



Methods for Reducing Costs and Maximizing Revenue in Public School Districts

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INTRODUCTION

METHODS FOR REDUCING COSTS AND MAXIMIZING REVENUE IN PUBLIC SCHOOL DISTRICTS

Established in 1990 by the Texas Legislature, the Texas School Performance Review (TSPR) has conducted approximately 180 comprehensive and targeted reviews of Texas public school districts. TSPR is authorized by Texas Government Code, Section 322.016, to periodically review the effectiveness and efficiency of the budgets and operations of school districts.

The objective of this report is to provide methods that have been identified during school performance reviews that school districts can use to reduce costs and maximize revenues. This report includes some recommendations and identified accomplishments from past school performance reviews. The methods are grouped into four broad categories, with delineation provided within each category: Educational/Organizational, Financial, Operational, and Cross-Functional. For the purposes of this report, districts that have been reviewed are categorized into groups based on student enrollment as small (1 to 1,600); medium (1,601 to 5,000); or large (5,001 or more); where appropriate, potential savings by district size and location are identified.

EDUCATIONAL/ORGANIZATIONAL

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The five functional areas that comprise the Educational/Organizational category are **Educational Service Delivery, District Organization and Management, Community Involvement, Personnel and Human Resource Management, and Computers and Information Technology**. Effective educational service delivery focuses on the instructional delivery system, program management, student performance measures, and student services. Effective district organization and management is measured by how the school board and superintendent function as a leadership team to meet student and staff needs. Effective community involvement enables school districts to gain the confidence, support, and involvement of their local communities, resulting in enhancement of district educational programs. An effective personnel and human resource management function is one that employs the appropriate number of qualified and credentialed staff to fill district vacancies, adequately compensates staff, and provides opportunities for professional development and access to benefits and services. The computers and information technology function is operating effectively if it increases efficiency of operations through improvements to the technology infrastructure and planning efforts.

In **Educational Service Delivery**, methods identified to reduce costs and maximize revenue include:

- Evaluate the cost effectiveness of block scheduling. While block scheduling can provide for a more flexible scheduling pattern and longer class periods which could benefit both teachers and students, it may not be cost effective. A 2007 review of a large, North Texas district reported that by returning to a traditional instructional schedule, the district could save over \$400,000 annually in salaries and benefits for 10 excess teaching positions.
- Develop a process to document and monitor all Medicaid health-related services provided to students to ensure maximization of reimbursement for the services provided. School districts provide Medicaid-reimbursable services to qualifying students through the School Health and Related Services (SHARS) program. Improving processes to ensure reimbursement for services provided through SHARS could generate additional revenue for school districts.
- Enter into articulation agreements with higher education institutions or other school districts to allow students to earn college credit for courses completed in high school. While students earn both high school and college credits, districts may reduce costs for salaries and benefits if course instructors are employees of higher education institutions or other school districts.

In **District Organization and Management**, methods identified to reduce costs and maximize revenue include:

- Evaluate contracts for legal services on an annual basis. Districts should assess the need for legal services, and if it is determined that a contract should be established with an attorney, districts should include specific hourly rates for services that are outside the scope of those included in the annual retainer fee in the contract. A 2009 review of a medium-sized, Central Texas district reported that reducing expenditures for legal services by 10 percent would save the district over \$6,000 annually.
- Examine employee and board member supplemental benefits to ensure appropriateness and cost efficiency. Benefits to consider for reductions include vehicle allowances and use of district-owned vehicles, cell phones, and organization memberships as alternatives to district payment for these items.
- Communicate internally through email and intranet websites. Significant costs may be incurred by using paper as the vehicle for communicating information. District and campus administrators should consider communicating through district email and intranet sites.

In **Community Involvement**, methods identified to reduce costs and maximize revenue include:

- Establish education foundations. Multiple districts reviewed in recent years receive financial support from their local 501 (c)(3) non-profit education organizations, which raise funds to provide grant and scholarship opportunities to district teachers and students.
- Establish business and community partnerships to enhance the education program for students. A 2006 review of a medium-sized, El Paso area district reported that establishing a Partners in Education program with area businesses enabled campuses to receive not only retail discounts for district staff and students, but also donations ranging from graduation attire for needy high school students to bicycle helmets and school supplies for elementary students.
- Ensure that tuition and fees for community education classes and after school services such as daycare cover all district expenses.
- Collect fees for open records requests. Texas Government Code, Chapter 552, authorizes government agencies to charge for all costs related to reproducing the public information, including costs of materials, labor, and overhead. For 50 or fewer pages of paper records, the fee is limited to the charge for each page of the paper record that is photocopied.

