accounting, reporting, and general business management of the school organization.

Appendix A
Education Service Agencies

What Is an Education Service Agency?

Defined in federal legislation of the No Child Left Behind Act, an educational service agency is a "regional public multi-service agency authorized by state statute to develop, manage and provide services or programs to local educational agencies."[1] Education service agencies may have different models, different names, and different functions across the nation, but they are generally a regionalized approach to delivering support services to interested school districts. Their ultimate goal is to improve services to students and staff. Currently, 45 states have established a system of service agencies. According to the Association of Education Service Agencies, the number of states with service agencies has nearly doubled within the last two decades.

Most education service agencies fall within three well-defined models:

- **Special service districts** assist local school districts by providing services such as special education while performing certain functions for the state.
- **Regional offices of the state department of education** perform regulatory and administrative functions.
- **Cooperatives** provide instructional, administrative, and operational services, such as special education services, financial reporting, and transportation. Cooperatives are based on local needs and are created and primarily funded from local district initiatives.

In some states, service agencies are called:

- Educational service agency (ESA)
- Board of cooperative educational services (BOCES)
- Education service district (ESD)

For purposes of this report, we use the term education service agency to mean any of these entities.

[1] Definition was added in 2001. The formal designation of a service agency as an education service agency allows those agencies to apply for grants and directly receive federal funds for the support services they provide.

Many education service agencies are filling a more service-oriented role rather than the regulatory role they have held in the past. As discussed in the following section, one of the services these agencies provide is to help districts comply with federal requirements.

How Can Education Service Agencies Help Districts Meet Federal Requirements?

In 2001, the No Child Left Behind Act (NCLB) gave states the authority to add service agencies to their school improvement efforts. Each state determines the purpose of service agencies in its educational system and the role service agencies will play in providing federally-required services to its students.

The No Child Left Behind Act sets standardized test benchmarks (called adequate yearly progress) in grade level math and reading. The act provides formal processes and provisions for schools that have high percentages of students not meeting the adequate yearly progress. After three years, the act requires schools to tutor those students who still do not meet the adequate yearly progress.

The act partially funds service agencies and other entities providing supplementary tutoring services registered as supplementary education service providers by their state.[2] Idaho's Department of Education 2008–2009 supplementary education service provider list has sixteen entities—none of which are education service agencies. The majority of providers are private tutoring businesses.

In some states, established service agencies are used as supplementary providers for school improvement. In Oregon, service agencies are listed as supplemental providers on the state plan for Title 1 funds.[3] Iowa and New York formally task service agencies in statute to assist with NCLB-related school improvement services and responsibilities. South Dakota most recently established service agencies in 2004, primarily to deliver NCLB-related technical assistance to schools.

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[2] In addition to education service agencies, private tutoring businesses, not-for-profit agencies, and universities with specific programs can serve as supplementary education providers.

[3] All Title 1 funds through the No Child Left Behind Act specifically target economically disadvantaged students.

Can Education Service Agencies Help Consolidate School District Staffing?

Education service agencies differ in their structure and staffing. In a state-level model, the agency provides services to all districts throughout the state. In a regional model, the agencies provide certain services to all districts and may contract for additional services based on individual district need. In each of these models, staff may be consolidated to the state or regional level. South Dakota is an example of a state that uses both methods based on district needs.

- **State Level Consolidation—**South Dakota has one university-based education service agency that receives state funding to provide *all* state required professional development, reducing personnel costs for all districts. The state department of education trains the service agency staff. The service agency uses this training to provide uniform targeted professional development throughout the state. This model can consolidate staffing at the state level.

- **Regional Level Consolidation—**Regional **s**ervice agencies in South Dakota receive state funding to provide core services to districts in special education and school improvement. Each district does not employ a special education director; instead special education is organized by the state through regional service agencies. While districts are required to offer special education and school improvement through their service agencies, districts have the flexibility to contract for additional services based on local needs. This model can consolidate staffing at the regional level.

How Are Education Service Agencies Funded?

Education service agencies receive funding through state funds, contract fees collected from districts for services provided, tax levies, federal and state grants, and other funds. Education service agencies often experience more success in states that provide some level of financial support. This state financial support is often specified for a certain purpose, such as superintendent salaries, professional development, or transportation. Some service agencies use state funds to generate other sources of revenue. Extensive variations are found in education service agency financing methods:

- Iowa service agencies operate with a combination of direct state funds, local property taxes, and federal funds. Funding is appropriated to each local school district's budget and the district pays the service agency. Education service agencies have no taxing authority.

