



Ohio School Boards Association Capital Conference and Trade Show

November 13 – 16, 2011

Greater Columbus Convention Center
Columbus, Ohio

The promise of regional shared services

Organizational outlook

Monday, November 14, 2011

3:45 p.m.

C 123–125

Craig Burford, executive director, Ohio Educational Service Center Association
ESC representatives

ESC Leadership Academies

OSBA, with endorsement from OESCA, offers a wide variety of leadership training through the educational service centers. We deliver the academies in your local ESC region on topics chosen from an extensive menu.

For more information, contact your ESC or call Kathy LaSota or Cheryl Ryan at (614) 540-4000 or (800) 589-OSBA.

Please complete an online conference evaluation either during or after the event at:
<http://links.ohioschoolboards.org/CC11Evaluation>

OSBA Mission


OSBA leads the way to educational excellence by serving Ohio's public school board members and the diverse districts they represent through superior service and creative solutions.

Ohio School Boards Association


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**The Promise of
Regional Shared Services**

*The Pathway from Idea
to Implementation*



Ohio School Boards Association
2011 Capital Conference: Focus On Ohio's Children
November 14, 2011



About OESCA

- OESCA is:
 - The Ohio Educational Service Center Association
 - A 501(c)(6) Nonprofit Education Trade Association
 - Volunteer, Member-Driven
 - Formerly known as the Ohio County Superintendents Association
 - Represents Ohio's 56 ESCs

About Ohio's 56 ESCs

- Ohio's ESCs employ approximately 13,100 full- and part-time personnel (76% of which are full-time employees). This is an average of 234 employees per ESC.
- ESCs provide *direct* services to over 226,000 students - many of whom are at-risk. Other ESC programs and services also indirectly impact over 1.4 million students.

About Ohio's 56 ESCs (Cont.)

- During the 2008-2009 school year ESCs hosted 8,074 different professional development activities attended by 258,617 total attendees.
- Out of 612 public school districts, 574 (94%) are state-funded members of an ESC.*
- ESC funding comes from a variety of sources: Local (56%), State (19%), Federal (11%), Other (14%)
- Total ESC Revenue is approximately \$1 billion annually.

Ohio's 56 ESCs



Ohio's Regional Network



What is Shared Services ?

Shared Services is a hybridization of traditional service delivery models.

Shared Services is a *collaborative* strategy that is fundamentally about optimizing people, capital, time and other resources.

The ABC's of Shared Educational Services: An Education "Definition"

The purpose of shared services is for school districts to take advantage of economies of scale through collaboration and to leverage the one-to-many business model to drive down operating costs and reallocate more dollars toward student instruction.

Sharing services creates the economies of scale and consistency of process and results that come with more centralized models but allows districts to maintain the benefits of decentralized administration to retain oversight of school operations while benefiting in the best of big and small.

There are 3 Broad Categories of Shared Services:

1. Academic (Instructional) (*Despite being a "core competency"*)
2. Business (Non-Instructional)
3. Commodities (Non-Instructional)

Ohio's ESCs & ITCs currently employ a shared services model across multiple service areas.

Shared Services

Typically, the activities or processes selected for deployment through shared services are non-strategic and outside the core competencies of the parent corporation or, in the case of public education, the school districts.

It is also the case, however, that certain instructional services, such as low incidence special education, gifted coordination and other instructional services are outsourced to create greater economies of scale and reduce personnel and operational costs across multiple school districts.

Why Shared Services?

- Finite Resources.
- Structural Budget Problems.
- Declining State Revenues.
- Historically Low Levy Passage Rates.
- Increasing Demand for Taxpayer Return on Investment.
- Focus on Productivity – movement from rules-driven to results-driven environment

Why Shared Services? (Cont.)

ISSUE 2 VOTED DOWN 61-39
- ONLY PASSED IN 6 COUNTIES

THERE WERE 188 SCHOOL TAX ISSUES ON THE NOVEMBER 8, 2011, BALLOT.

- THE PASSAGE RATE FOR NEW OPERATING FUNDS WAS 22.9% (20/87), AND THAT IS LOWER THAN THE PASSAGE RATE IN MAY 2011 (36%) AND NOVEMBER 2010 (24%).

