

An Analysis of Recent Reports as They Relate to Indiana

VOLUME 4, NUMBER 1, WINTER 2010

Summary of State Surveys on Consolidated Purchasing and Shared Service Arrangements among School Corporations, Charter Schools, and Education Service Centers

• IDOE Report "Summary of Consolidated Purchasing Arrangements, Shared Service Arrangements and the Efforts of School Corporations to Explore Cooperatives, Common Management, or Consolidations as Reported by Education Service Centers and School Corporations for the 2008-2009 School Year"

Released November 2, 2009

INTRODUCTION

By state law (IC 20-42.5-3-3), the Indiana State Board of Education must submit a report concerning the consolidated purchasing agreements and the shared service arrangements used by school corporations with other school corporations or through the Education Service Centers (ESCs) and on the efforts of school corporations to explore continuation and expansion of such activities. This report is submitted annually to the state superintendent, governor, and the Indiana General Assembly on or before November 1. To prepare this report, the Indiana Department of Education (IDOE) gathers information and data from school corporations and the ESCs through a survey (Indiana Department of Education, 2009).

In this report, data from the IDOE report are summarized in two sections: 1) summary of the school corporation survey, and 2) summary of the ESC survey. When available, data from the IDOE report are also compared to data from previous surveys, as summarized and analyzed in the Center for Evaluation and Education Policy (CEEP) Special Report, "An Analysis of Purchasing and Cooperative Agreements Among School Corporations, Charter Schools, and Education Service Centers," published December 2007.

SUMMARY OF SCHOOL CORPORATION SURVEY

This survey was directed at school corporations and charter schools, and asked about their use of cooperative purchasing, shared

services, and efforts to further explore cooperative purchasing. Questions in this survey asked school corporations and charters to exclude any activities conducted through the ESCs. The response rate for this survey was lower than in 2007-08, with only 170, or 58%, of school corporations and 5.4% of charter schools responding (IDOE, 2009).

Question 1 of the survey gathered information on school corporations' or charter schools' memberships in special education cooperatives, vocational education cooperatives, purchasing cooperatives or education service centers, insurance trusts, fuel consortiums, and/or energy consortiums. Table 1 summarizes respondents' memberships.

SCHOOL CORPORATION INDEPENDENT PURCHASING

Question 2 asked school corporations and charter schools if they had independently purchased goods or services that were available through an organization for which they were a member. Of all respondents, 143 indicated that they did not purchase cooperatively on certain occasions (IDOE, 2009). This represents an increase from 2008, from 78% of respondents to 84%. Overall, the percentage of survey respondents who said they did not purchase cooperatively has increased 21 percentage points since the 2007 survey which saw only 63% (n=128) of respondents not purchasing cooperatively (Hiller & Spradlin, 2007).

Question 3 asked respondents to explain why they did not use cooperative purchasing and was non-specific about the product or service. Table 2 summarizes seven answer choices that school corporations and charter

schools were provided with when answering this question. The percentage of respondents who purchased independently because it achieved a better price increased from 66% of respondents in 2007-08 to 99% in the current survey. Of the choices, local vendor allegiance also increased significantly from 34% of respondents in 2007-08 to 55% in 2008-09 (IDOE, 2009).

Responses from the 17 school corporations or charter schools who chose "Other" include: "free and reduced shipping costs offset the cheaper unit prices; other purchasing contracts for office supplies; bulk discounts with sponsoring corporation (Goodwill); special price programs for government entities; user-friendly purchase prices; hospital purchasing services through a Michigan-based food cooperative buying group; availability of discounts through a corporate sponsor; food commodity consortium; existing contracts for office supplies; U.S. Communities, a non-profit, no membership, national government purchasing alliance available to schools and all other units of government; and convenience, delivery terms or timing, and better quality and pricing available than ESCs" (IDOE, 2009).

SCHOOL CORPORATIONS' OTHER COOPERATIVE PURCHASING ARRANGEMENTS

Question 4 inquired about cooperative purchasing or shared service agreements that were not conducted either through an ESC or another organization from Question 1. Of the survey respondents, 82 indicated that they had other purchasing or service agreements (IDOE, 2009).

TABLE 1.

School Corporation and Charter School Memberships		
Membership	Number of Respondents as Members	Percentage of All Respondents
Special Education Cooperative	149	88%
Vocational Education Cooperative	142	84%
Purchasing Cooperative or ESC	155	91%
Insurance Trust	79	46%
Fuel Consortium	26	15%
Energy Consortium	75	44%

Source: Indiana Department of Education, 2009.

TABLE 2.

Summary of Reasons for Independent Purchasing		
Reason for Independent Purchasing	Number of Respondents	Percentage of All Respondents
Independent buying achieved better price	169	99%
Negotiated vendor pricing using ESC pricing	115	68%
Availability of brand preference	102	60%
Local vendor allegiance	94	55%
State QPA	82	48%
Contractual obligations	31	18%
Availability of teacher packaging service at no additional charge	24	14%
Other	17	10%

Source: Indiana Department of Education, 2009.

