

## An Analysis of Purchasing and Cooperative Agreements Among School Corporations, Charter Schools, and Education Service Centers

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### INTRODUCTION

Through various state policy initiatives, school corporation expenditures on administration, direct non-instructional services, and classroom instruction have received renewed attention. At a time when the reduction of school operating expenses has become a priority, research has documented that consolidated purchasing and shared services between school corporations can be effective in reducing these costs. However, the research is not compelling that school corporation consolidation would be uniformly beneficial for Indiana (see Plucker et.al., 2007).

Under IC 21-10-3, the Indiana State Board of Education is required to submit a report by November 1<sup>st</sup> of each year to the state superintendent, governor, and Indiana General Assembly concerning:

1. Consolidated purchasing agreements by school corporations, charter schools, or by Education Service Centers (ESCs) on behalf of member school corporations and charter schools;
2. Shared service arrangements by school corporations, charter schools, or by Education Service Centers on behalf of member school corporations and charter schools;
3. Efforts to explore cooperative purchasing, shared services, or consolidations by school corporations, charter schools, or by Education Service Centers on behalf of member school corporations and charter schools.

Since 2006 an annual survey has been conducted by the Indiana Department of Education (IDOE) to collect and report this information. The 2007 survey was completed by 203 school corporations and charter schools and Indiana's nine Education Service Centers (whose membership includes 283 school corporations, 38 non-public schools, and one state institution).

Responses reflect activities for the 2006-07 school year.

This report summarizes and analyzes the results of the 2007 IDOE survey and makes comparisons to the 2006 survey results.

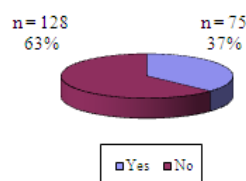
### SCHOOL CORPORATION CONSOLIDATED PURCHASING ARRANGEMENTS

Question 1 of the 2007 survey asked whether the school corporation or charter school had entered into a consolidated purchasing agreement during the past 12 months. Of the 203 respondents, 75 (37%), stated that they had entered into such an agreement (see Figure 1).

The percentage of "yes" respondents appears to be a decrease from the 44% seen in response to the same question from the 2006 survey; however, it should be noted that there was a significant increase in the number of respondents this year compared to last year. In total, the number of school corporations that completed the 2007 survey increased to 203, up from 108 responding school corporations in 2006. Moreover, the total of 75 respondents who answered affirmatively to question 1 this year was up from 48 who answered similarly in 2006.

Question 2 then asked those who responded "yes" to question 1 to provide information on the commodity purchased and estimated savings realized from the consolidated purchasing agreement.

**Figure 1. Has your school corporation or charter school entered into consolidated purchasing arrangements with other school corporations or charter schools?**



The most common purchasing agreements identified were natural gas consortiums (29), insurance (24), educational/office supplies (16), food supplies/services (13), and school bus purchasing (3) (see Figure 2).

These results mirror the results of the 2006 survey in that natural gas/fuel and insurance were the two most common purchasing agreements.

Not all respondents reported an estimated savings from their purchasing agreements. However, of those that did report savings, the lowest estimation was:

- \$593 for a purchasing agreement for block salt between the Evansville-Vanderburgh School Corporation and Vanderburgh County.

The highest estimated savings was:

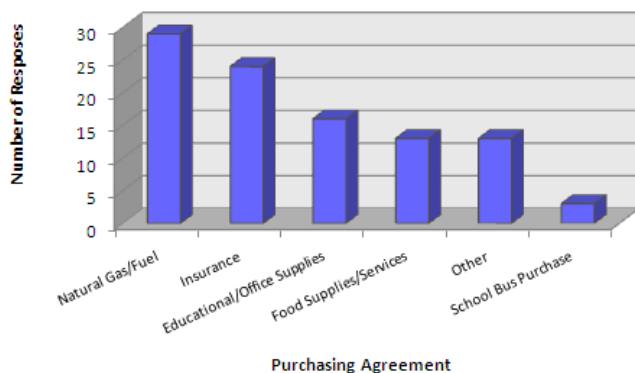
- \$257,539 for a natural gas purchasing agreement between Metropolitan School District of Washington Township and Metropolitan Energy Gas Association (MEGA).

