

**Report To The Cumberland County
Commissioners, Advisory Council
and County Manager**

**Pennsylvania Intermediate Units,
Regionalization and Shared Services**

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INTRODUCTION

In May of 1970, the Pennsylvania Legislature passed "Act 102" that created 29 geographically defined *Intermediate Units* as part of the public school system for the Commonwealth. With their own administrative and governance structures, the Intermediate Units (IU's) were designed primarily to provide services to the 501 individual school districts and career/technical centers for more effective and efficient operations on a regional basis. Their position in the state education framework is *between* the Department of Education and the local school districts, and they serve as liaisons for the public schools to the Department of Education. The Intermediate Units are charged by statute with 7 mandates:

- Curriculum Development and Instructional Improvement Services;
- State and Federal Agency Liaison Service;
- Instructional Technology Services;
- Continuing Professional Education Services;
- Pupil Personnel Services;
- Educational Planning Services; and
- Management Services.

The majority of the programs they offer are largely supported by federal, state and district contributions. In Pennsylvania, school districts are "local governmental entities" and levy their own taxes in conjunction with their municipalities. The Intermediate Units, however, are not governmental units and cannot levy taxes. Therefore, they rely on the federal, state and district contributions for funding.

Since their inception, many of the Intermediate Units have evolved to become very entrepreneurial in nature in addition to fulfilling their mandated services for their member school districts. They have developed specialized services and niches that they market to their member districts, other school districts, municipalities, universities, libraries and various organizations on a fee for service basis. These activities generate significant revenues for the Intermediate Unit's to supplement their state and federal funds, and district contributions.

The **Berks County Intermediate Unit (BCIU #14)** and **Central Susquehanna Intermediate Unit (CSIU #16)** are examples of 2 Intermediate Units that have developed specialties and market their services to member districts and other entities.

This report will also briefly address former Governor Edward Rendell's statewide school initiative called **COMMON CENTS**.

FINDINGS

1. BERKS COUNTY INTERMEDIATE UNIT. With main offices located in Reading, Pennsylvania, BCIU serves:

- a. 18 public school districts;
- b. 105 public schools and career/technology centers;
- c. 80 non-public schools;
- d. 70,000 students, K-12;
- e. \$177 million budget.
- f. Website: www.berksiu.org.

At Berks County Intermediate Unit, Stanley Kita is the Assistant Executive Director in charge of operations.

In my interview with him, he spoke about the mandated services and the entrepreneurial nature of the Intermediate Unit. In particular, he highlighted the following areas:

- Distance learning is one of their successful programs whereby they provide programming for their member school districts as well as other districts who choose to participate. The program is growing rapidly due to the relatively low cost and quality of their offerings. Chinese is currently very popular.
- BCIU has successfully developed the Regional Wide Area Network (RWAN) that serves 17 of their member districts. Verizon provides the basic services up to the “edge”, and then BCIU serves as the hub of the Regional Wide Area Network for the county. Member districts save money by participating on a regional basis.
- The IU is widely recognized for its expertise in early childhood education. Formerly, BCIU provided assistance to school districts, but now operates early childhood programs across the state, and engages many service providers. BCIU acts as the administrator and manager of this initiative saving districts money by eliminating many indirect costs for school districts. The Pennsylvania Department of Education has acknowledged BCIU as the statewide assistance agency for early childhood education.
- Most all of the member school districts throughout the county contract with BCIU for regular and special education bus transportation for their students at lower costs than most private contractors.
- The IU also handles tax billing for its member districts, as well as for several other counties. In some cases, the districts contract with BCIU to also collect the taxes.
- Mr. Kita noted that BCIU does not provide payroll services for its member districts. To do so, they would need additional personnel and work through the challenges of different software packages and different employee pay periods throughout the county. Districts have not expressed a need for this service.

- Overall, in the area of management services, BCIU provides business management services such as collecting statistical data, serving as a clearinghouse on state bids, facilitating joint purchasing of goods and services (i.e. fuel oil), accounting, and contracting. In a recent local news story (readingeagle.com), BCIU Executive Director Dr. John George made this comment about BCIU's entrepreneurial nature: "Our ability to stay open comes from selling services". In fact, about \$35 million of the BCIU's budget last year was funded by marketing its services and products to other districts and agencies in the state.

Mr. Kita explained that member school districts do not pay membership fees to be a part of the IU. Budgeting for BCIU in meeting the 7 mandated services, as well as additional services, is a collaborative process. He explained that the Intermediate Unit proposes an annual budget to the member superintendents who then agree on the Intermediate Unit budget proposal. This is submitted to the Department of Education for approval. Upon approval of the budget, the cost of the services for the member school districts is credited back to the districts vis a vis the state funding formula.

2. CENTRAL SUSQUEHANNA INTERMEDIATE UNIT. With main offices located in Lewisburg, Pennsylvania, the Central Susquehanna Intermediate Unit serves:

- a. 17 school districts;
- b. 68 public schools and career/technology centers;
- c. 71 non-public schools;
- d. 35,000 students, K-12;
- e. \$173 million budget;
- f. Website: www.csiu.org.