In **Personnel and Human Resource Management**, methods identified to reduce costs and maximize revenue include:

- Provide online professional development to reduce travel costs. A 2009 review of a medium-sized, Central Texas district reported that during school year 2007–08, the district conducted over 30 different trainings through an online professional development tool.
- Automate department functions, including applications for employment, production of employee contracts, and benefits enrollment. Using online or electronic applications for these functions can significantly reduce the costs incurred by reliance on a paper-based system.
- Implement recruiting and retention strategies to reduce employee turnover and associated costs for new employees. Costs associated with replacing employees include recruitment and hiring, substitutes, learning curve loss, and training. Districts that have high employee retention rates use a variety of methods to retain employees, including new teacher academies, employee mentoring programs, employee satisfaction and exit surveys, and an annual evaluation of recruiting activities. A 2007 review of a large, North Texas district reported that if the district reduced its teacher turnover by 10 percent, or 46 positions, the resulting annual savings to the district would be approximately \$540,000.
- Provide incentives to encourage employee attendance and decrease the academic and financial costs associated with the use of substitutes. A 2006 review of a medium-sized, Gulf Coast district reported that the district, through board policy, successfully implemented financial awards for perfect attendance. Awards were issued biannually and the amounts differed based on employee job classification.
- Consider expenses associated with hiring an employee who has previously retired and is receiving Teacher Retirement System (TRS) benefits. In 2005, Texas Government Code Section 825.4092 was amended to state that school districts must make a TRS contribution each payroll period of a retired employee's salary, and must cover the insurance contributions made by TRS on behalf of the retired employee in order to cover pension contributions that are not collected for a rehired retiree. Since the implementation of this change to the Texas Government Code, districts are taking different approaches to the cost burden incurred by hiring retirees, including placing the burden of these costs solely on the retiree, or splitting the surcharge between the district and the retiree. A 2006 review of a medium-sized, Central Texas district reported that for a retiree earning approximately \$44,000 annually, splitting the TRS surcharges between the district and the employee would save the district over \$9,000 annually.

In **Computers and Information Technology**, methods identified to reduce costs and maximize revenue include:

- Use E-Rate, grant, and bond funding to support district technology efforts. A 2009 review of a large, Central Texas district reported that use of external technology funds resulted in the implementation of a comprehensive computing and network infrastructure that would support the district's current and future technology needs.
- Consider leasing computers instead of purchasing them. Leasing reduces the amount of initial financial investment for districts, provides opportunities for upgrading technology on a frequent basis, and eliminates issues related to disposal of outdated equipment.
- Develop and implement a comprehensive disaster recovery/business continuity plan that would allow continuation of critical services in the event of a catastrophe. Implementation of such a plan would allow for securing information and technology assets in a timely manner, thereby reducing the risk of data and hardware losses.
- Maximize technical support efforts by using remote desktop management software to troubleshoot computer software problems and make repairs from a remote location. A 2006 review of a medium-sized, Gulf Coast district reported that the district saved both the time and mileage costs of an employee driving to the school to make the repair, and reduced the turnaround time per work order from one and one-half days to one-half hour.
- Use wireless bridges to connect the district's data network to outlying schools. A 2006 review of a medium-sized, Central Texas district reported that setting up a wireless bridge to the district's network, by district employees, saved the district time, money, and increased mobility and productivity.

FINANCIAL

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The three functional areas which comprise the financial category are **Financial Management**, **Asset and Risk Management**, and **Purchasing**. Effective financial management ensures that internal controls are in place and operating as intended and that timely reports help management reach its goals. An effective asset and risk management program aims to control costs by ensuring that a district's funds are properly managed, and its property is adequately protected against all significant losses. An effective purchasing system allows a school district to provide quality materials, supplies, and equipment in the right quantity in a timely, cost-effective manner.