The value of the total statewide reported savings from consolidated purchase agreements between school corporations or charter schools was approximately \$1.3 million, a conservative estimate considering many school corporations did not identify an amount of savings that was realized. This amount was a decrease of approximately 70% from the \$4.2 million total statewide savings generated by consolidated purchase agreements during the 2005-06 school year (although much of the 2006 savings was due to one agreement that saved \$2.6 million).

### SCHOOL CORPORATION SHARED SERVICE ARRANGEMENTS

Questions 3 and 4 of the 2007 survey addressed the involvement of school corporations and charter schools in shared service arrangements. Question 3 asked respondents to indicate whether their school cor-

**Figure 2. Please provide a listing of such consolidated purchasing arrangements to include the commodity or item purchased, volume, and estimated savings realized.**



Note: The numbers of responses in each of the above categories represent estimations based on the self-reporting of the school corporations.

category for the varied nature of its responses, natural gas and insurance remained the two most commonly explored agreements.

## EDUCATION SERVICE CENTERS (ESCs)

ESCs support local education needs through educational planning on a cooperative basis and assist in meeting specific education needs which can be provided more efficiently through economies of scale. The ESC delivery system, working with IDOE and other agency partners, is comprised of a nine-region structure. ESCs are funded as a line item in the Department of Education Budget, by membership fees, and through their own entrepreneurial activities. All nine ESCs shared a combined total of \$1.7 million in 2006 from a state budget appropriation. Although membership in an ESC is optional, a total of 283 school corporations and charter schools were members of an ESC during the 2006-07 school year (see Table 1), up from 272 school corporations and charter schools that were members during the 2005-06 school year. The ESC directors attribute the increased membership to their efforts to expand consolidated purchasing and shared services.

## ESC CONSOLIDATED PURCHASING AGREEMENTS

The *value* of purchases among all nine ESCs totaled \$77.1 million, a 20% increase over the 2006 reported figures. The Southern Indiana ESC reported the smallest amount of purchases with a value of \$1.2 million, and the Central Indiana ESC reported the greatest total value of purchases at \$33.2 million. The total estimated consolidated purchase *savings* realized by all nine ESCs during the 2006-07 school year was \$14.6 million. The least amount of savings reported was \$37 in a miscellaneous category in which only the Northern Indiana ESC reported any purchase. The greatest amount of savings was \$7.9 million in the food service category, in which seven of the nine ESCs reported savings. The categories with the greatest reported savings can be seen in Table 2 along with which ESCs reported purchases in those categories.

poration or charter school had entered into a shared service arrangement within the past 12 months. Of the 201 respondents to this question, 87, or 43%, indicated that they had entered such an arrangement. This year's rate is comparable to a rate of 44% last year that was based on a total of 48 respondents to this question.

Question 4 then asked those who responded "yes" to identify the service and, if possible, the estimated savings from the arrangements.

The list of most common service arrangements did not change significantly from the 2006 survey (see Figure 3); special education and vocational services were the two most common arrangements. Arrangements within the "Other" category were highly varied and included facility maintenance, insurance, and technology services, among other arrangements. Not all respondents reported an estimated savings from their shared service arrangements; however, of those that did report savings, the lowest estimation was:

- \$1,500 from Delphi Community School Corporation for special needs transportation.

The highest estimated savings was:

- \$200,000 over three years from Metropolitan School District of Perry Township for natural gas.

This highest estimated savings is a sharp decrease from the \$2 million reported in the 2006 survey by the New Albany-Floyd County Consolidated School Corporation for a vocational education cooperative.

The value of the total reported savings for 2007 from shared service agreements was approximately \$2.9 million.