At Central Susquehanna Intermediate Unit, Dr. Robert Whitten is the Executive Director.

In my interview with him, like BCIU Assistant Executive Director Stanley Kita, he spoke enthusiastically about the entrepreneurial nature of the Intermediate Unit as well as its role in fulfilling the mandated services. In particular, he highlighted the following areas:

- CSIU initiated and manages the Pennsylvania Education Joint Purchasing Council that serves more than 300 members in Pennsylvania and other states.
- CSIU created the Central Susquehanna Region School Employees Health and Welfare Trust to serve its members.
- The Keystone Purchasing network provides consortium purchasing power to 310 schools, districts, universities, libraries, and other Intermediate Units.
- PENCON Energy Consortium serves 189 districts, schools, municipalities and other IU's.

- PEPPM Technology Bidding and Purchasing Program serves 653 schools, districts, universities, libraries and other agencies both within Pennsylvania and outside the state. Central Susquehanna Intermediate Unit is recognized as a leader in technology, including development of software for payroll and student services used by many school districts.

3. COMMON CENTS initiative.

In 2007, Governor Edward Rendell included in his budget \$1 million in new funds to “provide expert advice to help school districts explore voluntary shared services so that they can improve the quality of programs they deliver while cutting costs and putting those savings back in the classroom.” (Governor’s Office press release July 17, 2007.) Further, the Pennsylvania Department of Education stated in a press release 1 year later: “The goal is simple: make every dollar count in the classroom rather than on administrative costs. The program received an additional \$987,000 in the 2008-09 budget in order to reach more districts. The Common Cents program will examine and make recommendations about:

Transportation	Technology services
Food services and nutrition	Safety and security
Finance and payroll	Purchasing
Human resources	Facilities and real estate
Administration	

The program was implemented by engaging 38 school districts in pilot projects to identify and evaluate areas for potential savings. Subsequently, Deloitte, Lyceum Group, LLC. was contracted to assess the outcomes of the pilot projects and make recommendations. Attached to this report are excerpts from the 2008 Deloitte reports to the Pennsylvania Department of Education regarding the pilot projects of 3 school districts.

Subsequently, the Common Cents program was discontinued. Additional funds were not appropriated for the program and a new governor replaced Governor Rendell. It is questionable how much exposure and promotion the Common Cents initiative actually received. In my interviews with executives from the Pennsylvania Association of School Administrators (PASA) and the Pennsylvania Association of School Business Officials (PASBO), they were vaguely familiar with the program and were not aware of districts that pursued the recommendations from the Deloitte reports.

However, I have attached excerpts from these reports because it is important to consider some of their findings and recommendations. (Full reports are available from the website of the Pennsylvania Department of Education -- www.pde.state.pa.us.)

The excerpts describe the background of the initiative, how districts currently used Intermediate Unit services, a summary of cost savings opportunities and recommendations for next steps and implementation.

4. ADDITIONAL COMMENTS.

In my research of the operation of the Pennsylvania education system, several statewide association executives were very helpful.

- Dr. James Buckheit, Executive Director for the Pennsylvania Association of School Administrators, noted that employee contract negotiations are done largely by the individual school districts. Likewise, annual school calendars are established by the school districts. He was not aware of any Intermediate Units or school districts that regionalized, consolidated or shared services for employee payroll. He acknowledged that Pennsylvania has done relatively well in the area of state funding for education, but he expects this will change dramatically. Further, he expects that these changes will drive the need for more regionalization, consolidation and sharing of services to achieve greater efficiency and effectiveness.
- Jay Himes, Executive Director for the Pennsylvania Association of School Business Officials echoed the comments of Dr. Buckheit. In regard to the Common Cents initiative, he was not aware of any legislation that was brought forward as a result of the initiative. Districts felt that they already were finding and implementing efficiencies in their operations.
- William McGill, Director of Technical Assistance for the Pennsylvania Association of School Business Officials, was also very helpful in explaining the governance and management structure for the Intermediate Units, and citing examples of successful programs and initiatives that the IU's have developed for the benefit of their members.

CONCLUSION

The Berks County Intermediate Unit and Central Susquehanna Intermediate Unit serve their member districts very well in fulfilling the state mandates. Most notable for Cumberland County's purposes, however, is the entrepreneurial nature of the IU's and the regional programs/ shared services they have developed for their members and other clients. State law establishes the IU structure and *enables* regionalized and shared services to create greater efficiency and effectiveness.

While the former governor's Common Cents initiative for education did not succeed, there are lessons to be learned from that experience.

As Cumberland County develops its legislative agenda for education toward greater efficiency, effectiveness and cost savings, on site visits to Pennsylvania could prove very helpful. The Pennsylvania executives with whom I spoke were open, honest and frank about their education system, and expressed a willingness to meet with Maine representatives to further explore their programs.