In **Financial Management**, methods identified to reduce costs and maximize revenue include:

- Establish and utilize internal controls to manage grants by:
 - Filing grant reimbursement reports to ensure that all available funds are utilized. For example, reports could be filed after each payroll run, or at a minimum, on a quarterly basis.
 - Hiring a grant writer to actively pursue grant funds for the district.
- Monitor property tax collection efforts by:
 - Investing tax receipts in an interest earning account.
 - Developing tax collection policies regarding a targeted collection rate and delinquent taxes.
 - Pursuing collection of delinquent taxes.
 - Consolidating district efforts with the county tax assessor-collector.
- Implement programs targeted at increasing student attendance, decreasing truancy, and lowering the dropout rate to increase state funding. Each student absence results in a loss of Average Daily Attendance (ADA) funding. For a medium-sized, Gulf Coast district that had more than 200 students with 20 absences each in school year 2004–05, the loss in state revenue was approximately \$27,000, based on the district's \$6.38 ADA funding per student.
- Evaluate the use of the optional homestead exemption. For example, by eliminating the homestead exemption, a small district would gain approximately \$180,000, while a large district would gain approximately \$9 million over a five-year period by eliminating this exemption. In 2009–10, approximately 217 of 1,025 public school districts provided the optional homestead exemption.
- Implement mechanisms to increase the fund balance by:
 - Establishing a fund balance management policy.
 - Establishing a minimum general fund balance.
 - Conducting regular fund balance analyses and projections.
 - Developing the annual budget based on reduced Average Daily Attendance (ADA) numbers.

In **Asset and Risk Management**, methods identified to reduce costs and maximize revenue include:

- Manage cash flow and investments by:
 - Forecasting cash flow needs on a regular basis.
 - Selecting investments according to cash flow needs.
 - Moving excess funds to higher-earning investments, when interest rates provide the ability to earn more on those investments.
 - Diversifying investment portfolios. This reduces the risk of loss resulting from concentrating assets in a specific class of investments, financial institutions, or maturity schedule.
- Use cash management services such as sweep accounts, controlled disbursement, and positive pay to increase interest earnings. A 2010 review of a medium-sized, Central Texas school district reported that the district could receive an estimated \$4,300 per year in additional revenue if investable balances were swept into overnight investments.
- Consolidate bank accounts into one high yield account to reduce fees associated with multiple accounts. This will also reduce the number of bank reconciliations to conduct, while streamlining the management of the accounts.
- Examine the Workers' Compensation program to identify methods to reduce costs by:
 - Conducting a districtwide workers' compensation needs assessment.
 - Using provider-offered onsite safety awareness training for all employee groups.
 - Implementing safety programs in high-risk areas such as child nutrition services, transportation, and maintenance.
 - Reviewing claims on a regular basis and addressing high claim areas with loss prevention activities.
- Refinance bonds at lower interest rates. A 2006 review of a South Texas district reported that over \$23 million in outstanding building bonds had been refinanced at a lower interest rate, resulting in over \$1 million in savings to the district.
- Analyze insurance plans on an annual basis and rebid as necessary to ensure the district obtains the most comprehensive coverage at the most competitive price. Insurance plans to review include workers' compensation, health, dental, property and casualty.
- Conduct a physical inventory of district assets on a regular basis by:
 - Using bar code technology to maintain accurate records of district assets, minimizing administrative effort as well as losses.

In **Purchasing**, methods identified to reduce costs and maximize revenue include:

- Implement just-in-time delivery of goods and supplies, eliminating the need for a warehouse and associated personnel, maintenance, and utility costs. A 2006 review of a large, West Texas district reported that implementing a just-in-time delivery system resulted in savings of approximately \$40,000 over two years.
- Participate in purchasing cooperatives to streamline the purchasing function, provide access to a greater variety of goods and services, and obtain competitive pricing and purchasing terms.
- Automate the requisition process to ensure the use of purchase orders and reduce purchase order processing time.
- Develop, implement, and train district staff on purchasing policies and procedures to include a system of internal controls as well as district sanctions for non-compliance with procedures or misuse of district funds.
- Implement management techniques for the textbook function by:
 - Automating the textbook function to manage inventory and reduce losses.
 - Conducting monthly textbook counts by classroom and campus.
 - Conducting an annual physical inventory of textbooks as required by Texas Administrative Code, Section 66.107.
 - Developing and enforcing policies on collecting fines for lost and damaged textbooks.