- Michigan funds service agencies with per pupil funding; it also funds districts for agency service contracts. Education service agencies have limited taxing authority.
- New York calculates state allocations for education service agencies in three categories: service, administrative, and facilities. Education service agencies have no taxing authority.
- Oregon service agencies receive 4.75 percent of the total state education fund and have limited taxing authority.
- Texas funds service agencies based on four factors: operational costs, size and number of campuses served, student numbers in the service center region, and impact of geographic size of service center region. The education service agencies have no taxing authority.
- Washington service agencies receive about 2.5 percent of the state education budget. One service agency used state funding to generate $23 million through cooperative fees, grant writing, and other service fees. Education service agencies have no taxing authority.

How Can Service Agencies Work in Idaho?

Education service agencies are a viable option for providing services to school districts, especially rural districts. As discussed in the previous sections, the service agency approach has helped states reach their educational goals and meet federal requirements. Service agencies may particularly benefit Idaho in three areas discussed in chapter 3: purchasing of supplies and materials, professional development, and pupil transportation. Idaho currently has at least two cooperative service agencies, COSSA and the Idaho School District Council, that would meet the federal definition of an education service agency if Idaho provided specific legislative authority to these agencies.[4]

Shown in exhibit A.1 are Idaho's neighboring states and the services offered through their education service agencies in these three areas.

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[4] Idaho statute does not define these cooperatives as education service agencies. The addition of this definition in cooperative statute could provide access to federal funds in specified service areas.

EXHIBIT A.1 CONSOLIDATED SERVICES PROVIDED IN IDAHO AND NEIGHBORING STATES THROUGH EDUCATION SERVICE AGENCIES

	Purchasing of Supplies and Materials	Professional Development	Pupil Transportation
Idaho			
Montana	√	√	
Nevada			
Oregon	√	√	√
Utah	√	√	
Washington	√	√	√
Wyoming	√	√	

Source: Office of Performance Evaluations analysis of neighboring state education service agency models.

Note: Services may be regional or statewide.

- The Washington State Information Processing Cooperative, an example of purchasing supplies and materials, has seven education service agencies providing statewide bidding and purchasing of technology equipment for districts
- One Wyoming education service agency provides a vehicle-purchasing cooperative for school district
- Oregon education service agencies provide professional development for school improvement

Appendix B
Maintenance and Custodial Expenditures

Participants from our first round of focus groups and our survey frequently mentioned maintenance and custodial support services as a potential service to consolidate.[1] However, based on results from our second round of focus groups and other state research, we determined that maintenance and custodial may not be feasible for potential services consolidation.

Our expenditure analysis identified maintenance and custodial support services as a considerably large expenditure category for districts and charters.[2] As shown in exhibit B.1, these services on average account for 10 percent of General Maintenance and Operations Fund spending, and range from 5 percent to 20 percent of individual district expenditures. Considering the high variability of per building costs, these services may warrant a more in-depth review.

[1] Maintenance services are the repairs and upkeep for district owned buildings, student occupied and non-student occupied buildings, as well as land owned by the district.

[2] Analysis is based on cost per building and does not account for building age, condition, or size.

