

A Penny Saved

How Schools and Districts Can Tighten Their Belts While Serving Students Better

American Enterprise Institute

Thomas B. Fordham Institute

January 11, 2010

The collected papers from this conference are available online at
www.aei.org/event/100164.



Evidence that Change is Possible

Reggie Gilyard

January 11, 2009

THE BOSTON CONSULTING GROUP

First – a big thank you to this chapter's co-authors

Jill Corcoran – BCG Chicago

Lane McBride – BCG Washington DC

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Three quick topics to share today

Overview of the chapter

Key sources of savings and efficiencies

Important conditions for success

Overview of what our chapter covers

An example of a large, broad based cost efficiency project

- statewide effort covering all school districts in the state, as well as SEA level spending
- several cost areas examined: transportation, purchasing, energy, construction, etc.

Two additional examples

- more narrowly focused on central office organization efficiencies at two urban school districts
- using a proprietary set of tools and processes known as Delayering™

As with most of our work these projects were done as part of, and to help fund, large transformation initiatives

Key sources of savings and efficiencies

Reduced non-personnel expenditures costs...

- pooling of purchases
- policy and process changes
- demand management

Reduced central office overhead and inefficiency...

- fewer layers
- optimal spans of control
- tighter, more distinct role definitions
- shared services

...with the following benefits

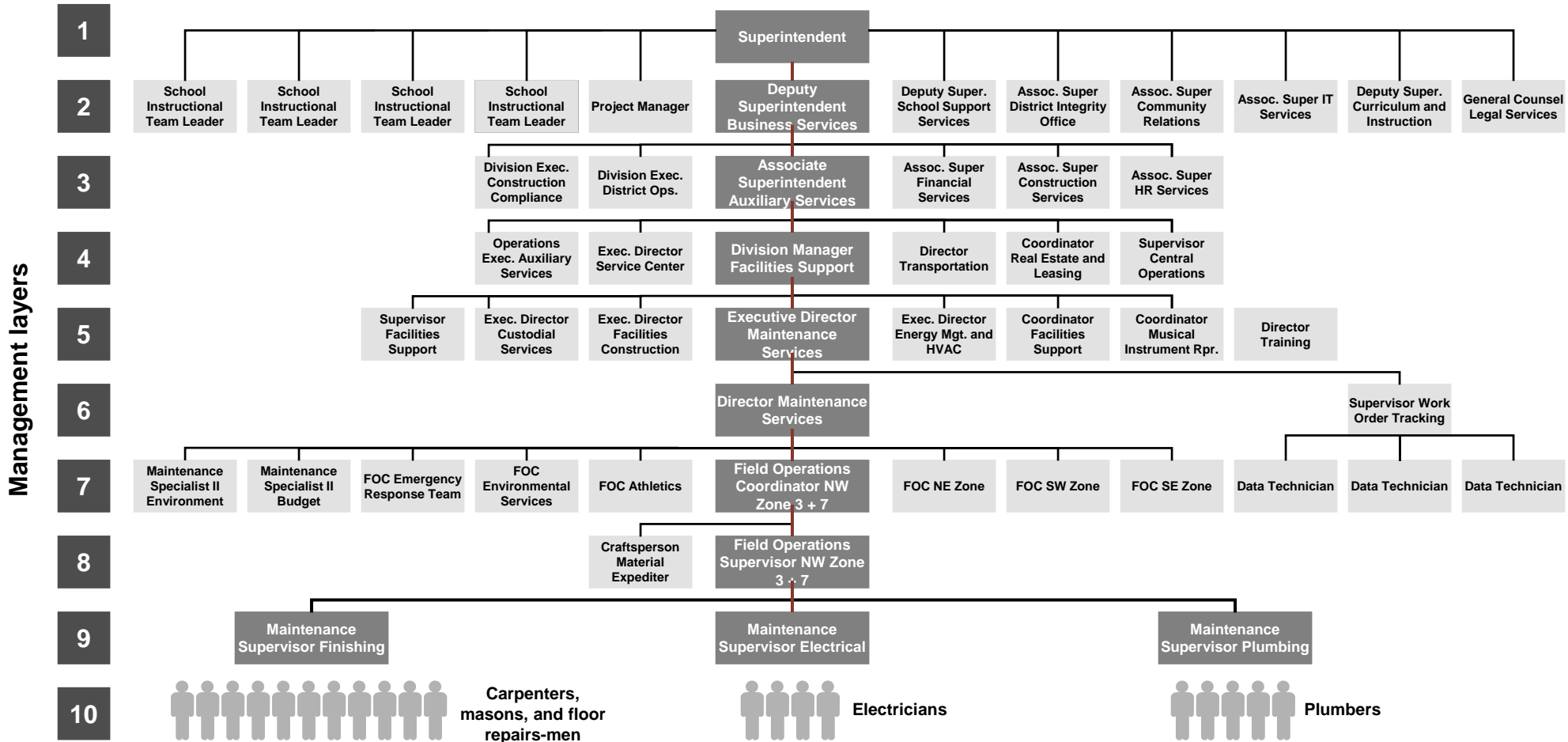
- maximizing resources deployed at the school level
- increase speed and communication of decisions
- improve task focus and therefore service levels to school sites

Client example: overview of cost efficiency opportunities

Opportunity area	Addressable spend (\$million)	Opportunity size (\$million) ¹	Summary of efficiency opportunities
1 Student Transportation	80	9–12+	<ul style="list-style-type: none"> Redesign bus-contracting process Increase minimum bus-retirement age Eliminate funding for nonpublic schools Eliminate specific provisions in budget bill
2 Purchasing	178	15–25	<ul style="list-style-type: none"> Formalize statewide coordination of the education purchasing function
3 Energy	28	4–7	<ul style="list-style-type: none"> Implement best practices in demand management Explore statewide pooling of natural gas
4 Benefits	311	0–29	<ul style="list-style-type: none"> Pool local benefits purchasing Examine offering a more flexible compensation package of salary, health benefits, and pension
5 Construction	195	31–48	<ul style="list-style-type: none"> Centralize construction purchasing and design Exempt schools from prevailing-wage requirements
6 Administrative and central support and system recommendations	85	25–34	<ul style="list-style-type: none"> Increase magnitude of scale in funding formula Create broad shared services Evaluate impact of shared services and consider consolidation in year five of implementation
Department of Education (DOE)	50	2–3+	<ul style="list-style-type: none"> Enhance purchasing efficiency at DOE
TOTAL	927	86–158+	

¹Estimated annual savings after full and successful statewide implementation of recommendations. Construction savings would accrue to the capital budget.

Client example: reporting chain for the maintenance function



Client example: Span of control in the first four layers

Span of control	Count of individual managers
1	16
2	9
3	12
4	10
5	9
6	5
7	6
8	3
9	2
10+	7
Average span of control	4.7

Important conditions for success

Strong leadership

Close collaboration among the consulting team, client team, and key stakeholders

Rigorous attention to implementation details, including:

- a detailed plan with commitments to tasks, timelines, and capable initiative owners
- proactive initiative tracking and follow-up
- proactive change management

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