OPERATIONAL

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The four functional areas which comprise the Operational category are **Transportation Services, Child Nutrition Services, and Facilities Construction, Use, and Management**. Effective transportation services address factors such as bus replacement, vehicle maintenance programs, driver recruitment and training, driver and passenger safety, service evaluation, and purchasing procedures. An effective child nutrition services program is measured by the level of service provided to students, compliance with federal, state and local policies, the district's cost per meal, and staff productivity performance measures. Finally, effective facilities construction, use, and management programs include facility planning and administration of facility-related functions, including construction, safety, maintenance, and custodial operations, as well as energy management.

In **Transportation Services**, methods identified to reduce costs and maximize revenue include:

- Conduct bus route analysis annually to determine ways to maximize seat capacity and increase ridership, as well as identify routes that can be consolidated or eliminated. A 2006 review of a medium-sized, Gulf Coast district reported that reducing the district's number of routes by 5 percent, or one route, would reduce transportation costs by over \$30,000 per year.
- Implement multi-tiered routing, or staggered bell times districtwide to maximize the use of the bus and driver for multiple routes each morning and afternoon. A 2007 review of a large, North Texas district reported that implementation of a triple-tier bell schedule could save the district 5 percent, or approximately \$110,000, of its annual transportation costs.
- Reduce the number of miles driven before the first student is picked up on the morning route and after the last student is dropped off on the afternoon route. These "deadhead" miles are not eligible for state reimbursement. A 2010 review of a small, East Texas district reported that 24 round-trip deadhead miles had been reduced from one bus route, saving the district almost \$14,000 per year in transportation costs.
- Designate all hazardous routes as such through board policy and request reimbursement for hazardous miles from the Texas Education Agency (TEA). In school year 2009–10, only 420 Texas school districts received hazardous route reimbursement from TEA.
- Adopt policies related to extracurricular trips which charge departments and campuses for fuel and driver costs.

In **Child Nutrition Services (CNS)**, methods identified to reduce costs and maximize revenue include:

- Use incentives, marketing techniques, and non-traditional service methods to increase participation in and reimbursements from the School Breakfast Program and National School Lunch Program. A 2010 review of a small, East Texas school district reported that by increasing participation by 10 percent in all breakfast and lunch eligibility categories, the district would see an increase of approximately \$32,000 in annual revenue.
- Ensure that all eligible students are enrolled in the free and reduced-price meal programs. The number of students in the program is a source for the amount of state compensatory education and federal Title I funds that are provided to the district.
- Manage food costs in menu planning by:
 - Pre-costing ingredients.
 - Consolidating food orders for multiple campuses.
 - Implementing offer vs. serve to reduce food waste.
 - Adhering to portion size guidelines.
 - Establishing a wellness or nutrition committee to provide input into meals.
- Maximize use of U.S. Department of Agriculture (USDA) food commodities. A 2005 review of a large, West Texas district reported that the district had available and used approximately \$200,000 in USDA commodities annually.
- Control management costs by:
 - Using monthly profit and loss statements to monitor, evaluate, and correct performance in CNS programs.
 - Evaluating meal prices annually for both students and adults.
 - Determining and applying a cost per meal for district catering events.
- Implement and train CNS employees on all aspects of the point of sale system to accurately track all items sold and to ensure accuracy in reporting for federal reimbursements.
- Consider centralized food preparation, with use of warmers at campuses. Estimated savings for a small, Central Texas school district that planned to reduce their number of kitchens by half and equip all campuses with warming stations in 2006 was approximately \$80,000 annually.
- Implement just-in-time ordering and delivery of non-commodity food, enhancing cost controls by providing food directly to campus kitchens at the right time in the quantities needed, and reducing the need for a food storage warehouse.
- Participate in food purchasing cooperatives to reduce the burden and cost of bidding goods and take advantage of high-volume purchasing power.