EXHIBIT B.1 AVERAGE MAINTENANCE AND CUSTODIAL EXPENDITURES PER BUILDING BY DISTRICT/CHARTER SIZE, FISCAL YEAR 2007

		Maintenance		Custodial		Maintenance and Custodial	
	Buildings	Expenditures	Expenditures Per Building	Expenditures	Expenditures Per Building	Combined Expenditures	Percent of Total Expenditures
Statewide	692	$54,522,686	$78,790	$93,398,050	$134,968	$147,920,736	10%
School Districts							
Very Large (15,000 +)							
Boise Independent	53	7,272,242	137,212	9,113,235	171,948	16,385,477	9
Meridian Joint	56	2,707,901	48,355	9,007,449	160,847	11,715,350	7
Large (5,000–14,999)							
Bonneville Joint	16	1,636,002	102,250	2,539,720	158,733	4,175,722	10
Caldwell	10	888,416	88,842	2,229,982	222,998	3,118,398	10
Coeur d'Alene	17	2,528,098	148,712	3,359,729	197,631	5,887,827	11
Idaho Falls	18	2,648,875	147,160	4,028,660	223,814	6,677,535	12
Nampa	21	1,701,406	81,019	2,862,656	136,317	4,564,062	7
Pocatello	23	1,586,711	68,987	4,029,360	175,190	5,616,071	9
Twin Falls	12	1,022,020	85,168	2,396,012	199,668	3,418,032	10
Vallivue	7	1,205,378	172,197	1,365,837	195,120	2,571,215	9
Medium (1,500–4,999)							
Blackfoot	13	1,372,818	105,601	1,426,666	109,744	2,799,484	12
Blaine County	8	1,368,790	171,099	2,559,634	319,954	3,928,424	10
Cassia County Joint	16	828,562	51,785	2,205,935	137,871	3,034,497	11
Emmett Independent	9	754,013	83,779	750,044	83,338	1,504,057	10
Fremont County Joint	9	725,536	80,615	1,135,067	126,119	1,860,603	15
Fruitland	3	49,352	16,451	487,811	162,604	537,163	6
Jefferson County Joint	9	473,125	52,569	1,217,138	135,238	1,690,263	8
Jerome Joint	5	378,677	75,735	1,056,273	211,255	1,434,950	9
Kuna Joint	7	787,769	112,538	1,137,286	162,469	1,925,055	10
Lake Pend Oreille	11	909,831	82,712	1,693,092	153,917	2,602,923	10
Lakeland	10	629,400	62,940	1,302,244	130,224	1,931,644	8
Lewiston Independent	12	2,196,203	183,017	2,495,450	207,954	4,691,653	13

Madison	12	658,045	54,837	1,370,037	114,170	2,028,082	10
Middleton	6	617,683	102,947	627,349	104,558	1,245,032	8
Minidoka County Joint	8	736,711	92,089	1,706,301	213,288	2,443,012	11
Moscow	7	676,700	96,671	946,901	135,272	1,623,601	9
Mountain Home	8	1,035,233	129,404	1,516,306	189,538	2,551,539	12
Payette Joint	5	436,303	87,261	618,418	123,684	1,054,721	11
Post Falls	9	783,825	87,092	1,904,118	211,569	2,687,943	10
Preston Joint	5	549,431	109,886	860,692	172,138	1,410,123	13
Shelley Joint	4	312,496	78,124	560,485	140,121	872,981	9
Snake River	6	299,993	49,999	527,447	87,908	827,440	9
Weiser	4	360,452	90,113	493,688	123,422	854,140	10
Small (500–1,499)							
Aberdeen	3	292,168	97,389	321,917	107,306	614,085	12
American Falls Joint	5	592,547	118,509	591,882	118,376	1,184,429	13
Bear Lake County	6	313,087	52,181	539,552	89,925	852,639	12
Boundary County	7	426,336	60,905	799,271	114,182	1,225,607	13
Buhl Joint	3	191,458	63,819	483,055	161,018	674,513	10
Filer	4	246,540	61,635	352,704	88,176	599,244	8
Firth	3	158,715	52,905	332,151	110,717	490,866	11
Gooding Joint	4	190,528	47,632	453,492	113,373	644,020	9
Grangeville Joint	9	505,493	56,166	849,739	94,415	1,355,232	13
Homedale Joint	4	157,012	39,253	386,284	96,571	543,296	8
Kellogg Joint	6	1,222,760	203,793	—	—	1,222,760	13
Kimberly	3	355,814	118,605	406,737	135,579	762,551	11
Marsh Valley Joint	7	264,889	37,841	634,285	90,612	899,174	13
Marsing Joint	3	247,310	82,437	345,737	115,246	593,047	13
McCall-Donnelly Joint	5	332,217	66,443	602,409	120,482	934,626	10
Melba Joint	3	91,387	30,462	300,729	100,243	392,116	9
New Plymouth	3	286,502	95,501	754,621	251,540	1,041,123	19
Oneida County	5	294,849	58,970	382,791	76,558	677,640	14
Orofino Joint	8	74,335	9,292	833,750	104,219	908,085	10