ATTACHMENTS

1. Deloitte School District Report for BALDWIN-WHITEHALL, October 22, 2008.
2. Deloitte School District Report for BUTLER AREA, November 18, 2008.
3. Deloitte School District Report for ATHENS AREA, November 18, 2008.
4. Conclusion from the 2007 REPORT TO THE GOVERNOR AND GENERAL ASSEMBLY Task Force on School Cost Reduction Report - "Driving More Dollars Into the Classroom".



pennsylvania
DEPARTMENT OF EDUCATION

Commonwealth of Pennsylvania Department of Education Common Cents Shared Services Initiative

School District Report
District: Baldwin-Whitehall

October 22, 2008

Introduction

Initiative Background

The Pennsylvania Department of Education (PDE) established the Common Cents Initiative to enable interested school districts to pursue cost-savings through shared services opportunities. Like most school districts in the United States, Pennsylvania's 501 school districts operate as independent, stand-alone entities. Districts generally purchase goods and services, provide food and pupil transportation services, operate human resource programs, manage their finances, and perform other key services independently. Operating these administrative and support functions is costly - most school districts, including those considered to be well managed, devote a significant amount of their budgets to non-instructional services. While necessary, these functions do not directly contribute to student achievement. Resources spent on these back-office services are resources unavailable for instructional purposes.

Most district support and administrative services are transactional in nature. The efficiency of such volume-driven functions can benefit from economies of scale and process standardization. Pennsylvania's school districts are no different, especially with 80 percent of districts operating with budgets under \$50M and enrollments under 4,000 students.²

Pennsylvania's IUs are designed to help districts address these operating challenges and provide regional coordination. Each district is aligned with one of the Commonwealth's 29 IUs (including the Philadelphia and Pittsburgh school districts). Although their role varies considerably across the Commonwealth, IUs generally provide a variety of services to their districts, and several IUs have become increasingly entrepreneurial. The Common Cents initiative, however, represents the first statewide effort to encourage shared services broadly across districts. It recognizes that the core structure for regional shared services already exists (the IUs), builds on this network within regions and makes possible greater cooperation at the Commonwealth level and between districts with the assistance of IUs when and where appropriate.

PDE understands that school districts can achieve the financial benefits of consolidation and sharing services by consolidating administrative and support functions through the use of shared services arrangements. Sharing services can create economies of scale and process consistency for districts. It also allows districts to maintain the benefits of decentralized control, allowing individual administrators to retain oversight of curriculum, education, and other aspects of non-shared processes. By sharing processes that are not mission-critical while still retaining local control of the most important aspects of education, shared services can bring the benefits of big and small and drive more money into the classroom.³

The primary objective of Common Cents is to reduce administrative expenses thereby allowing school districts to invest more dollars in the classroom. The corresponding project goals include:

- Shared administrative services (where it makes sense)
- Meaningful savings
- More efficient operations

² www.pde.state.pa.us/k12statistics.

³ The Deloitte Consulting Research report - "Driving More Money into the Classroom: The Promise of Shared Services" - discusses the benefits and challenges associated with this approach and is available at http://www.deloitte.com/dtt/cda/doc/content/DTT_DR_SS_Education_Nov05.pdf.

The Common Cents Initiative seeks to identify opportunities across a broad range of service and commodity areas, focusing on:

- Transportation
- Food services and nutrition
- Instructional services
- Safety and security
- Purchasing
- Finance and payroll
- Facilities and real estate
- Human resources
- Technology services
- Administration

Across these service areas, there are significant opportunities for local, regional, and statewide collaboration in a shared services program. Food services, for example, may be difficult to provide at a statewide level, given the wide variety of school districts ranging from urban to rural, but there may be meaningful opportunities to address food services at a regional level.

Cost savings and improved quality drive the shared services model. In addition to numerous examples in the private sector, government and school districts have increasingly used shared services efforts to reduce costs and operate more efficiently.

While it can take many forms, and look different from application to application, shared services offers the benefits of common systems, support, and processes, with the priorities of local control. Five benefits to implementing this approach stand out:

- Standardize Processes
- Gain Economies of Scale
- Lower Costs
- Flatten Unexpected Peaks and Troughs
- Retain Local Control

Current use of Intermediate Unit (IU) services

“Intermediate Units in Pennsylvania are part of the governance structure of public education in the Commonwealth...They were designed primarily to provide services to local school districts that can be operated more effectively and efficiently on a regional basis.”⁴

IU# 3 (Allegheny Intermediate Unit; AIU) is a not-for-profit branch of the Pennsylvania Department of Education that provides services to 42 school districts and 5 career and technical schools in Allegheny county. It is the largest of the 29 state intermediate units. IU #3 employs more than 2,000 people at 721 sites and operates 11 family centers and 3 schools for exceptional children. With more than 130 programs for infants, young children, students, and adults, IU #3 receives funding through federal, state, county, and private grants. The eight wave 1 school districts that belong to IU #3 participate in a number of the IU offered services through their finance and education divisions.