## SCHOOL CORPORATION EXPLORATION OF CONSOLIDATED PURCHASING AND SHARED SERVICES

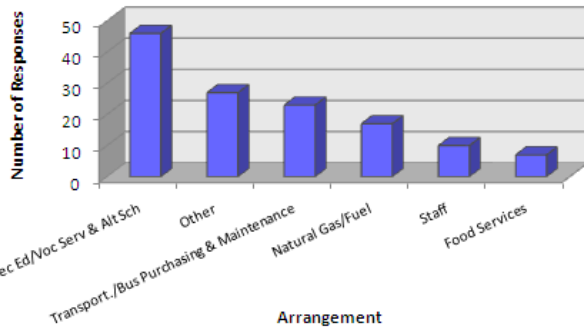
Questions 5 and 6 of the 2007 survey pertained to whether school corporations and charter schools had explored consolidated purchasing or shared services (assumed to be implemented in future school years). Question 5 specifically asked respondents whether they had explored these measures. Of the 198 respondents, 121, or 61%, indicated they had explored consolidated purchasing or shared service arrangements.

This is a decrease from the 75% reported in the 2006 survey; however, the number of respondents increased this year from 105 to 198 for this question.

Question 6 asked those who responded "yes" to report what types of agreements or arrangements had been explored. The most common agreements and arrangements were "other" (59), insurance pools (42), natural gas/fuel consortiums (33), special education/vocational education services (14), bus purchasing and maintenance (13), and administration/staff/personnel (13) (see Figure 4).

Those responses within the "Other" category were, again, highly varied, including technology services, educational and office supplies, corporation consolidation, and food services. Disregarding the "Other"

**Figure 3. Please provide a listing of such shared service arrangements to include the kind of service and estimated savings realized.**



Note: The numbers of responses in each of the above categories represent estimations based on the self-reporting of the school corporations and charter schools.

pendent agreements and those through the ESCs. Although much of the “low-hanging fruit” may have been picked to generate the reported savings, the majority of school corporations and ESCs continue to explore new purchasing and service agreements to further extend savings.

- Independently, school corporations are making the effort to reduce costs through cooperative arrangements. More school corporations reported participating in such arrangements and a majority indicated that they continue to explore cooperative agreements. However, decreases in savings reported in the 2007 survey from the 2006 survey may indicate that the largest areas of savings have already been explored.
- ESCs prove to be the greatest resource schools have in realizing savings from consolidated purchasing and shared service agreements. Nearly all school corporations in the state are currently members of their respective ESCs and drastically enhance their savings where they could not with independent agreements from one school corporation to another. Cost savings initiated in the areas of property and casualty insurance, workers compensation insurance, as well as statewide school bus bidding, may increase cost savings to higher levels.

### ESC SHARED SERVICE ARRANGEMENTS

Before savings, the value of shared services among all ESC regions totaled \$15.4 million, a 95% increase over the total before savings from 2006. The Northern Indiana ESC reported the least value of services at \$647,000, while the Central Indiana ESC reported the greatest value of services with \$4.5 million.

The total estimated savings for shared services of all nine ESCs also amounted to \$14.6 million. The category with the least reported savings was a textbook review site in which only the East Central ESC reported a value; the value of savings was \$300. The greatest estimated savings was \$2.4 million in the commodity food category with only the Southern Indiana, Wabash Valley, Northwest Indiana, and Northeast Indiana ESCs reporting a value of services. The categories of services with the greatest reported savings can be seen in Table 3 along with those ESCs that reported the values of services in each category.

Compared to the values reported from 2005-06, both the total value of services and the savings realized experienced increases. There was a 95% increase in the total value of services from \$7.9 million last year. An even larger increase of 125% was seen from last year’s savings of \$6.5 million.