Exhibit B.1—continued

		Maintenance		Custodial		Maintenance and Custodial	
	Buildings	Expenditures	Expenditures Per Building	Expenditures	Expenditures Per Building	Combined Expenditures	Percent of Total Expenditures
Small (500–1,499)—continued							
Parma	3	$80,219	$26,740	$534,465	$178,155	$614,684	10%
Ririe Joint	3	154,065	51,355	285,411	95,137	439,476	12
Salmon	4	251,216	62,804	233,532	58,383	484,748	8
Shoshone Joint	3	143,625	47,875	230,585	76,862	374,210	11
Soda Springs Joint	7	262,932	37,562	511,054	73,008	773,986	13
St. Maries Joint	5	187,088	37,418	315,094	63,019	502,182	7
Sugar-Salem Joint	5	347,213	69,443	411,006	82,201	758,219	11
Teton County	7	254,083	36,298	587,157	83,880	841,240	11
Valley	1	160,091	160,091	177,242	177,242	337,333	8
Wendell	3	182,460	60,820	439,847	146,616	622,307	11
West Bonner County	6	673,798	112,300	825,169	137,528	1,498,967	17
West Jefferson	3	166,854	55,618	246,004	82,001	412,858	10
West Side Joint	3	242,041	80,680	203,458	67,819	445,499	14
Very Small (1–499)							
Arbon Elementary	1	10,127	10,127	11,429	11,429	21,556	10
Avery	1	61,193	61,193	51,628	51,628	112,821	15
Basin	2	143,844	71,922	170,942	85,471	314,786	11
Bliss Joint	1	21,007	21,007	83,130	83,130	104,137	8
Bruneau-Grand View Joint	6	218,448	36,408	246,250	41,042	464,698	13
Butte County	4	110,622	27,656	321,587	80,397	432,209	14
Camas County	2	80,522	40,261	122,525	61,263	203,047	14
Cambridge Joint	2	99,809	49,905	83,902	41,951	183,711	14
Cascade	2	103,113	51,557	212,644	106,322	315,757	12
Castleford Joint	1	102,910	102,910	195,916	195,916	298,826	13
Challis Joint	5	198,281	39,656	261,569	52,314	459,850	13
Clark County Joint	3	140,336	46,779	160,259	53,420	300,595	17

Cottonwood Joint	3	96,062	32,021	99,843	33,281	195,905	6
Council	2	5,996	2,998	114,658	57,329	120,654	6
Culdesac Joint	1	67,611	67,611	142,718	142,718	210,329	14
Dietrich	1	161,793	161,793	36,437	36,437	198,230	13
Garden Valley	2	192,221	96,111	138,278	69,139	330,499	18
Genesee Joint	1	78,468	78,468	150,945	150,945	229,413	9
Glenns Ferry Joint	3	181,998	60,666	168,232	56,077	350,230	11
Grace Joint	3	163,522	54,507	239,593	79,864	403,115	13
Hagerman Joint	1	117,651	117,651	153,250	153,250	270,901	10
Hansen	2	82,768	41,384	161,166	80,583	243,934	9
Highland Joint	1	93,708	93,708	154,026	154,026	247,734	12
Horseshoe Bend	2	179,128	89,564	144,984	72,492	324,112	14
Kamiah Joint	3	204,100	68,033	219,116	73,039	423,216	13
Kendrick Joint	2	87,791	43,896	171,643	85,822	259,434	10
Kootenai Joint	2	83,768	41,884	190,433	95,217	274,201	12
Lapwai	3	207,073	69,024	407,446	135,815	614,519	13
Mackay Joint	2	—	—	201,946	100,973	201,946	11
Meadows Valley	1	11,190	11,190	98,211	98,211	109,401	7
Midvale	1	138,320	138,320	75,824	75,824	214,144	16
Mullan	2	40,116	20,058	269,528	134,764	309,644	20
Murtaugh Joint	3	58,797	19,599	89,236	29,745	148,033	9
Nezperce Joint	1	64,381	64,381	87,768	87,768	152,149	9
North Gem	2	80,430	40,215	89,603	44,802	170,033	10
Notus	2	4,471	2,236	214,367	107,184	218,838	11
Pleasant Valley Elementary	2	5,149	2,575	10,710	5,355	15,859	7
Plummer-Worley Joint	3	161,539	53,846	173,015	57,672	334,554	8
Potlatch	2	135,341	67,671	261,404	130,702	396,745	11
Prairie Elementary	1	7,492	7,492	5,568	5,568	13,060	12
Richfield	1	60,653	60,653	78,379	78,379	139,032	9
Rockland	1	14,236	14,236	86,894	86,894	101,130	6
South Lemhi	2	55,146	27,573	86,129	43,065	141,275	11