The finance division is responsible for budget control and reporting for over 130 programs which, combined, total about \$159 million. The division processes payroll, accounts payable, benefits, investments, insurance and financial reports.

For example, IU #3 offers the following services:

- **ACCESS Program** – For contracted districts and programs, the IU assists with the management and administration of the local ACCESS program. ACCESS is funded through Medicaid dollars and provides the opportunity for an additional revenue stream for funding special education. The ACCESS Program provides partial reimbursement for health-related services provided to special education students who are eligible for Medical Assistance as part of their IEP.
- **Data Collection and Reporting System for Special Education** – IU #3 is designated by the Pennsylvania Department of Education to collect special education data needed to meet state and federal reporting requirements. An aggregate report of the data is used to generate 45 required reports.
- **Group Term Life Insurance Consortium** – The purpose of the consortium is to enable members to achieve the economies and benefits of group purchasing for term life insurance. Free membership is available to all Allegheny County public school districts and vocational/technical schools.
- **Joint Purchasing Program** – Participating school districts purchase materials and supplies while eliminating the challenges of the bid procedure.
- **Western Pennsylvania Utility Consortium** – Working with Hess Corporation, IU #3 partners with IU #7 and a variety of individual school districts as a 186 member natural gas purchasing consortium to obtain favorable natural gas prices for all consortium members. This is the longest running utility consortium in Pennsylvania. IU #3 also works with

⁴ www.aiu3.net

Strategic Energy (now Direct Energy) to provide electric power at lower than market rates to 40 of its 42 school districts.

- **Safety and Risk Management** – IU #3's risk management team provides safety plans which encompass the identification, measurement and treatment of exposure to accidental loss and potential losses.
- **Curriculum, Instruction/Professional Development** – Programs in IU #3's Curriculum Instruction and Professional Development department provide a variety of customized professional education options to teachers, administrators, and other school staff. Professional development specialists can also provide support and guidance in developing and implementing professional development activities.
- **Educational Services** – IU #3 offers many educational options for school age children in Allegheny County. These services either enrich courses already provided by schools or give students an opportunity to increase their course loads.
- **Evaluations, Grants and Data** – IU #3's Evaluation, Grants, and Data department helps school districts leverage strengths to develop, build, implement, and evaluate dynamic educational programs, secure grant funding to support those programs, and align curriculum and utilize technology to improve the efficiency of those programs.
- **Special Education Services** – IU #3 offers a variety of support programs for special education service including a career development program that provides coordinated transition services for youth, ages 6 to 21, with disabilities; extended school year services; a standards-based resource for the development of independent living skills which provides structure for districts to help students progress from basic skills to his/her highest level of independence.

The IU #3 also assists school districts in the identification, design and delivery of coordinated services to individual school-age children and adolescents and their families; provide pupil personnel services in specialized psychiatric, psychological and social work to supplement and enhance school district support services to students; and occupational and physical therapy services. School districts operating their own special education programs may contract with the IU for supervisory services.

Executive Summary

Overview

During wave 1 of this study the Common Cents Team collected data and interviewed officials at nine school districts in Intermediate Units 2 and 3. Through analysis of the data, the team identified ten potential cost-savings opportunities for these districts in the following seven areas:

Area	Identified Opportunity
Transportation	<ul style="list-style-type: none"> Shared Services for Specialized Transportation Services Shared Services for Transportation Purchasing (e.g. Fuel)¹
Food Services	<ul style="list-style-type: none"> Shared Services for Food Services Management and Commodity Purchasing
Instruction	<ul style="list-style-type: none"> Shared Services for Textbook Purchasing
Purchasing	<ul style="list-style-type: none"> Shared Services for General Purchasing (e.g. paper, office supplies, copiers)
Finance	<ul style="list-style-type: none"> Shared Services for Delinquent Tax Collection
Facilities	<ul style="list-style-type: none"> Shared Services for Custodial Supplies Purchasing Shared Services for Utilities Purchasing and/or Utility Audit Purchasing Shared Services for HVAC and Elevator Inspection and Maintenance
Technology	<ul style="list-style-type: none"> Shared Services for Technology Purchasing

Summary of Shared Services Cost Savings Opportunities

The table below provides potential cost savings for the Baldwin-Whitehall School District, if the district were to implement the identified opportunities.