### ESC EXPLORATION OF CONSOLIDATED PURCHASING AND SHARED SERVICES

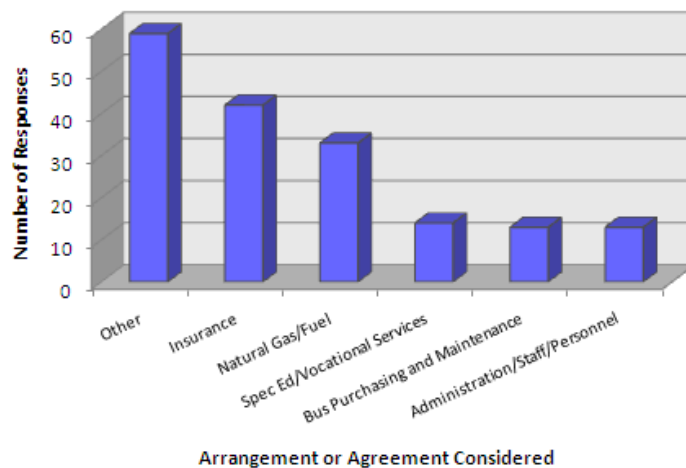
Exploration of purchasing agreements and service arrangements was also reported by

Education Service Centers. Insurance, primarily property and casualty insurance, remained the most commonly explored category this year with all except for the Northwest Indiana ESC reporting exploration. Natural gas/fuel also remained the second most common category with all except for the Northwest Indiana, Northern Indiana, and Central Indiana ESCs reporting exploration. This along with other commonly explored categories can be seen in Table 4.

### CONCLUSIONS

- School corporations and ESCs are making a concerted effort to reduce costs through cooperative arrangements for purchasing and services. Consolidated purchasing and shared services continue to save schools money with a total of \$33.4 million in estimated savings from both inde-

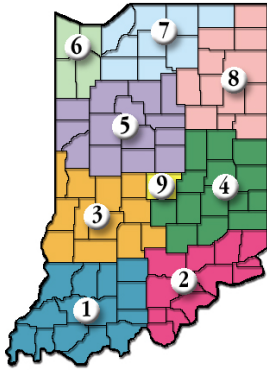
**Figure 4. Please provide a listing of activities pertaining to such exploration.**



Note: The numbers of responses in each of the above categories represent estimations based on the self-reporting of the school corporations.

**TABLE 1. Survey Participants: ESC Nine Region Structure**

Region	Corporations /Charter Schools Served	Non-Public Schools Served	State Institutions Served
Region 1: Southern Indiana	34	6	
Region 2: Wilson	28	11	
Region 3: West Central	26		
Region 4: East Central	47	2	1
Region 5: Wabash Valley	38	2	
Region 6: Northwest Indiana	24	5	
Region 7: Northern Indiana	36		
Region 8: Northeast Indiana	33	12	
Region 9: Central Indiana	17		
<b>Total</b>	<b>283</b>	<b>38</b>	<b>1</b>



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**TABLE 2. Consolidated Purchasing Agreements**

Purchasing Area	Regions	Savings
Food Services	1, 3, 4, 6, 7, 8, 9	\$7.9 million
Copy Paper	All	\$1.3 million
Office Supplies	All	\$985,000
Dairy Products	6, 7, 8, 9	\$756,000
School Bus Purchases	2, 7, 9	\$722,000

**TABLE 3. Shared Service Arrangements**

Service Area	Regions	Savings
Commodity Food	1, 5, 6, 8	\$2.4 million
Media Service	All	\$2.4 million
Insurance Trust	1, 2, 3, 4, 6, 9	\$2.1 million
Professional Development	All	\$1.5 million
eProcurement Savings	4, 8	\$831,000

**TABLE 4. Exploration of Purchasing Agreements and Service Arrangements**

Purchasing/Service Area	Regions
Property/Casualty Insurance	1, 2, 3, 4, 5, 7, 8, 9
Natural Gas/Fuel	1, 2, 3, 4, 5, 8
School Bus Purchase	2, 5, 6, 9
Substitute Teachers	5, 6, 7, 9
Criminal Background Checks	1, 6, 7

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