Exhibit B.1—continued

		Maintenance		Custodial		Maintenance and Custodial	
	Buildings	Expenditures	Expenditures Per Building	Expenditures	Expenditures Per Building	Combined Expenditures	Percent of Total Expenditures
Very Small (1–499)—continued							
Swan Valley Elementary	3	$4,969	$1,656	$32,700	$10,900	$37,669	5%
Three Creek Joint Elementary	1	7,022	7,022	1,276	1,276	8,298	10
Troy	2	105,584	52,792	223,785	111,893	329,369	12
Wallace	2	124,274	62,137	373,349	186,675	497,623	12
Whitepine Joint	2	115,717	57,859	189,404	94,702	305,121	11
Wilder	2	168,963	84,482	246,768	123,384	415,731	13
Charter Schools							
Medium (1,500–4,999)							
Idaho Virtual Academy	1	—	—	—	—	—	—
Small (500–1,499)							
Idaho Distance Education Academy	1	21,060	21,060	7,649	7,649	28,709	1
Very Small (1–499)							
Academy At The Roosevelt Center	1	13,990	13,990	125,701	125,701	139,691	15
Anser Of Idaho, Inc	1	21,130	21,130	—	—	21,130	2
Artec Charter	1	—	—	4,750	4,750	4,750	2
Blackfoot Charter	1	16,281	16,281	40,556	40,556	56,837	11
Coeur d' Alene Charter Academy	1	62,277	62,277	144,079	144,079	206,356	8
Compass Charter	1	12,080	12,080	199,764	199,764	211,844	19
Falcon Ridge Charter	1	84	84	57,331	57,331	57,415	4
Garden City Community Charter	1	—	—	103,949	103,949	103,949	16
Hidden Springs Charter	1	16,524	16,524	128,673	128,673	145,197	8
Idaho Arts Charter	1	15,320	15,320	334,029	334,029	349,349	14
Idaho Leadership Academy	1	46,018	46,018	8,536	8,536	54,554	6
Inspire Charter	1	—	—	35,316	35,316	35,316	4

Liberty Charter	1	8,622	8,622	81,165	81,165	89,787	4
Meridian Charter High School	1	5,497	5,497	72,557	72,557	78,054	5
Meridian Medical Arts Charter	1	2,500	2,500	61,724	61,724	64,224	5
Moscow Charter School	1	6,590	6,590	30,309	30,309	36,899	6
North Star Charter School	1	9,603	9,603	26,124	26,124	35,727	3
Pocatello Community Charter	1	63,306	63,306	—	—	63,306	5
Richard McKenna Charter	2	—	—	—	—	—	—
Rolling Hills Charter	1	1,763	1,763	64,947	64,947	66,710	7
Sandpoint Charter School	1	24,841	24,841	49,826	49,826	74,667	11
Taylor's Crossing Charter	1	2,443	2,443	119,245	119,245	121,688	2
Thomas Jefferson Charter	1	4,840	4,840	90,059	90,059	94,899	7
Upper Carmen Charter	1	—	—	9,619	9,619	9,619	5
Victory Charter School	1	10,031	10,031	157,178	157,178	167,209	9
White Pine Charter School	1	12,597	12,597	32,399	32,399	44,996	4

Source: Office of Performance Evaluations analysis of General M&O Fund expenditure data from the State Department of Education.

Note: Expenditure data consists of salaries, benefits, purchased services, supplies and materials, and capital objects.

Appendix C
District and Charter Expenditures

As shown in exhibit C.1, school districts spent more than 80 percent of General Maintenance and Operations (M&O) Fund expenditures on salaries and benefits combined. Additionally, districts averaged 8 percent on purchased services and 5 percent on supplies and materials purchases. In comparison, charter schools, including virtual schools, generally spent less on salaries and benefits and more on purchased services. Most charter schools are the same size as very small school districts.