#	Opportunity	Baldwin-Whitehall's Potential Cost Savings
1	Establish a Shared Services Center Providing Specialized Transportation Services for Wave 1 School Districts.	\$5,384 - \$10,768
2	Coordinate Transportation Purchasing in Districts that Provide Transportation Services In-House or Purchase Fuel for Contracted Transportation Services.	\$15,637 - \$46,911
3	Develop Shared Services for Food Service Management.	\$68,843 - \$95,764
4	Create a Shared Services Center for Curriculum-Related Purchasing (e.g. Textbooks).	\$7,227 - \$14,455
5	Establish a Shared Services Center to Provide General Purchasing Services for the Districts with a Focus on Paper, Office Supplies and Copiers.	\$207,291 - \$362,041
6	Establish Shared Services for Delinquent Tax Collection.	\$10,203 - \$20,407
7	Establish Shared Services for Custodial Supplies Purchasing.	\$12,307 - \$15,999
8	Establish Shared Services for Major Utility Purchasing and/or Utility Efficiency Audit Purchases (e.g. Electricity, Natural Gas).	\$57,092 - \$91,347
9	Establish Shared Services for HVAC and Elevator Inspection and Maintenance.	\$11,242 - \$22,483
10	Establish a Shared Services Center for Technology Purchasing.	\$26,929 - \$75,400
	Total Potential Savings	\$422,155 - \$755,575

¹ This opportunity applies only to those districts that provide transportation services in-house or districts that contract for transportation services, but purchase fuel independently of those contracts.

In addition to the identified cost-savings opportunities several key areas appear particularly promising for the Baldwin-Whitehall School District based on district comparisons. Those areas include shared services for improved efficiencies in general purchasing with a focus on paper, office supplies and copiers, utility audits, and HVAC and elevator services. More detailed information on each of these opportunities is provided in the body of the report.

Summary of Next Steps and Implementation Considerations

Upon receipt of the final version of this district report, districts will select recommendations for implementation. During this phase, the Common Cents Team will support the districts in the analysis and acceptance of the recommendations. This assistance will include in-person support of district-specific public meetings as well as remote support for the Intermediate Units (IUs) and districts as they make their decisions.

The Common Cents Team will also prepare for implementation execution by developing an implementation toolkit (i.e., "Implementation-in-a-Box"). This toolkit will include key tools for implementation such as draft proposal requests and implementation plans.

Once the school district determines which recommendations to pursue, successful implementation of the recommendations will require strong leadership, dedication of resources (both human and financial), commitment, and patience.

The Common Cents Team has implemented a number of transformative and challenging change programs or initiatives in government entities all over the world. Lessons we have learned along the way include the importance of executive leadership involvement, a strong change imperative, a multi-phased transformation plan, benefits tracking, celebrating success, and other related activities.

Next Steps and Implementation Considerations

Next Steps

Upon receipt of the final version of this district report, districts will select recommendations for implementation. During this phase, the Common Cents Team will support the districts in the analysis and acceptance of the recommendations. This will include in-person support of district specific public meetings as well as remote support of the Intermediate Units (IUs) and districts as they make their decisions.

The Common Cents Team will also help districts prepare for the public meetings. In preparing for the district review meetings, recommendations and resulting savings will be the primary focus and change management aspects of the program will also be addressed. These may include impacts of the recommended changes on the community, in the classroom, and across the district. We will bring examples of success stories from similar efforts across the nation to foster understanding and acceptance and augment resulting participation. In addition, a standard presentation, customized for each District will be developed. A team member will attend and assist with the presentation in each district.

While districts are preparing to vote on recommendations, remote support via e-mail and phone for questions and clarifications will be available throughout the process, though team resources will not be engaged full time during the six months of the school board reviews of the recommendations.

The Common Cents Team will also be preparing for implementation execution through the development of an implementation toolkit (i.e., "Implementation-in-a-Box"). Key tools contained in this toolkit will include items such as:

- Prioritization templates for cost savings opportunities
- Draft Request for Proposals (with standard requirements/specifications incorporated)
- Sample Memos of Understanding
- Implementation plans, including:
 - Process steps
 - Recommended resources
 - Key dependencies
 - Success factors

Implementation Considerations

Once the school district determines which recommendations it would like to pursue, successful implementation of the recommendations will require strong leadership, dedication of resources (both human and financial), commitment, and patience.

There are specific actions that school districts can begin taking today to help address these common implementation challenges:

- Define, clarify and confirm expected financial results
 - Define relevant, measurable financial metrics
 - Establish baselines and achievable targets for the financial metrics
- Define, clarify and confirm required operational improvements
 - For each financial metric, define the relevant operational / process metrics that will drive it
 - Establish baselines and achievable targets for the operational / process metrics
- Define the project steps that will affect each operational improvement
 - Describe what will change at an operational / process level that will improve effectiveness / efficiency
 - Explain why those changes are expected to create the effectiveness / efficiency improvements
- Establish buy-in and ownership of the operational changes
 - Ensure leaders agree the operational changes will drive better performance
 - Assign responsibility to operational leaders for making sure the changes take place
- Actively manage the delivery of business benefits
 - Monitor and manage the execution of expected operational changes
 - Measure and manage progress against operational and financial targets

Keys to Success

The Common Cents Team has implemented a number of transformative and challenging change programs or initiatives in government entities all over the world. Lessons we have learned along the way include the following key success criteria:

