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Study seeks savings to pay for Vision 2015 reforms

Ideas include central purchasing, consolidating school districts

By ALISON KEPNER, The News Journal

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DOVER -- Delaware and its 19 public school districts could save more than \$158 million annually by better spending the state's \$1.65 billion public education budget, savings that could be reallocated to support the Vision 2015 reform plan, a new report suggests.

Recommendations range from centralizing administrative services and construction design to restructuring bus routes and exploring district consolidation. All would take either policy or legislative changes to implement.

"Many of us believe that this is a path forward to deal with the very real situation that we do not have extra money to spend" to improve public education, said Marvin "Skip" Schoenhals, chairman of the governor-appointed Leadership for Education Achievement in Delaware Committee that commissioned the study. The 18-member committee includes the state's education secretary and the head of the state's teachers union in addition to Schoenhals, who is also chairman of Vision 2015.

Many of the suggestions in the inch-thick report -- such as exempting school construction projects from prevailing wage tax and reconfiguring teacher compensation packages -- are likely to ignite political firestorms.

Schoenhals said the report aims to at least bring the issues to the table and start conversations: "We want to have a world-class education system, and it would be a shame to let this die just because it is difficult."

The LEAD committee commissioned the Boston Consulting Group to study ways to reallocate education dollars to better serve students and to examine the feasibility of weighted student funding. The second report, about weighted student funding, is due to the governor in March. The work is supported by \$1.5 million from the Delaware Business Roundtable.

The broad-ranging Vision 2015 plan -- created in 2006 by a coalition of education, business and community leaders -- aims to revamp the state's school system into a world leader by 2015 at an estimated cost of more than \$100 million. While the group has been able to leverage some private support, the state has not committed funding to Vision 2015. Many LEAD committee members also are involved with Vision 2015.

Tuesday's study follows a November analysis from the Delaware Public Policy Institute that suggested Delaware would have to nearly double education funding under the current system to improve the number of students scoring at the top two levels on the state's standardized tests from 27 percent last year to 95 percent by 2009.

The DPPI estimate was based on the assumption that the basic system remains unchanged, meaning it wasn't a projection of the Vision 2015 cost.

Rather, it suggested that Delaware can't afford to improve its education system under the current system and must implement reforms such as those suggested in Vision 2015 to become world-class.

While the state's education spending per pupil already ranks eighth nationally, according to the Editorial Projects in Education, Delaware student achievement generally is middle-of-the-pack in national comparisons.

Here is a closer look at some of the study recommendations:

Transportation

Delaware spends \$80 million a year busing children. Eighty-four percent of students ride school buses in Delaware, one of the highest rates in the country, and the state is the fourth-highest in per-student transportation spending, the study found.

The state pays for all busing, with funding provided on a per-route basis. Districts determine routes and manage the system. Money goes to the districts, which may operate the buses themselves or hire contractors, paid according to a state formula with no competitive bidding.

Currently, contractors handle about two-thirds of routes, and many of the almost 200 contractors used have just one or two routes.

Because the state pays the full amount, the system provides no incentive to districts to save money and no requirement that contractors compete on price, the report concludes.

The state also provides \$3 million in reimbursements to families with children in private schools who must provide their own transportation. The amount is set by the Legislature, then divided among eligible families.

The report criticized this process, noting there is no correlation to the actual cost of transporting children and no requirement that funds be used on transportation.

Francine Mulvihill of Delaware Alliance of Catholic School Parents said those families are saving Delaware more money by sending their children to Catholic schools.

They save the state about \$9,000 a year per student -- more than \$115 million last year alone, she said. "Three million is a small amount they give us for what we save them."

The report suggests transportation efficiencies totaling \$9 million to \$12 million, including:

- Seek competitive bids on routes and route management, and consider multi-district contracts.
- Increase the minimum bus retirement age to 10 years or 150,000 miles, from the current seven years or 100,000 miles.
- Eliminate funding of transportation for private school students.
- Eliminate provisions in the budget bill that allow otherwise ineligible students to ride the bus.

Other suggestions not given dollar figures include: design routes without regard to district lines; adjust bell times to allow for double or triple runs; share buses and/or routes among district schools, charter schools and/or vocational schools; provide common management of systems across districts and/or the state.