EXHIBIT C.1 DISTRICT AND CHARTER EXPENDITURES BY SIZE AND AS A PERCENT OF TOTAL GENERAL M&O FUND EXPENDITURES, FISCAL YEAR 2007

	Total Districts/ Charters	Total Expenditures	Percent of Total General M&O Fund Expenditures				
			Salaries and Benefits	Purchased Services	Supplies and Materials	Capital Objects	Other[a]
Statewide	**142**	**$1,537,287,738**	**84%**	**9%**	**5%**	**2%**	**1%**
School Districts	**114**	**1,490,230,959**	**84**	**8**	**5**	**2**	**1**
Very large	2	353,239,982	83	7	6	4	1
Large	8	378,579,808	86	9	4	1	1
Medium	23	440,300,393	86	7	5	2	1
Small	32	210,666,315	83	10	5	1	1
Very small	49	107,444,461	81	11	6	1	1
Virtual Charters	**4**	**15,151,639**	**37**	**45**	**15**	**2**	**0**
Medium	1	8,496,333	24	57	18	0	0
Small	1	4,208,950	47	30	16	7	0
Very small	2	2,446,356	67	28	5	1	0
Brick and Mortar Charters							
Very small	24	31,905,140	71	13	4	6	6

Source: Office of Performance Evaluations analysis of General M&O Fund expenditure data from the State Department of Education.

Note: Percentages do not sum to 100 due to rounding.

[a] Includes debt retirement, insurance, and judgments.

Responses to the Evaluation

C. L. "BUTCH" OTTER
GOVERNOR

February 20, 2009

Rakesh Mohan, Director
Office of Performance Evaluations
Idaho State Legislature
700 W. State Street
Boise, ID 83720-0055

Dear Rakesh,

Thank you for the opportunity to comment on the audit of School District Services Consolidation. In today's economic climate it is prudent to ensure that state and local governments are using Idahoans' hard-earned dollars most effectively. That is particularly important when it comes to public school districts.

I am pleased and encouraged by the recommendations addressed in the audit, which reflect some of the same principles in which I believe.

One main area that the audit addressed was tasking the Department of Education with assisting in development and implementation of ways to consolidate services, with an emphasis on purchasing of supplies and materials, professional development services and pupil transportation. These sound suggestions will go a long way toward developing real cost savings for districts around the state.

The audit also wisely addressed the Legislature's role in considering future study of employee health insurance and special education support services, as well as the cost of pupil transportation programs.

I have asked the State Superintendent of Public Instruction, State Board of Education, the Legislature, as well as superintendents and principals, to join me in recognizing the suggestions of the audit and to adopt these recommendations in school districts statewide. We all share the goal of ensuring our school districts become more efficient and responsible stewards of tax payers' dollars.

Again, I appreciate your efforts and those of your office, and I look forward to working together to increase the efficiency of state government.

As Always – Idaho, "Esto Perpetua"

C.L. "Butch" Otter
Governor of Idaho

CLO/dk

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February 20, 2009

Mr. Rakesh Mohan
Director, Office of Performance Evaluation
700 West State Street
Lower Level, Suite 10
PO Box 83720
Boise, ID 83720-0055

Re: Feasibility of School District Services Consolidation

Dear Mr. Mohan:

Thank you for the opportunity to respond to the Office of Performance Evaluation's report on School Services Consolidation. The State Board office has reviewed the report and feels the recommendations are appropriate and supportable. We think the effort to realize cost savings is critical and that schools need all the tools and incentives we can provide. We also noted the recognition that schools have implemented a number of collaborative activities to save money and are active participants in searching out new ways to save money.

Two observations:

1) The legislature has provided a significant tool for collaboration through the Cooperative Service Agencies. These entities allow districts to, in effect, create "super" districts to offer certain services and educational programs that lend themselves to joint delivery. As pointed out in your report, those in operation have demonstrated significant cost savings. Given those savings, it would seem prudent to determine if additional incentives could be built into the legislation to make it more attractive for districts to cooperate. For example, a provision was added to allow districts to jointly propose a maintenance and construction levy to build a shared facility. That levy, however, requires the same 66 2/3 supermajority required for single district levies. To raise the full amount of money, each district would be required to pass the levy. It seems like it would be worth considering whether a majority vote from each of the districts would both provide sufficient protection for the taxpayer as well as an adequate incentive for districts to create collaborative facilities. I suspect there are other types of incentives for collaboration that could be considered as well.