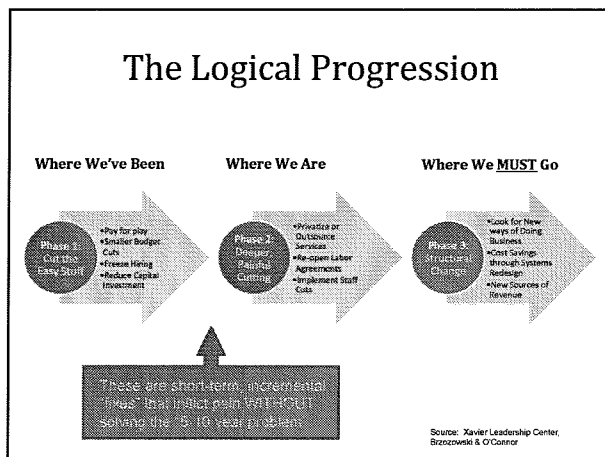
- 42 OF 44 RENEWAL OPERATING ISSUES PASSED (95%), AND THAT IS THE HISTORICAL PASSAGE RATE.

- JUST 5 OF 21 CONSTRUCTION ISSUES (23.8%) PASSED.

Why Should Ohio School Districts Care About Shared Services?

- Taxpayer Value
- Fiscal Pressures
- Performance and Expenditure Reports
 - HB 153 requires ODE, annually, to rank order each school district, community school and STEM school according to:
 - Performance index score
 - Student performance growth from year to year
 - Career-technical performance measures
 - Current operating expenditures per pupil
 - Percentage of total current operating expenditures spent for classroom instruction

The Logical Progression



Shared Services: National Examples

- Alternative Certification
- Back Office Services
 - Business Operations
 - Payroll
 - Purchasing
 - Management Services
 - Investment Services – Debt Services
 - Personnel Services
- Charter Schools
 - Authorization
 - Management
- Insurance Trusts
- Interagency (Municipal/County) Cooperatives

Shared Services (cont.):

- Cooperative Purchasing
 - Just in Time/Warehousing
 - Electricity/Natural Gas/Other Petroleum Products
- Efficiency Studies - Programmatic
 - Transportation, Financial, IDEA
- Energy Audits
- ESA Product Distribution
 - Regionally, Statewide, Nationally
- Research Services
- Food Service
- Transportation
 - Maintenance, Routing
- School Construction/Maintenance
- Summer Programs
- Regional Collective Bargaining Agreement

Ohio ESC Shared Services: Leading Examples

Ohio's 56 ESCs are engaged in a variety of shared service arrangements with Ohio School districts and other public entities including, but not limited to, the following:

Non-Instructional, Shared Support Services:

- Insurance Consortia (38)
- Group Purchasing Consortia (21)
- Bus Driver Certification & Physicals (52)
- Teacher Licensure (54)
- BCII/FBI Background Checks (52)
- Transportation (21)
- Juvenile Court Liaisons (33)
- Student Attendance Officers (40)

Instructional Shared Services:

- Itinerant Special Education & Related Services Staff (55)
- Preschool Special Education (53)
- Shared Teachers (38)
- Ohio Improvement Process (52)
- Curriculum & Assessment (52)
- Alternative Schools (49)
- Head Start (14)
- Special Education Transition Coordinators (35)
- Public Preschool (39)
- After School Programs (27)
- Summer Enrichment (35)
- Home Schooling (52)

Specific examples & related cost savings are examined on the following slides.

Shared Instructional Services:

ESCCO Example of Shared Academic (Instructional) Services

Dual Credit Enrollment

- Through leveraging of resources and ESC coordination, able to make \$225,000 grant worth \$3.66 million of tuition in 2008-2009 school year alone.
- ESCCO role:
 - Coordination and negotiation with colleges for reduced tuition
 - ESC trained high school staff to serve as adjunct faculty, allowing college courses to be offered in area high schools, so high-performing students didn't have to leave their buildings
- 924 students from 17 different Central Ohio high schools
- 44 courses; 6,018 credit hours earned
- Nine colleges participating, including The Ohio State University, Ohio University-Lancaster, Columbus State Community College and Kenyon College
- Two-year totals: 1,504 students; 10,095 credit hours; \$5.86 million worth of tuition