Purchasing

District and charter schools make most purchases independently, sharing little information, resources or best practices, the report concludes. "Piggybacking" on other districts' contracts is limited, as is pooling of purchases. The state has little authority over district purchasing. Researchers found district purchasing organizations "vary widely, but tend to lack dedicated resources and expertise." Use of statewide contracts also varies widely, though the statewide contracts don't always provide the best terms anyway, researchers found.

The report suggests the state could save \$15 million to \$25 million -- 9 percent to 14 percent of total spending -- by coordinating and professionalizing purchasing. Suggestions include creating a statewide education purchasing council.

The state has voluntary statewide purchasing now, but because it isn't mandated, its effectiveness is limited.

"If you can guarantee bulk, your vendors then can give you a better price," said Education Secretary Valerie Woodruff, LEAD committee vice chairwoman.

Employee benefits

Delaware spends about \$311 million on education employee benefits each year, the majority tied to state employee plans. About \$18 million goes toward additional local benefits.

The state gives districts 100 percent of the "employer portion" of health care benefits and about 70 percent of benefits such as FICA, Medicare, unemployment and pension.

Researchers found that Delaware spends about 40 percent of educators' compensation on benefits, compared with the national average of 31 percent. The difference is about \$66 million a year, according to the report. While behind neighboring New Jersey's, Delaware's total compensation is more than 5 percent higher than that in Pennsylvania and Maryland, the study found.

The report suggests Delaware could save as much as \$29 million a year by exploring a switch to a defined contribution plan, such as a 401(k), rather than the current pension system. For example, one teacher who prefers a higher salary could choose less expensive benefits while another may opt for the higher benefits but a smaller salary. The state also should explore cost savings by pooling local benefits, the study says.

Delaware already has a group -- the Public Education Compensation Committee -- that is studying educator salaries. Tuesday's report suggests that group extend its work to look at these suggestions, completing a preliminary report no later than May 1.

Delaware State Education Association President Barbara Grogg, also a LEAD committee member, said the state's largest school employee union has reservations about some of the suggested changes. While she sees cost-saving potential in ideas such as pooling energy purchases and centralizing purchasing, Grogg worries about the risk to teachers forced to switch from pension plans to employee-managed investment portfolios such as 401(k) plans.

Construction

Another big savings opportunity is in construction, the researchers found, where between \$31 million and \$48 million of an annual \$195 million capital spending budget could be saved by centralizing construction purchasing and design, and exempting schools from prevailing wage requirements.

The state has little standardization for capital projects, the report said, which results in projects incurring unnecessary design and purchasing costs.

"There are some districts that, every time they go to build a new middle school, they design from scratch," Schoenhals said.

Others are saving money by sharing designs: Colonial built Wrangle Hill Elementary from essentially the same design as Southern Elementary, saving as much as \$2.5 million on change orders, Woodruff said.

Another recommendation, opposed by the educator union, is to exempt schools from the prevailing wage rate, which is the minimum pay for various jobs on public projects and which varies by region.

Researchers noted that Ohio was able to save an average 11 percent on total school capital projects by exempting schools from the prevailing wage rate.

Grogg questioned whether, in the current economic situation, eliminating a major wage support policy would be in Delawareans' best interest. She suggested seeking input from the Department of Labor or Delaware State AFL-CIO

Building Trades Council before further consideration.

Administration

Researchers also looked at how Delaware could save money by sharing services or consolidating districts.

The state's current funding does not encourage larger districts to seek scale savings because the formula is largely on a flat per-student basis, the report said.

Districts could save \$25 million to \$34 million of the current \$85 million in spending by taking advantage of scale, creating broad shared services.

"For example, payroll processing is one of those things that does not need to be done in every school district," Schoenhals said.

Woodruff said she wants to convene a committee to explore the creation of shared service centers, perhaps grouping districts by region. It is a practice already used by other states.

The report also calls for at least exploring district consolidation.

Grogg cautioned about this recommendation, too.

"The potential impact of consolidating districts is one larger than possible money savings," she said in a statement. "Public education requires a connection to the community. Moreover, academic literature in recent years indicates a movement toward smaller school organization as a way to drive decision-making as close as possible to the level of direct student services.

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