- Visible and consistent executive leadership involvement
- Adopting an enterprise-wide perspective
- Building a strong imperative to change
- Building a change imperative independent of organization boundaries and traditional intra-organizational metrics
- Adhering to a strong business process methodology
- Paying particular attention to governance issues as these sometimes are significant barriers
- Focusing on the big, "move the needle" improvements which will lead to major organizational effectiveness improvements
- Driving organizational transformation off strong business cases
- Focusing on organizational re-design and changes in people's responsibilities
- Approaching transformation in multiple phases
- Having a willingness to consider mid-course corrections
- Tracking derived benefits
- Communicating benefits to all stakeholders via updates to the business case to elicit increased levels of support
- Celebrating successes



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Commonwealth of Pennsylvania Department of Education Common Cents Shared Services Initiative

School District Report
District: Butler Area

November 18, 2008

Executive Summary

Overview

During wave 2 of this study the Common Cents Team collected data and interviewed officials at sixteen (16) school districts in Intermediate Units 4, 5, 13 and 27. Through analysis of the data, the team identified eight potential cost-savings opportunities for these districts in following six areas:

Area	Identified Opportunity
Transportation	<ul style="list-style-type: none"> Shared Services for Specialized Transportation Services Shared Services for Transportation Purchasing (e.g. Fuel)¹
Food Services	<ul style="list-style-type: none"> Shared Services for Food Services Management and Commodity Purchasing
Instruction	<ul style="list-style-type: none"> Shared Services for Textbook Purchasing
Purchasing	<ul style="list-style-type: none"> Shared Services for General Purchasing (e.g. paper, office supplies, copiers)
Facilities	<ul style="list-style-type: none"> Shared Services for Custodial Supplies Purchasing Shared Services for Utilities Purchasing and/or Utility Efficiency Audit Purchasing
Technology	<ul style="list-style-type: none"> Shared Services for Technology Purchasing

Summary of Shared Services Cost Savings Opportunities

The table below provides potential cost savings for the Butler Area School District, if the district were to implement the identified opportunities.²

#	Opportunity	Butler's Potential Cost Savings
1	Establish a Shared Services Center Providing Specialized Transportation Services for Wave 2 School Districts.	N/A – not a major opportunity for savings
2	Coordinate Transportation Purchasing in Districts that Provide Transportation Services In-House or Purchase Fuel for Contracted Transportation Services.	N/A – fuel costs bundled with transportation contractor's pricing
3	Develop Shared Services for Food Service Management.	\$107,000 - \$160,000
4	Create a Shared Services Center for Curriculum-Related Purchasing (e.g. Textbooks).	\$53,000 – \$107,000
5	Enhance Shared Services Centers Providing General Purchasing Services for Districts with a Focus on Paper, Office Supplies and Copiers.	\$182,000- \$329,000
6	Enhance Shared Services for Custodial Supplies Purchasing.	\$40,000 – \$52,000
7	Establish Shared Services for Major Utility Purchasing and/or Utility Efficiency Audit Purchases (e.g. Electricity, Natural Gas).	\$81,000 - \$130,000
8	Enhance Shared Services Centers for Technology Purchasing.	\$20,000 - \$58,000
	Total Potential Savings	\$447,000 - \$836,000

In addition to the identified cost-savings opportunities several key areas appear particularly promising for Butler based on district comparisons. These areas include food service management;

¹ This opportunity applies only to those districts that provide transportation services in-house or districts that contract for transportation services, but purchase fuel independently of those contracts.

² Cost savings are contingent upon additional districts participating in joint purchasing consortia with the Butler Area School District and/or improved strategic sourcing by those consortia.

general purchasing with a focus on paper, office supplies and copiers; custodial supplies; and utility audits. More detailed information on each of these opportunities is provided in the body of the report.

The Common Cents Team commends the Butler Area School District for its many cost savings efforts through shared services and its bidding process. The district participates in the IU #4 joint purchasing consortia for educational, office supplies, and custodial supplies as well as technology through the IU #4 "Smart Contract" program. They also purchase technology and other supplies through the PA Joint Purchasing Council, PA Costars, and the Pennsylvania Purchasing Program for Microcomputers (PEPPM). The district belongs to the Pittsburgh Regional Food Service Directors Consortium to take advantage of their cost savings programs and they belong to the Pittsburgh Business Group on Health which resulted in a \$989,000 savings on health insurance during their first year of membership. The Butler Area School District is the 25th largest district in the Commonwealth but ranks 475th in overall expenditures.

Summary of Next Steps and Implementation Considerations

Upon receipt of the final version of this district report, districts will select recommendations for implementation. During this phase, the Common Cents Team will support the districts in the analysis and acceptance of the recommendations. This assistance will include in-person support of district-specific public meetings as well as remote support for the Intermediate Units (IUs) and districts as they make their decisions.

The Common Cents Team will also prepare for implementation execution by developing an implementation toolkit (i.e., "Implementation-in-a-Box"). This toolkit will include key tools for implementation such as draft proposal requests and implementation plans.