Shared Instructional Services:

ESCCO Example of Shared Academic (Instructional) Services

- An ESC recognizes similar needs in three member districts:
 - Local District A and Local District B need occasional Gifted and Talented Coordination
 - City District needs a part-time Assessment Specialist
- Through ESC's ability to coordinate shared services and leverage resources, and State Unit Funding:
 - All three districts meet their needs at level and quality they desired
 - Keep cost as low as possible to each district
 - Employee retains full-time status with health benefits through ESC

	Local 1	Local 2	City District
	50 days, Gifted	25 days, Gifted	120 days, Assessment
Cost	\$26,568	\$13,281	\$77,392
Cost to District	\$0	\$0	\$77,392

By leveraging in this agreement, City District is able to purchase only the level of service they need and work with a high-quality professional looking for full-time employment.

Shared Services:

Medina County ESC Example of Shared Business Services

- The Medina schools (whose 5.9-mill levy failed Nov. 2) have joined with Brunswick school district to hire substitute teachers through the Medina County Educational Service Center.
 - The ESC averages 50 subs per day for each of the districts. Using a blended rate of pay for the members of the consortium, the ESC saves each district at least \$500/day on daily sub costs, and additional dollars on long term subs up to 60 consecutive days in the same position (on the 61st day the subs go on the district's pay scale and become their employee - State Law).
 - The \$1000/day savings after 60 days is \$60,000 so far this year.

Shared Services:

Medina County ESC Example of Shared Business Services

- The Medina County ESC also employs 8 registered nurses and licensed practical nurses, and 11 part time health aides to 20 buildings in 4 participating districts. Certified staff members work collaboratively with students, parents, teachers, and other school and community professionals to remove health barriers to learning; to promote optimal health and wellness of the school population; and to maintain all state immunization, vision, and hearing requirements.
- The total charge to the four districts is \$270,085.00, which is only approximately 65% of what the districts would otherwise have to pay if these employees were on the districts' pay scales - a 35% cost savings.

Shared Services:

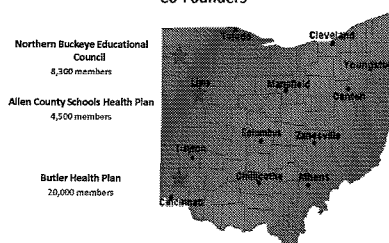
Stark County Example of Shared Business Services

The Stark County ESC is the fiscal agent for the Stark County Schools' Council of Governments (SCSCOG), the Stark Portage Area Computer Consortium (SPARCC) and the Region 9 State Support Team (SST).

- The Stark County Schools' Council of Governments, which is housed at the Stark County ESC and is an extension of the ESC, provides cooperative purchasing services and a health insurance program to 45 public and private schools, four ESCs, four libraries, two MRDDs and 12 college and related agencies in eleven counties.
- Established in 1987, the Stark County Schools' Council of Governments has saved its members in excess of sixty-five million (\$65,000,000) dollars in health insurance costs alone over the past fifteen (15) years.

Shared Services: *Butler County Example of Shared Business Services (Health Ins. Consortia)*

O. H. I. Optimal Health Initiatives Co-Founders



Shared Business Services:

Jefferson County ESC & OMERESA

- The Jefferson Co ESC/OMERESA Health Benefits Program, established in 1985, is a partially self-funded insurance program providing health, dental, vision, life, prescription drugs, and accidental death/dismemberment insurance.
 - 86 school districts and governments from 38 counties are members of the consortium. The Plan covers 12,656 employee lives. Annual premiums exceed \$130 million, and cash reserves total more than \$76 million.

Shared Business Services:

Jefferson County ESC & OMERESA

- The Jefferson Co/OMERESA Cooperative Purchasing Consortium was formed in 1977 so districts could combine buying power in purchasing supplies. The membership has expanded to 63 entities, including public school districts, MRDD districts, City/County governments, and parochial schools.
 - Members use an online catalog to order classroom and office supplies, health supplies, and maintenance supplies. In FY 07, cooperative purchases totaled more than \$1.3 million and average a 40% savings on items ordered.

