

Improved Administrative Program Monitoring by the Department of Public Instruction Can Save Over \$19 Million Annually

A presentation to the
Joint Legislative Program Evaluation Oversight Committee

April 16, 2014

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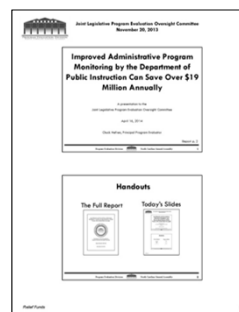
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Handouts

The Full Report



Today's Slides





Study Direction

Examine the efficiency and effectiveness of the Department of Public Instruction's (DPI's) management and operations.

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Evaluation Team

Chuck Hefren, Evaluation Lead

Sean Hamel, Senior Program Evaluator

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Public Education Providers

State Board of Education (SBE):

- Establishes strategic priorities

Department of Public Instruction (DPI):

- State Superintendent responsible for implementing strategic priorities

Local Education Agencies (LEAs)

- Handle day-to-day operations

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Overview: Findings

1. **Transportation Services program can reduce costs without negatively affecting performance**
2. **Oversight of school bus maintenance is inadequate and presents safety concerns**
3. **Textbook Services program staffing levels and allotted warehouse space exceed current needs**



Overview: Findings

- 4. Insufficient information exists to determine cost-effectiveness or need for DPI school facility services**
- 5. Deficiencies in workers' compensation program may be contributing to higher injury rates and increased cost**
- 6. Performance management system for administrative services programs is inadequate**

Overview: Recommendations

- 1. DPI should increase the efficiency of school transportation services**
- 2. Increase bus safety by improving oversight of maintenance operations**
- 3. Reduce Textbook Services program staffing and warehouse space to reflect current workload**

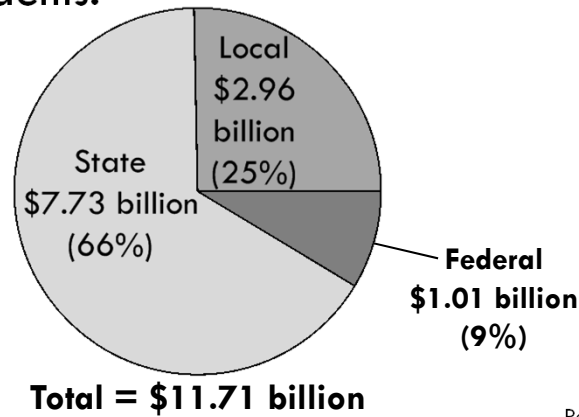
Overview: Recommendations

4. **Require DPI to justify the continued need for school facilities services**
5. **Require LEAs to establish workers' compensation loss prevention and return-to-work programs**
6. **Develop strategic goals and a performance management system for administrative services programs**

Background

Background

North Carolina spent nearly \$12 billion in FY 2012–13 to provide free public education to eligible students.



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Background

- DPI has 18 programs that provide administrative services to LEAs.
- Administrative services programs indirectly contribute to student outcomes
- PED conducted a risk assessment and chose five programs with greatest opportunity to realize better utilization of state funding

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Findings



Finding 1.

**DPI can reduce school bus
transportation costs without
adversely affecting performance**



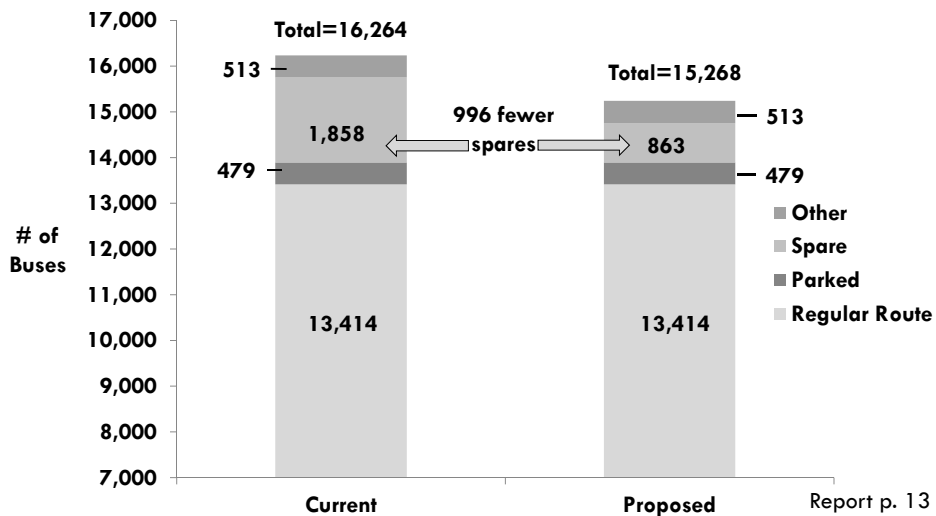
Adjusting Formula for Allocating State Funding Can Save \$19 Million Annually

- Budget rating reflects LEA operating efficiency
- Adjusts for unique LEA characteristics
- Legislatively mandated study recommended reduction to budget rating buffer from 10% to 5%
- Implementation of recommendation would produce annual savings of over \$19 million