Of those respondents answering that they had arrangements outside ESCs or the other listed organizations, 34 indicated they had cooperative purchasing or shared service agreements with other government organizations, and 48 indicated they had such agreements with other school corporations (IDOE, 2009). Such agreements were made using the technology directors, service companies, and bus repair services of other school corporations; the Southwest Indiana Chamber of Commerce; computer consulting firm; U.S. Commodities Food Pricing; Goodwill Industry of Central Indiana; food purchasing cooperatives; Office Depot ASBO; and U.S. Commodities Purchasing Program (IDOE, 2009).

EDUCATION SERVICE CENTERS (ESCs)

ESCs serve Indiana school corporations through a nine-region system. Currently, 269 school corporations, 10 charter schools, and various other associate members (Special Education Cooperatives, etc.) are provided services such as commodity buying, media and technology services, professional development, educational planning, and project piloting (IDOE, 2009). ESCs are also authorized to coordinate cooperative purchasing agreements and shared service arrangements between members.

ESCs are funded through the Department of Education and are allowed to charge a membership fee (membership is voluntary) and set other fees for its services. Membership fees can vary between \$3.25 per ADM (average

daily membership) and \$5.75 per ADM, with a minimum set at \$3.00 per ADM, as determined by the Indiana General Assembly as part of the state biennial budget (IDOE, 2009).

CONSOLIDATED PURCHASING VIA ESCs

Question 1 of the survey of the ESCs asked whether they had entered into consolidated purchasing agreements on behalf of multiple schools (regular or charter). All ESCs had entered into such purchasing agreements on behalf of their members.

Question 2 inquired about the details of the consolidated purchasing agreements, and asked ESCs to provide such data as the item purchased, participating schools/corporations, the volume/cost of the item, and the estimated savings realized.

In the 2008-09 school year, a combined total of \$177,163,492 was purchased by all ESCs, showing a 7.7% increase from the prior year total of \$164,380,972 in 2007-08 (Indiana Department of Education, 2009), and an approximate 130% increase from the combined reported total of \$77.1 million in the 2007 survey (Hiller & Spradlin, 2007). Table 4 shows the top five ESCs in terms of the volume of purchases and the percentage change from the 2007-08 school year. While not in the top five, the Southern Indiana ESC had the largest percentage increase from the previous year, 67.7%, which brought their total purchases in 2008-09 to \$6.1 million (IDOE, 2009). The only ESC to see a decrease in pur-

chase volume was the Wilson ESC, which decreased 17.7% from \$10,125,793 to \$8,435,192 in 2008-09 (IDOE, 2009).

A summary of the majority of purchases, categorized by general purchasing area, is listed in Table 5. In addition to these categories, all ESCs reported purchases in these additional areas: office, custodial, lamps-ballasts, copy paper, carpeting, and audio-visual (IDOE, 2009). While these areas have high participation among ESCs, some areas such as classroom supplies, commodity food, fire safety, waste disposal, and cellular phones have minimal participation (IDOE, 2009).

Table 6 shows the amount of purchases in a given area per ADM (only the ADM of participating school corporations is included). The highest amount per ADM was in the Central Indiana ESC with \$407.29, 79.4% higher than the statewide amount of purchases per ADM. The ESC with the lowest amount per ADM was Southern Indiana with \$117.96, 48.0% lower than the statewide amount per ADM.

SHARED SERVICES VIA ESCs

Question 3 asked respondents if they entered into any shared service arrangements on behalf of their members. Question 4 followed up on this question by asking for a list of such arrangements, including information such as: kind of service shared, the school corporations/charter schools involved, and an estimated savings realized.

TABLE 3.

Education Service Center Membership by Region		
Region	School Corporations	Charters
Region 1: Southern Indiana	34	0
Region 2: Wilson	27	1
Region 3: West Central	23	1
Region 4: East Central	45	0
Region 5: Wabash Valley	35	1
Region 6: Northwest Indiana	23	6
Region 7: Northern Indiana	31	1
Region 8: Northeast Indiana	33	0
Region 9: Central Indiana	18	0
Total Membership	269	10



Source: Indiana Department of Education, 2009.

TABLE 4.

Top Five Reported Purchase Amounts by ESC and Percentage Change from 2007-08 to 2008-09		
Service Center	Amount of Purchases	Percentage Change from 2007-08
Central Indiana ESC	\$70,595,631	8.4%
Northwest Indiana ESC	\$26,099,710	8.1%
Wabash Valley ESC	\$23,515,908	23.0%
Region 8 ESC	\$13,894,646	3.7%
West Central Indiana ESC	\$11,443,045	16.4%

Source: Indiana Department of Education, 2009.

TABLE 5.

Amount Spent in Major Purchasing Areas Statewide	
Purchase Area	Amount Spent
Liability Insurance	\$55,865,275
Food Services ¹	\$27,038,298
School Bus Purchases	\$25,167,887
Information Technology	\$22,491,318
Dairy	\$11,449,529

Source: Indiana Department of Education, 2009.