2) The report addresses transportation as one area of potential cost savings. One consideration is that cooperative activities often increase the need for transportation. One would not want to create a model in which you save money on transportation, but then disincentivize other options which could actually save more money. The recommendations related to transportation in this OPE report do not do that, but some proposals currently being considered by the legislature could very well have that effect.

Thanks again for the opportunity to respond. The Board appreciates the thorough and thoughtful approach employed by the Office of Performance Evaluation.

Sincerely,

Mike Rush
Executive Director

P.O. Box 83720
Boise, ID 83720-0027

STATE OF IDAHO
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
Mr. Tom Luna

Phone (208) 332-6815
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February 19, 2009

Rakesh Mohan, Director
Office of Performance Evaluation
Joe R. Williams Building
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PO Box 83720
Boise, Idaho 83720-0055

Dear Rakesh:

Thank you for the opportunity to comment on the *Feasibility of School District Services Consolidation* report.

As I have stated and demonstrated since I have assumed the position of Superintendent of Public Instruction, I strongly support efforts to reduce expenditures by identifying efficiencies, including the consolidation of services. For example, I have reduced the square footage of office space in the Department of Education, and now have meeting rooms available to reduce expenditures for outside conference rooms. My staff and I have also worked with the Department of Administration to transfer our print shop staff and equipment, and have significantly reduced the number of printers in the department.

That said, my staff and I will continue to provide technical assistance, including developing and implementing ways to consolidate services, to school districts and charter schools. As a result of your *School District Administration and Oversight* report recommendations, the Department of Education has worked with the Division of Purchasing to provide training to school district and charter school administrative staff. We have added links to our website for the Division of Purchasing's monthly newsletter, training calendar, services, purchasing rules, statutes and policies, and a listing of statewide contracts. We have also requested that auditors include a review of purchasing procedures in their audit tests. Our Student Transportation staff conducts on-site reviews of those school districts that have exceeded the statutory cap for reimbursements and assists school district staff in identifying cost savings.

The findings and recommendations in this report are a good start towards identifying additional cost savings by consolidating administrative services so that more dollars can be directed to classrooms. I will ask my staff to work with the Idaho Association of School Administrators, the Idaho Association of School Business Officials, and charter school administrative staff to identify and discuss school district consolidation of services, including employee health insurance and special education. I believe that together we will find solutions to the challenge of efficiently providing necessary support services to school districts and charter schools.

Thank you again for the opportunity to comment on this report. I hope you will take the time to contact me if you have any additional questions or comments.

Sincerely,

Tom Luna
Superintendent of Public Instruction

Office of Performance Evaluations Reports, 2007–Present

Publication numbers ending with "F" are follow-up reports of previous evaluations. Publication numbers ending with three letters are federal mandate reviews—the letters indicate the legislative committee that requested the report.

Pub. #	Report Title	Date Released
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07-02	Virtual School Operations	March 2007
07-03F	Higher Education Residency Requirements	July 2007
07-04F	State Substance Abuse Treatment Efforts	July 2007
07-05F	Idaho School for the Deaf and the Blind	July 2007
07-06F	Public Education Technology Initiatives	July 2007
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07-08	Options for Expanding Access to Health Care for the Uninsured	July 2007
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07-10F	Management in the Department of Health and Welfare	December 2007
07-11F	School District Administration and Oversight	December 2007
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07-13	Estimating Private Health Expenditures in Idaho	December 2007
07-14	Trends in and Drivers of Health Expenditures in Idaho	December 2007
08-01	Governance of Information Technology and Public Safety Communications	March 2008
08-02F	State Substance Abuse Treatment Efforts	March 2008
08-03F	Virtual School Operations	March 2008
09-01	Public Education Funding in Idaho	January 2009
09-02F	Higher Education Residency Requirements	January 2009
09-03	Idaho Transportation Department Performance Audit	January 2009
09-04	Feasibility of School District Services Consolidation	February 2009
09-05F	School District Administration and Oversight	February 2009
09-06F	Use of Average Daily Attendance in Public Education Funding	February 2009
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