Shared Services:

ESC of Central Ohio Shared Business Services Example

- The ESC of Central Ohio, in partnership with the Fisher College of Business at OSU and a small subset of districts, plans to participate in an inter-district school transportation pilot for school year 2011-2012. The pilot will likely consist of four or five matched pairs (similar districts that can be studied to compare outcomes) and is estimated to result in savings of \$5-6 million. If these small samples hold up across multiple districts and multiple schools, the savings across the 16 districts in central Ohio could top \$40-50 million.

Reports & Findings

Many are calling for more aggressive use of shared services

- National:
 - *Driving More Dollars to the Classroom*, Deloitte & Touche
 - State-level Reports/Recommendations in Texas, Oregon, Vermont, New Jersey
 - Shared Public Services Initiative - Michigan (<http://www.michigan.gov/sharedpublicservices>)
 - New York Office of the State Comptroller - (<http://www.osc.state.ny.us/localgov/costsavings/index.htm>)
- State:
 - *Restoring Ohio's Prosperity* (Greater Ohio), Ohio Society of CPA's, State and Local Government Reform Commission, Ohio Smart Schools Initiative (KWF), Ohio Chambers' *Redesigning Ohio*

Reports & Findings (cont.)

While many of these reports are on target conceptually as it relates to the potential of more aggressive shared services most fail to:

- Establish a baseline of information relative to existing shared services and identify areas of opportunity,
- Identify desired outcomes, beyond fewer moving parts and potential cost savings, such as improved student outcomes,
- Recognize the existing infrastructure, or
- Define performance metrics or accountability systems to determine success.

Substitute HB 153

Educational Shared Service Model

Establish Baseline Information

Requires the Director of the Governor's Office of 21st Century Education to conduct a "shared services" survey of Ohio's public, community, JVS and STEM school districts, educational service providers and other local political subdivisions to gather baseline data on the current status of shared services and to determine where opportunities for additional shared services exist by October 15, 2011.

**Shared Services Survey:
Preliminary Findings**

Great Response Rate from Education

Leading Areas of Shared Services:

- Information Technology
- Education – Instructional Support
- Administration

Areas of Opportunity

- Fleet Management
- Facilities

Substitute HB 153

Educational Shared Service Model

HB 153 calls for the integration of educational service centers (ESCs), information technology centers (ITCs), area media centers (AMCs), education technology centers, regional advisory councils (RACs), the education regional service system (ERSS), the state system of support, state support teams (SSTs), ODE's regional area coordinators and other ODE technical assistance and support staff into the Regional Shared Service Center system by July 1, 2012.

Substitute HB 153

Educational Shared Service Model

The Director of the Governor's Office of 21st Century Education is charged with making legislative recommendations related to this system integration to the Governor and General Assembly no later than January 1, 2012.

Other Shared Service and/or Regional Delivery System Legislation

SB 230 (D-Sawyer) - Creates the Office of Regional Services and Accountability in the Ohio Department of Education.

- *Conduct Review of Structure and Performance of the Educational Regional Service System.
- * Identify Core Services.
- *Define the roles and responsibilities of each regional service provider.
- *Encourage Flexibility and Entrepreneurship.
- *Establish a Continuous System Review Process.
- *Encourage & provide incentives for Districts to collaborate on the joint provision of services.

Implementation of Shared Services

- A new way of thinking;
- A new way of doing business;
- A new way of evaluating success; and
- A new way of building district (& local government) fiscal, operational and human resource capacity

The Shared Services Model is Customer Focused

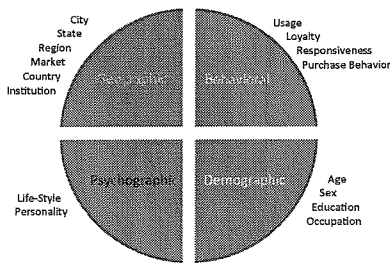
The new emphasis on customer satisfaction shifts the focus from governance and service to a pure service provider environment and the wants and needs of the customer.

SHARED SERVICES:

A New Way of Thinking About Customers

Acquiring a better understanding of the customer and better managing the customer relationship requires an investment in time, data collection and effective management.

Every customer interaction offers an opportunity to gather customer information and feedback & increase the odds of future business.