¹ Food services serves as the category which covers purchases made for commercial bid food items. Commodity food covers purchases made using USDA School Commodity dollars distributed through the IDOE where schools use these dollars to pay for and divert raw commodities (meat, cheese, etc.) to approved processors and pay only for their processing for consumption, thereby bypassing price markups which occur in commercial items.

TABLE 6.

Amount of Purchases per ADM			
Area	Amount of Purchases	ADM	Purchases per ADM
Statewide	\$177,163,492	780,395	\$227.02
Central Indiana ESC (Highest)	\$70,595,631	173,329	\$407.29
Southern Indiana ESC (Lowest)	\$6,180,509	52,393.76	\$117.96

Source: Indiana Department of Education, 2009.

The latest survey of 2008-09 activities changed from the dollar amount of previous surveys to a raw number which includes the number of contracts or opportunities for a particular service (IDOE, 2009). The raw number which ESCs reported in the survey depended on the type of service; they could report the number of staff involved, students involved, meetings, videos, purchase orders, or school corporations related to the shared service provided. The change is due to the fact that in previous years when dollar amounts were reported, values could have varied by ESC

(IDOE, 2009). The change in reporting procedure does not allow for comparison to previous year's data for shared services.

One area of comparison with the previous year is in the number of categories of shared service reported. In 2009, ESCs reported activities in 40 shared service categories, the same number of categories reported for the 2007-08 school year. For the 2008-09 school year, a total of 151,027 shared service activities or opportunities were reported by all nine ESCs (IDOE, 2009). See Table 7 for a com-

parison of the statewide total of shared service activities to the ESCs with the two highest reported shared service activities.

Media services was one category that was commonly reported as having a high level of activity. In this category there were reported 35,901 requests for classroom materials; a high use of Starlab (969 times), and a high use of the interlibrary loan system with the State Library (used by 93 schools) (IDOE, 2009).

TABLE 7.

Shared Service Activities/ Opportunities	
Area	Activities/ Opportunities
Statewide	151,027
Wabash Valley ESC (Highest)	37,177
Wilson ESC (2nd)	21,108

Source: Indiana Department of Education, 2009.

TABLE 8.

Top Areas of Explorative Requests		
Area of Exploration Requested	Number of Corporations Requesting	Percentage of All Requests
Substitute Provider Services	96	6.82%
Supplemental Education Services	89	6.32%
Emergency Notification Systems	85	6.04%
Streaming Video	78	5.54%
Risk Management	76	5.40%
Video Conference Training	76	5.40%
Natural Gas	60	4.26%
Background Checks	46	3.27%
National School Leaders Academy	45	3.20%
National Instruction Coaches Association	45	3.20%

Source: Indiana Department of Education, 2009.

A second area of high activity was professional development. All nine ESCs were represented in reporting a total of 22,785 individuals who attended training opportunities (IDOE, 2009). Attendance for professional development meetings conducted specifically through members' ESCs was reported as 1,866 individuals. Also of note, ESCs reported that a total of 2,964 students participated in online courses (IDOE, 2009).

EXPLORATION OF CONSOLIDATED PURCHASING AND SHARED SERVICES BY ESCs

Question 5 of the survey inquired about ESCs efforts to explore cooperative purchasing, shared management services, or consolidations on behalf of their members. All ESCs

reported that they had explored these areas; however, there were no areas in which all schools participated in its exploration (IDOE, 2009). Statewide, 1,408 areas were explored; Southern Indiana ESC and Wabash Valley ESC participated in the majority of these explorations, 21.8% and 26.8%, respectively (IDOE, 2009).

Questions 6 asked respondents to provide a list of all areas explored pertaining to cooperative purchasing, shared management, or consolidations, as well as the school corporations or charter schools involved. Table 8 shows the top 10 areas that members wanted to explore and the number of corporations or charters that requested it. Statewide, 51 areas were explored; substitute provider services were the most requested with 6.82% of requests, and off-site backup and custodial maintenance and audits were the least

requested, each with 0.07% of all requests (IDOE, 2009).

— *Compiled by Stephen Hiller, undergraduate research assistant.*

REFERENCES

Hiller, S.C., & Spradlin, T.E. (2007). *An analysis of purchasing and cooperative agreements among school corporations, charter schools, and Education Service Centers*. Bloomington, IN: Center for Evaluation & Education Policy.

Indiana Department of Education (IDOE). (2009). *Summary of consolidated purchasing arrangements, shared service arrangements, and the efforts of school corporations to explore cooperatives, common management, or consolidations as reported by the Education Service Centers and school corporations for the 2008-09 school year*. Indianapolis, IN: Indiana Department of Education.

Focus on Indiana is published by the
Center for Evaluation & Education Policy

Indiana University
 1900 East Tenth Street
 Bloomington, IN 47406-7512
 812-855-4438

More about the Center for Evaluation & Education Policy
 and our publications can be found at our Web site:
<http://ceep.indiana.edu>

