



## Beyond the classroom

**Some of the funds required to improve teacher quality may already be in a school system's budget—they just need to be found and reallocated.**

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Many US school systems have been enduring increased budget pressure, which raises barriers to trying new initiatives that could improve teacher quality and educational performance. But if systems can thoughtfully reduce their spending on non-instructional functions (such as maintenance, transportation, food services, IT, security, employee benefits, and general supplies), which the US Department of Education has found to make up roughly 39 percent of system budgets in most states, they may be able to relieve some of the pressure and even free up money to invest in student outcomes. In fact, according to our analysis of US school systems, sensible, proven improvements in purchasing, operations, and employee benefits can free up as much as 10 percent of a school system's total

budget (exhibit). And with rigorous planning and execution, these measures could also maintain or improve service levels and correct inefficiencies that commonly lead to worker dissatisfaction. Similar principles may apply in other countries, but the details and impact may differ based on the environment in which systems are operating.

### **Better purchasing practices**

Smart purchasing of goods and services can help a school system cut the equivalent of 2 to 3 percent of its total budget. Central purchasing managers with training and incentives to reduce costs while meeting end-user needs are better suited to the task than individual schools' administrators.

One way a central purchasing manager can achieve dramatic results is to ensure that users do not buy goods or services outside the district's contracting processes. For example, one school district found that as much as 50 percent of its spending on items ranging from janitorial supplies to furniture was done off contract, at prices as much as 20 percent higher than contract prices. So just by getting employees to buy on contract, the district would see immediate savings. Better compliance might also help the district negotiate more favorable volume discounts.

Another effective measure is to have the purchasing manager learn how people use various items; this helps identify products that meet

users' demands at the lowest possible cost. For example, a school district that had been offering staff two different laptop computers found through use analysis that about three-quarters of the people who had the more sophisticated model (which cost 20 percent more) would be able to do all their work just as well with the simpler model.

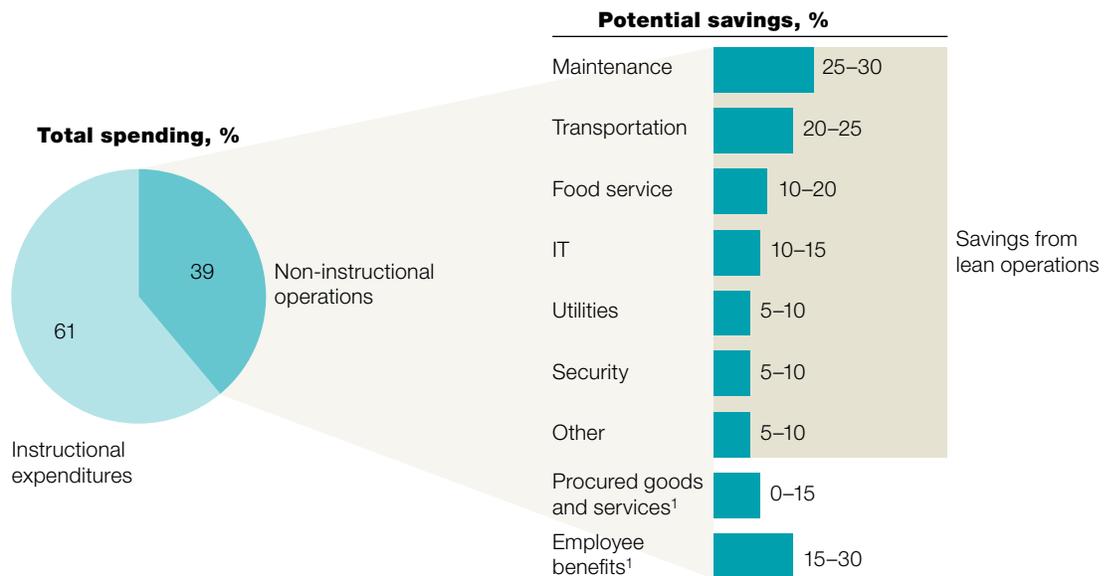
**Lean operations**

In the years since Toyota popularized the concept of lean manufacturing, through which organizations strive to eliminate waste, variability, and inflexibility from their operations, the effort to get lean has spread far beyond manufacturing to many other activities. By using lean principles to redesign tasks and reallocate

Exhibit

**Dividing the pie.**

Cuts in non-instructional costs can support instructional improvements efforts



<sup>1</sup>Sourcing approach can be applied to both instructional and non-instructional procured goods and services and employee benefits.

staff, school systems can dramatically improve productivity and cut their overall budgets by an additional 2 to 3 percent.

One lean technique is to analyze the way employees spend their time. For example, many individual schools have their own full-time boiler engineer—a high-skill, high-pay position—on staff. But one large, urban school system found that these employees spent 95 percent of their time on activities such as sweeping, moving furniture, and performing general maintenance. The system determined that 10 to 15 schools could share a single engineer and delegate general custodial duties to lower-paid employees.

To eliminate waste, school systems should limit activities that don't add significant value. The administration, maintenance, and security functions, which in our experience typically account for 10 to 15 percent of a system's total budget,<sup>1</sup> can be fertile grounds for savings. For example, eliminating legacy reports with limited value and streamlining reporting processes can reduce administration costs by as much as 5 to 10 percent.

School systems might also reimagine the way a service is delivered. For example, food service is frequently a school system's third largest non-instructional cost, accounting for 3 to 5 percent of total expenditures.<sup>2</sup> By replacing individual schools' full-production kitchens with a central kitchen that distributes fresh, ready-to-eat meals to those schools, a system can cut up to 15 percent of its food service budget.

#### Redesigned employee benefits

Redesigning employee benefits programs to maximize the value to employees per dollar spent, when schools also negotiate aggressively with benefit providers, can yield total budget savings of 3 to 4 percent.

Many school districts have several health care and retirement plans, which may offer similar benefits at quite different cost. At one school district, one of the two health care plans available to non-instructional staff cost 30 percent more than the other. Giving all eligible staff incentives to switch to the lower-cost program—or, better, negotiating the more highly priced plan (both to get the plan provider to maintain quality coverage at a reduced cost and to get staff to accept any changes)—could

<sup>1</sup> According to a 2007 survey by the National Center for Education Statistics (NCES), the national average for these functions was 11 percent of the total school budget.

<sup>2</sup> The NCES survey put the national average at 4 percent.



have saved the district up to \$10 million per year with limited impact on benefit levels.

However, offering only one level of coverage for all staff can end up costing more. If a school system gains a better understanding of which benefits the segments of its employees value most, it can design several options and market them to each segment. Younger employees, for example, may be more enthusiastic about a benefits package that includes a gym membership than one with a more generous prescription drug plan.



School systems looking to manage non-instructional costs should combine the ideas presented here, together with others that might

be appropriate, into a comprehensive and focused operations improvement program. A small, dedicated, highly competent team should be appointed to ensure that the program preserves service levels and captures savings. To get broad commitment from all staff and the community, the team should consider input from non-instructional staff, teaching staff, the community, and others, and then use the savings achieved to close impending budget gaps or fund performance improvement initiatives. To sustain any changes, the school system needs to monitor performance on an ongoing basis. For example, in one district, the superintendent schedules routine performance management sessions with department leaders to identify improvement opportunities with respect to services, outcomes, and costs, as well as any roadblocks that may need to be cleared.○