Customer Segmentation will mean a new way of thinking and doing business for ESCs and other public education service providers

Shared Services Human Resources Challenge

- Attracting New Staff
- Employees Must Be Trained
- Employees Need to Master New Interactive Styles
- Must do the dirty work of downsizing
- Original employee may be too small
- Potential for Employee Burnout
- Retaining Good Employees
- Understanding Shared Services

Shared Services Employee Stressors

- Culture Change
- Need for New Skill Set
- Greater Management Expectations
- Greater Uncertainty
- Higher Accountability
- Lowered Self-Esteem
- Pressure for Innovation and Efficiency
- New Management Style
- New Reporting Structure
- Personal Lifestyle Disruption

Predictors of Success

- Effective Leadership
- Effective Workforce
- Market Opportunities
- Operational Excellence
- Technological Superiority

Source: Bryan Bergeron, Essentials of Shared Services

Examples from the Headlines

Two rural school districts in Fairfield County will share a superintendent - June 23, 2011



District to share nutrition services with Tallmadge - October 2, 2011

HudsonHubTimes.com

Headlines (Cont.)

County, schools, townships look into combined buying - September 15, 2011

THE DAILY STANDARD

Schools can now get help from lawyers through new legal consortium - September 7, 2011



Headlines (Cont.)

Madison Local Schools Co-op Program targets disadvantaged students – September 6, 2011

MIDDLETOWN JOURNAL

Stark 20/20: Stark governments share services rather than merge – August 15, 2011

CantonRep.com

Headlines (Cont.)

Schools, government discuss teaming up to share costs in SE Minnesota – October 9, 2011

THE REPUBLIC

Consolidating school districts not likely in Stark – October 10, 2011

CantonRep.com

Key Benefits of a Shared Services Model

- **You Can Control the Plan**
 - Superintendents, Treasurers and their Boards Can Collectively Decide on Savings Goals, Specifications and Constrains
- **You Achieve Savings Through Collaboration that Few Could Realize Alone.**
- **Utilize Existing Infrastructure (e.g., ESC, ITC)**
- **Long Term Benefits Accrue to Participating Districts**
 - Not a “Quick Fix”
- **It can be a “Humane” Solution**
 - You can rely on attrition to reduce headcounts.

Recommended Readings

Shared Services

- Shared Services Cooperative: Interim Report to Stakeholders. Portland, OR: Clackamas, Columbia Gorge, Multnomah, Northwest Regional, and Williamette ESDs. <http://w3.mesd.k12.or.us/pa/sharedservices.pdf>
- Bergeron, Bryan. *Essentials of Shared Services*. Hoboken, NJ: John Wiley & Sons, Inc., 2003.
- Dunleavy, John R., Martin J. Harmer, James S. Lusk and Donniel S. Schulman. *Shared Services: Adding Value to the Business Units*. New York, NY: John Wiley & Sons, Inc., 1999.
- Melchior, Daniel. *A Manger's Journey: Shared Services*. New York, NY: John Wiley & Sons, Inc., 2008.

Other Shared Service & Government Redesign Related Readings

- Hess, Frederick M. and Eric Osberg. *Stretching the School Dollar*. Cambridge, Mass: Harvard Education Press, 2010.
- Osborne, David and Peter Hutchinson. *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*. New York, NY: Basic Books, 2004.

Recommended Readings (cont.)

Demand: Creating What People Love Before They Know They Want It

by Adrian Slywotzky and Karl Weber



QUESTIONS

For more information on Ohio's ESCs and shared services check out the following:

Ohio ESC Association

www.oesra.org (click on the "shared services" tab)

State Auditor Mary Taylor's Shared Services "Idea Center"

<http://www.auditor.state.oh.us/sharedservices/default.htm>

State Auditor Dave Yost's Skinny Ohio Website

<http://www.skinnyohio.org>

KSU The Center of Public Administration and Public Policy

105 Collaborative Ideas by County

http://www.kent.edu/intergovernmentalcollaboration/upload/105_collaborative_ideas_by_county.pdf

EfficientGovNow

<http://www.efficientgovnow.org/>

Ohio Smart Schools

<http://www.ohiosmartschools.org>

<http://www.ohiosmartschools.org/content/ohio-smart-schools-recognizes-most-efficient-districts-state>