Shared Services Arrangements

Shared services arrangements combine the individual functions of two or more school districts to yield cost savings. These arrangements can take several forms. States review district operations and provide information that encourages sharing services.

Background

Shared services arrangements combine the individual functions of two or more school districts to yield cost savings. Districts may then direct those costs savings to instruction without consolidating the school districts or outsourcing the function. Districts may choose to share direct functions, which provide services to students (such as instructional services and transportation), or indirect functions, which provide services to staff or infrastructure (such as purchasing, payroll, facilities, and technology).

A 2005 report by Deloitte Research, *Driving More Money into Classrooms: The Promise of Shared Services*, notes that in most states, 60 percent of every dollar spent on education goes toward instruction — defined as teacher salaries and textbooks — and 40 percent is spent on support services. Using this calculation as a guide, the report suggests that school districts with support expenditures higher than 40 percent of the total might be candidates for efficiency efforts such as shared services.

The Deloitte report also identified mid-sized districts as most efficient, suggesting size could be a marker for identifying districts that would be good candidates for implementing shared services arrangements to improve efficiency. Both very small and very large districts may spend more per pupil than mid-size districts of 6,000 students. The report notes there are tradeoffs in terms of district size that go beyond financial efficiency considerations.

Agreements between school districts to share services can take several forms:

- Specific function cooperatives: multiple districts receive a specific service from a single entity.
- Regional educational service agencies: collaboration between multiple districts, allowing them to access services.
- Educational service districts: special-purpose school districts with member districts within a specific geographic area.
- Cooperative educational services entities: supervisory districts run by a board that allows two or more districts to share programs or services.

- Cluster districts: districts share services with neighboring districts.
- Shared superintendents: two or more school boards retain a single superintendent.

In addition, some states have mechanisms for reviewing school operations for efficiency, which may ultimately lead districts to share services. Some states provide funding incentives to districts to promote sharing services, and some (like Texas) set a limit on school expenditures for administration to encourage districts to operate efficiently.

Summaries from Selected SREB States

Mississippi has a standing commission on school district effectiveness. It became a standing commission (as opposed to a temporary one) in 2012 and reports to the state Board of Education. The commission's 2015 report focuses on very detailed items — for example, use of electronic funds transfers — and provides districts with recommendations. It also details state law or regulatory changes needed to allow districts to share specific services.

Mississippi also has a Joint Committee on Performance Evaluation and Expenditure Review (PEER). In 2013, PEER released a report, *Identifying options for Improving the Efficiency of Mississippi's School Districts: Phase One*, that identified three mechanisms for districts to implement shared services agreements: boards of cooperative educational service, regional education service agencies, and interlocal agreements between school districts. This report noted that Mississippi provides the latter two options to districts.

Mississippi's work was informed by the Deloitte study referenced above, but rather than using district size as a marker PEER suggested developing a screening procedure. This would use other indicators to identify school districts that could benefit from shared services arrangements. The report included a decision-making rubric that explores whether a support function is appropriate for a shared services arrangement. A second PEER report — *Improving the Efficiency of Mississippi's School Districts: Phase Two* — was a comprehensive efficiency review of selected school districts with the goal of identifying best practices that could be implemented by other districts. This report describes a data-driven decision-making model for school districts involving review and analysis of data to set and benchmark goals.

In **Oklahoma,** the Oklahoma School Performance Review program provides to individual school districts recommendations for containing costs, improving management strategies, and promoting better education for Oklahoma children. In conjunction with the Office of Educational Quality and Accountability, educational management consultants conduct onsite evaluations, review district operations, study district data, interview stakeholders, hold public meetings and distribute surveys. If a district meets certain requirements, such as having administrative costs that exceed state limits or academic performance below the state average, there is no cost to the district for the review. Otherwise, a district pays 25 percent of the cost. There currently are 67 completed district reviews available on the Office's website.

Specific recommendations from the reviews may spur districts to share certain services, but that doesn't appear to be the primary focus of the process.

A 2010 **South Carolina** report**,** *School District Organization and Governance in South Carolina*, provides background on school governance in the state, discusses the optimal size of school districts, discusses service sharing as an alternative to consolidation, and lists examples from other states.

The South Carolina Education Oversight Committee contracted with an outside group in 2010 to review the efficiency of four South Carolina school districts. The report includes recommendations for service and administrative staff sharing.

A 2006 **Texas** bill required the Texas Education Agency to evaluate the use of shared services arrangements by school districts and charter schools statewide. This evaluation of 624 such arrangements identified the categories of shared services covered in the agreements, assessed costs and benefits, surveyed administrative guidelines, and identified any legal impediments to sharing services. The most frequently observed category of services was instructional arrangements for student groups.

The Texas Legislative Budget Board conducts performance reviews of school districts. These reviews examine education service delivery, district organization and management, human resource management, community involvement, facilities management, business services, food service, transportation, computers and technology, and safety and security. The reports base some recommendations on requirements in state or federal laws, rules or regulations, and the Board expects districts to quickly address the recommendations. Other recommendations are based on comparisons to state or industry standards, or to accepted best practices, and urges districts to review them to determine the level of priority, appropriate timeline, and method of implementation. Any district can request a school performance review, and Board staff review and consider the requests, identifying projects based on a risk assessment of educational and financial indicators. If a district requests a review, it pays 25 percent of the cost. Click here to access the Board's district reviews.

The **Virginia** Department of Planning and Budget is responsible for coordinating efficiency reviews. The school division efficiency review program is designed to identify ways that divisions (Virginia school districts) can realize cost savings in non-instructional areas that they can redirect to classroom activities. Participation by school divisions is voluntary and involves contracting with outside education experts to perform the efficiency reviews. The findings include an evaluation of the efficiency of various offices and operations within a school division, recommendations and projected costs, and savings associated with the recommendations. Districts volunteer for the review, but if they do not implement 50 percent of the recommendations or accrue 50 percent of the cost savings, DPB requires them to pay the state back 25 percent of the cost of the study. In 2015, the legislature directed the Department to develop a matrix of best practice models.

West Virginia's school efficiency review program, referenced in many materials and reports on shared services arrangements, was effectively ended by legislation passed in 2017 that abolished the regional education service agencies (RESAs) and the Office of Education Performance Audits under the West Virginia Board of Education. It also eliminated the requirement that county boards hold biennial meetings, organized by RESAs, to "identify administrative, coordinating and other county level services and functions that may be shared between or among the county boards."

Summaries from Selected Non-SREB States

New Jersey has been very active in encouraging shared services arrangements. *Shared Services in School Districts: Catalog of Best Practices* is a 2007 report compiled by the Institute on Education Law and Policy at Rutgers University. It looks at every kind of shared service (including banking, transportation and custodial services). The impetus in New Jersey for shared services, including sharing superintendents, was a state cap on all school, local and county property taxes.

Iowa has a program of incentives for districts sharing services or reorganizing. For example, districts can get supplementary weighting in the funding formula for students who attend class in another district, for hosting a regional academy, and for other arrangements. Districts may receive the supplementary weighting for up to five years; funding is currently available through the 2018-19 school year. If districts reorganize, Iowa provides a reduction on the foundation's required tax levy, with state aid replacing the reduction in property taxes. Specifics on operational function sharing, including 2013 legislative changes to existing programs, can be accessed by clicking here.

For more information

SREB is here to serve you! If you have any more questions related to superintendent sharing arrangements between school districts, please contact the State Services team.

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