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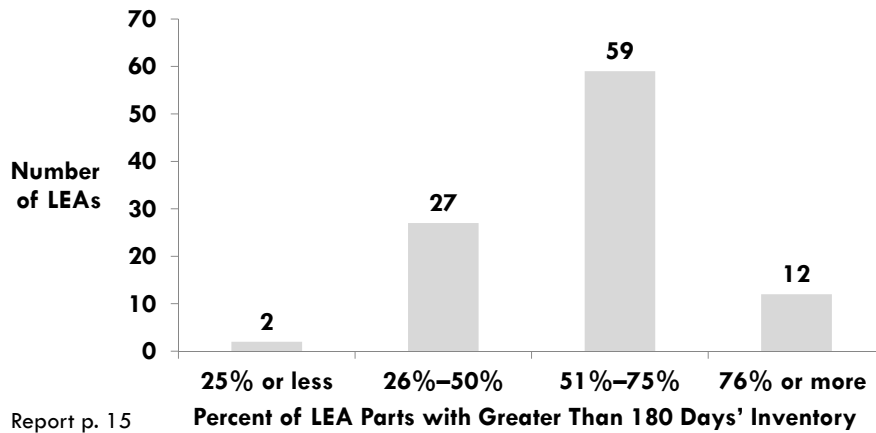
State Can Save \$3.1 Million by Reducing the Number of Spare Buses



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Many LEAs Have Excess Replacement Part Inventories



Increased Use of Term Contracts Can Decrease Replacement Part Costs

- Term contracts leverage purchasing power to obtain lower costs
- LEAs not required to use DOA-established term contracts
- DPI does not monitor LEA usage of term contracts for school bus replacement parts

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Finding 2.

DPI's inadequate oversight of school bus inspections and scheduled maintenance may be compromising school bus safety and the efficient use of resources

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Inadequate School Bus Maintenance Oversight

- More than 1,000 school buses were operated while out of compliance with statutorily-required safety inspections
- 25% of scheduled maintenance activities performed after the recommended mileage

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Finding 3.

The number of textbook orders processed by the Textbook Services program have declined significantly, but staffing levels and warehouse space have not been adjusted to reflect the reduced workload

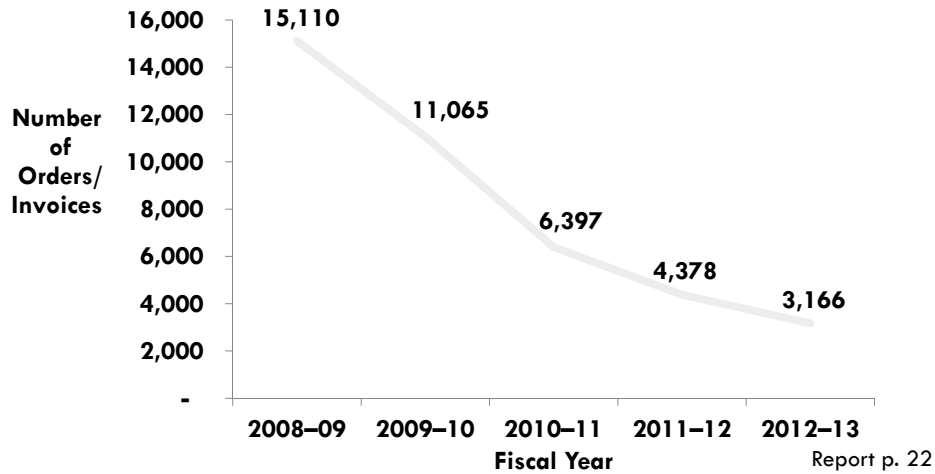
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Textbook Services Program

- Responsible for acquiring and distributing adopted textbooks
- Authorized 10 staff and expended over \$500K in FY 2012–13
- State law allows LEAs to use state funding to purchase non-adopted textbooks
- Textbook Services program is not utilized for non-adopted textbook purchases

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Textbook Orders Have Decreased by 79% Since FY 2008–09



Factors Contributing to the Decrease in Textbook Orders

- Legislative appropriations have declined by 77%
- Proportion of non-adopted textbook purchases has increased to 58% of total textbook purchases
- Public school system has been transitioning from traditional textbooks to digital learning



Textbook Staffing and Warehouse Space Can Be Reduced

- Reducing staffing by six positions will produce annual savings of over \$250K
- Program can meet its operational requirements with less warehouse space

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Finding 4.