Once the school district determines which recommendations to pursue, successful implementation of the recommendations will require dedication of resources (both human and financial), commitment, and patience.

Members of the Common Cents Team have implemented a number of transformative and challenging change programs or initiatives in government entities all over the world. Lessons we have learned along the way include the importance of executive leadership involvement, a strong change imperative, a multi-phased transformation plan, benefits tracking, celebrating success, and other related activities.

Joint Purchasing

Since 1991, the MIU has coordinated a joint purchasing program for all 27 school districts in Butler, Lawrence, and Mercer counties. This program coordinates the purchasing of supplies and equipment for local educational agencies. Hundreds of items are put out to bid in the areas of athletics, school, paper and maintenance supplies, and every year this program saves school districts thousands of dollars. For example, in 2007 they were able to purchase 20 pound paper for less than half of the market price. The administrative charge for this service is 5% of the districts' total purchases from the program.

Health and Life Insurance Consortia

IU#4 acts as the purchasing agent for the Health and Life Insurance Consortia.



Commonwealth of Pennsylvania Department of Education Common Cents Shared Services Initiative

School District Report
District: Athens Area

November 18, 2008

Executive Summary

Overview

During wave 3 of this study the Common Cents Team collected data and interviewed officials at nine school districts in Intermediate Unit #17. Through analysis of the data, the team identified seven potential cost-savings opportunities for these districts in following six areas:

Area	Identified Opportunity
Transportation	<ul style="list-style-type: none"> Shared Services for Transportation Fuel Purchasing
Food Services	<ul style="list-style-type: none"> Shared Services for Food Services Management and Commodity Purchasing
Instruction	<ul style="list-style-type: none"> Shared Services for Textbook Purchasing
Purchasing	<ul style="list-style-type: none"> Shared Services for General Purchasing (e.g. paper, office supplies, copiers)
Facilities	<ul style="list-style-type: none"> Shared Services for Custodial Supplies Purchasing Shared Services for Utilities Purchasing and/or Utility Efficiency Audit Purchasing
Technology	<ul style="list-style-type: none"> Shared Services for Technology Purchasing

Summary of Shared Services Cost Savings Opportunities

The table below provides potential cost savings for the Athens Area School District, if the district were to implement the identified opportunities.

#	Opportunity	Athens's Potential Cost Savings
1	Coordinate Transportation Purchasing in Districts that Purchase Fuel for Contracted Transportation Services.	\$23,264 - \$69,791
2	Develop Shared Services for Food Service Management.	\$35,265 - \$52,897
3	Create a Shared Services Center for Curriculum-Related Purchasing (e.g. Textbooks).	\$7,100 - \$14,200
4	Enhance Shared Services Centers Providing General Purchasing Services for Districts with a Focus on Paper, Office Supplies and Copiers.	\$31,484 - \$58,570
5	Enhance Shared Services for Custodial Supplies Purchasing.	\$6,687 - \$8,693
6	Establish Shared Services for Major Utility Purchasing and/or Utility Efficiency Audit Purchases (e.g. Electricity, Natural Gas).	\$30,736 - \$49,177
7	Enhance Shared Services Centers for Technology Purchasing.	\$10,800 - \$27,000
	Total Potential Savings	\$145,336 - \$280,328

In addition to the identified cost-savings opportunities several key areas appear particularly promising for Athens based on district comparisons. These areas include food service, paper, office supply, and copier purchasing, and utility audits and purchasing. More detailed information on each of these opportunities is provided in the body of the report.

Current use of Intermediate Unit (IU) services

“Intermediate Units in Pennsylvania are part of the governance structure of public education in the Commonwealth...They were designed primarily to provide services to local school districts that can be operated more effectively and efficiently on a regional basis.”³

The Athens Area School District is a member of BLaST Intermediate Unit #17. The BLaST Intermediate Unit (IU #17) serves Bradford, Lycoming, Sullivan and Tioga Counties and is comprised of the fifteen local school districts and one career and technical school. One of the Commonwealth's 29 Intermediate Units created by Act 102 in 1970, IU #17 is an educational service agency which works to provide services to its member school districts that are effective, efficient and economical.

BLaST Intermediate Unit 17 assists regional schools with their charge to educate special needs children, provide speech, hearing, and vision services as well as psychological services. The training and consultant staff provides a valuable resource to districts in such areas of behavioral management, reading and literacy strategies, progress monitoring, brain development theory, and technology usage. Additionally, IU #17 is fully engaged in assisting local education agencies (LEAs) with their regular education curriculum and professional development needs. The IU also acts as the bus driver instructor coordinator for the region.

Their business management services assist districts with payroll, insurance and other purchasing needs all in an effort to utilize consortium buying to cut costs. Their regional technology leadership has lead to wide area network services being delivered for the first time to the northern region of their service area. This effort will first benefit schools and children but will also soon be available to regional businesses at a much lower cost than they would have ever been able to afford individually.