In **Facilities Construction, Use, and Management**, methods identified to reduce costs and maximize revenue include:

- Use building prototypes for new construction. A 2009 review of a large, Central Texas district reported that the district's use of prototypes for two middle and four elementary schools saved the district \$2.3 million per middle school and \$1.3 million per elementary school due to reduced architectural and engineering design costs.
- Ensure cost control of construction bond projects by using such methods as: use of a construction manager, built in board-approved contingencies to cover change orders, and continuous monitoring of project budgets, schedules, delays, updates, and bond expenditures.
- Perform demographic studies to forecast growth or loss in student enrollment to accurately determine facility needs. Demographic studies evaluate historical trends in student population; provide long-term housing projections; forecast growth scenarios by grade and area of the district; and determine potential demand for new school sites.
- Apply for grants to fund risk management efforts to reduce losses, costs, and injuries. Recent reviews of two small districts reported enhanced security efforts, including implementing outdoor security lighting, installing a building alarm system, and purchasing security cameras, through use of grant funds awarded from the Texas Association of School Boards Risk Management Loss Prevention Grant Program.
- Develop a preventive maintenance plan to manage maintenance costs. Inspection, adjustment and/or replacement of items on a regular schedule can extend the useful life of facilities and critical system components in a cost efficient manner. Estimated savings for implementing a preventive maintenance program was based on 10 percent of repair costs for a small, Central Texas school district reviewed in 2006. Annual savings for this district would be \$2,900.
- Implement energy conservation/management policies and programs. A 2009 review of a medium-sized, North Texas school district reported that the district estimated it would save \$12,000 per month through the implementation and execution of its energy policy and guidelines at the district's 14 facilities.
- Develop guidelines and rental schedules for community use of district facilities. A 2007 review of a large, North Texas school district reported that having comprehensive procedures for community use of district facilities ensures that the district offers and receives compensation for use of its facilities in an equitable manner.

CROSS-FUNCTIONAL

CROSS-FUNCTIONAL

Some of the methods identified during school performance reviews which districts can use to reduce costs and maximize revenues do not fall within one of the broad categories previously described. Rather, these methods are cross-functional and impact multiple categories and functional areas of school district operations.

Cross-functional methods identified to reduce costs and maximize revenue include:

- Create staffing guidelines, formulas, and ratios. The latest data available (2008–09) indicates that labor costs consume approximately 79 percent of the average school district budget. Within the 2009 *State Government Effectiveness and Efficiency Report (GEER)*, a report entitled *Improve Texas Public School Districts' Access to Staffing Guidelines to Enhance Financial Efficiency* provided an in-depth study of staffing in Texas school districts. The report noted the importance of school districts using staffing guidelines to meet industry standards and statutory requirements, as well as operate in a fiscally efficient manner. In order to operate a district with the appropriate number of personnel and realize savings from the elimination of excess positions, districts should develop staffing guidelines for the following employee groups:
 - Campus administrators
 - Counselors
 - Library personnel
 - Certified librarians
 - Paraprofessional library staff
 - Nurses
 - Custodians
 - Maintenance personnel
 - Electricians
 - Heating/ventilation/air conditioning technicians
 - General maintenance workers
 - Grounds crews
 - Child Nutrition Service personnel
 - Technology support personnel
 - Security/police personnel

- Conduct cost/benefit analyses related to possible outsourcing of district functions, including:
 - Food service operations
 - Management
 - Menu planning
 - Transportation operations
 - Custodial operations
 - Maintenance operations
 - School security/law enforcement services
 - Legal services
 - Payroll processing services
 - Special Education services
 - Diagnosticians
 - Physical Therapists
 - Occupational Therapists
 - Tax collection
- Participate in cooperatives for shared services:
 - Special education
 - Library
 - Purchasing
 - Transportation
 - Child Nutrition Services
 - Technology
 - Legal
 - Disciplinary Alternative Education Programs
 - Personnel/Human Resources activities:
 - Recruiting
 - Job Posting

- Implement planning processes districtwide to determine long-range fiscal needs. Areas of importance with regard to planning include:
 - Districtwide Strategic Plan
 - Community/Parental/Volunteer Involvement Plan
 - District Improvement Plan
 - Campus Improvement Plans
 - Facilities Master Plan
 - Space Utilization Plan
 - Preventive and Deferred Maintenance Plan
 - Long-Range Technology Plan
 - Technology Replacement Plan
 - Disaster Recovery/Business Continuity Plan
 - Crisis Management Plan