The Department of Public Instruction has insufficient information to determine the cost-effectiveness and continued need for the services provided by the Plant Operation and School Planning programs

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Insufficient Information to Determine the Effectiveness of Facility Services

- Estimated value of Plant Operation services not based on empirical evidence
- Results of School Planning construction plan reviews not tracked
- Cost and time to perform services of both the Plant Operation and School Planning programs are not calculated

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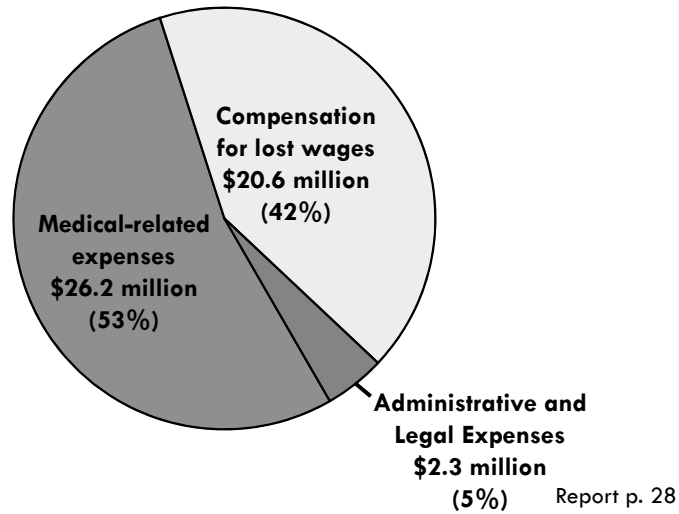
Finding 5.

DPI is not ensuring that LEAs have effective workers' compensation programs that minimize program costs

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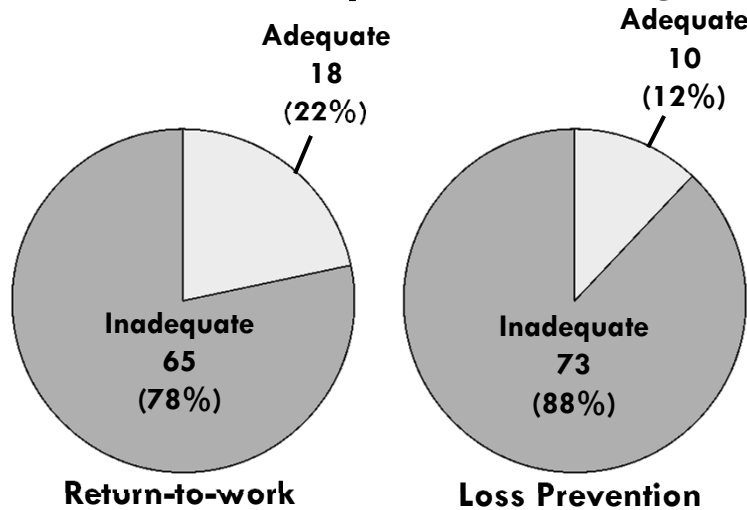
The State Spends Nearly \$50M Annually on Workers' Compensation Claims



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Most LEAs Do Not Have Effective Workers' Compensation Programs



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Finding 6

DPI's performance management system does not adequately ensure its administrative programs and activities are effectively contributing to the mission and vision of the State's public school system

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Performance Management System is Inadequate

- Procedures: 13 of 18 programs do not have comprehensive and well-maintained procedures
- Activity Outputs: 36 of 102 activities do not have identified outputs
- Monitoring: 15 of 18 programs do not provide regular performance reporting
- Objectives: No aligning strategic goal

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Recommendations



Recommendation 1

**Increase the efficiency of school bus
transportation services**



Recommendation 1

- **Adjust the budget rating formula buffer used to allocate state funding**
- **Ensure school bus inventories conform to established targets and sell excess buses**
- **Establish replacement part inventory targets and report to education oversight committee**
- **Establish term contracts for replacement parts with high sales volume**

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Recommendation 2

Improve oversight of school bus maintenance operations

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Recommendation 2

- **Revise state inspection process by using available information to:**
 - Monitor compliance
 - Identify high-risk areas
- **Submit revised inspection process and implementation schedule to education oversight committee by December 31, 2014**

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Recommendation 3

Reduce Textbook Services program staffing and warehouse space

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Recommendation 3

- **Eliminate six warehouse positions**
- **Reallocate excess warehouse space to other agencies**
 - **Department of Administration and DPI should submit plan to education oversight committee and Fiscal Research Division by December 31, 2014**

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Recommendation 4

Direct DPI to justify the continued need for school facility services

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Recommendation 4

- **Monitor cost and time to perform each service**
- **Measure benefits received from each service**
- **Report to education oversight committee and Fiscal Research Division by September 1, 2015**

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Recommendation 5

Improve Workers' Compensation Programs

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Recommendation 5

- **DPI should develop model workers' compensation procedures**
- **Require LEAs to establish workers' compensation loss prevention and return-to-work programs**

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Recommendation 6

Implement an effective performance management system

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Implement Effective Performance Management System

- **State Board of Education should develop strategic goal(s) for administrative services programs**
- **DPI should develop a performance management system**
- **Report performance to education oversight committee annually**

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Legislative Options

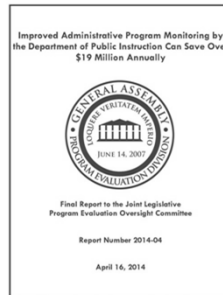
- Accept the report
- Refer it to any appropriate committees
- Instruct staff to draft legislation based on any of the report's recommendations





Joint Legislative Program Evaluation Oversight Committee
April 16, 2014

Report available online at
www.ncleg.net/PED/Reports/reports.html



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