In monthly meetings with superintendents, special education directors, curriculum directors, and technology leaders from the member districts, IU #17 works to serve as a resource and an intermediary between the districts and the Pennsylvania Department of Education. The Directors of their three Divisions: Student Services, Educational Planning, and Business Management Services, all serve on the executive cabinet and assist with total organizational direction as well as serve in valuable state-wide leadership positions in their respective fields.

Additionally, IU #17 offers:

Adjudicated youth and incarcerated youth programs

Alternative Education offers another option for students who are having difficulty succeeding in the educational or special educational program settings due to behavioral problems. In an alternative education setting, these students not only receive their academic instruction, but also receive support and assistance in dealing and coping with their behavioral issues. Through a structured environment, positive behavioral support and adapted curriculum, students are encouraged to gain the skills necessary to successfully return to their home school programs.

³ www.aiu3.net

Grant writing services

Grant-writing services are available for a number of projects. Of highest priority are those providing resources for IU programs, and those benefiting the greatest number of school districts and nonpublic schools serviced by BLaST IU #17. Collaborative efforts involving the IU as an active proposal partner, plus grants for individual districts, are written on an as-available basis with assistance from school personnel.

Introductory Grant-writing Workshops - These after-school programs are offered each year for educators throughout the IU #17 service area. They outline the proposal writing process, as well as identification of potential resources.

Consultation/editing - For those unsure about pursuing a grant, or with an idea but uncertain as to the next steps, the IU can offer recommendations at no cost on an as-available basis. For those submitting a grant proposal who would like to have a third-party reader/editor, the IU also provides this service without cost on an as-available basis.

Technology Support and equipment repair

- Local Area Network (LAN) Design, Installation and Support
- Wide Area Network (WAN) Design, Installation and Support
- Wireless Network Design, Wireless Encryption Installation and Support
- Network and Internet Security
- Router and Firewall Installation and Support
- VPN Design and Installation (Microsoft and Cisco Platforms)
- Terminal Server (TS) Deployment and Support
- Novell, Linux and Microsoft server installation and support
- Web Page Development
- Windows Active Directory Deployment and Design
- Windows Policy/Profile Configuration and Support
- Internet Filtering Solutions
- Email Installation with SPAM and Antivirus Protection
- Desktop Antivirus Installation and Support
- Desktop and Security Software Support
- Technology Budget Planning
- Custom Software Design and Support
- Software and Hardware Product Consultation
- E-Rate Consultation

Equipment Repair services for computers, VCRs, overheads, etc.

- Apple/Macintosh and Windows Computer Repairs
- On Site Cleaning of Laser Printers
- On Site Computer Cleaning
- Laser and Ink Jet Printer Maintenance and Repair
- Satellite Teleconferencing
- ISDN and IP Video Conferencing
- Videotape Duplication
- Identification Badge Creation
- Structured Cable Installation Services
- Summer Equipment Maintenance

Conclusion

Over the past twelve months, the Task Force on School Cost Reduction has worked to evaluate major expenditure trends and cost drivers for Pennsylvania public education. Consistent with our charge, our focus has been on the bottom line and the potential for quantifiable savings. At the same time, the Task Force has also sought to remain mindful of the underlying purpose of each dollar invested in Pennsylvania's schools: the delivery of high quality education. In this spirit, the findings presented in this report emphasize those opportunities for savings that would help school districts to drive more dollars into the classroom, not diminish our public schools.

Taken together, the potential savings that could be generated by implementing these recommendations reaches hundreds of millions of dollars annually – and more than \$1 billion over five years. Freeing up this level of resources to be spent in the classroom could help to reinvigorate educational systems in some cases, and provide much needed funding for core programs and emerging fiscal challenges in others.

For each of the categories discussed earlier in the report, the Task Force has engaged in spirited debate, considered different points of view regarding sometimes difficult topics, and worked to forge consensus recommendations that we believe represent pragmatic and actionable steps forward for the years ahead. In cases where legislative or policy change is required, the Task Force urges state, local and federal policymakers to consider and build upon the concepts and recommendations herein.

Looking to this future, the Task Force also recognizes that school districts operate under a high degree of uncertainty amidst rapidly changing challenges. New mandates, court decisions, and policies, at any level, may increase operating costs for school districts, while innovative technology and increased opportunities for partnership may create new opportunities for savings. While some such challenges and opportunities are already visible on the horizon, others not yet foreseen will undoubtedly arise in the years to come.

Accordingly, in many cases throughout this Report, the Task Force has emphasized the value of increased statewide and regional communication regarding financial management best practices on an ongoing basis, and would like to reaffirm that importance as we conclude our work. Going forward, the Pennsylvania Department of Education, Intermediate Units, and statewide professional and labor associations can all serve as valuable resources towards accomplishing this goal.

The members of the Pennsylvania Task Force on School Cost Reduction have sincerely appreciated this opportunity to serve. We have the highest respect for those educators and policymakers who must address these challenges on an ongoing basis, and hope that our work will be constructive toward improving the commonwealth's schools.