

Leadership for Education Achievement in Delaware

LEAD Committee

Established by Governor Ruth Ann Minner, Executive Order #98

January 10, 2008

The Honorable Ruth Ann Minner
Governor of Delaware
Tatnall Building, 2nd Fl.
William Penn Street
Dover, DE 19901

Dear Governor Minner,

The Leadership for Education Achievement in Delaware (LEAD) Committee is pleased to respond to your Executive Order #98 with the results of its recent cost efficiency study.

Under Executive Order #98, one of the three tasks assigned to the LEAD Committee was to identify ways in which the fiscal efficiency of Delaware's public education system could be improved. This fall, with the financial support of the Delaware Business Roundtable, LEAD engaged The Boston Consulting Group (BCG) to conduct research and analysis into potential spending efficiencies. What follows is a summary of the efficiency opportunities identified by BCG and endorsed by the committee. *(Please see BCG's PowerPoint presentation, attached, for further information and full source citations.)*

The LEAD Committee approached this work with the aspiration of ensuring the facts—as surfaced by BCG after their many interviews of Delaware contacts, review of past research, and extensive data analysis—are put on the table for your consideration and that of other Delawareans. The LEAD Committee believes it is important to introduce the full set of opportunities into the policy debate.

This study is particularly important in the broader context of Vision 2015. Vision 2015 contains a number of recommendations for initiatives to improve student success, and many of these recommendations come with a significant price tag attached. Given the current fiscal climate in Delaware, it is unlikely that the goals of Vision 2015 will become a reality without the reallocation of dollars that are not currently put to the most efficient use. While it is always incumbent upon the state to spend taxpayer money wisely, it is all the more urgent when a coalition as strong and diverse as that behind Vision 2015 has endorsed specific steps toward a better future.

I. Development of this Report

In creating this report, BCG worked closely with Delawareans and built upon an extensive body of prior knowledge. First and foremost, the team leveraged the diverse and experienced members of the LEAD Committee. BCG interviewed each of the 18 LEAD members to begin the project, and had additional one-on-one meetings with them during the course of the study. The team also interviewed over 30 other Delaware stakeholders and outside experts, including: staff of the Department of Education, Office of Management and Budget, and other executive branch departments; superintendents and other district and charter school staff; participants in past education reform efforts; and experts from BCG and private industry. In addition, BCG built a robust “fact base” by:

- reviewing over 24 Delaware-specific education finance reports and studies from 1987 to the present,
- working with the Department of Education to gather and analyze line-item budget and spending data for DOE and all of the districts and charter schools, and
- analyzing spending data on pre-K-12 education from the Department of Services for Children, Youth, and their Families (DSCYF), the Department of Health and Social Services, and higher education.

II. Efficiency Opportunities

The BCG team reviewed potential efficiency opportunities within the state’s \$1.65 billion education budget, and identified opportunities with an annual value of \$86-158 million once fully and successfully implemented. This potential includes \$55-110 million in operating savings and \$31-48 million in capital savings. The operating savings is split between savings that would be realized at the state level and savings that would be captured by individual districts and schools. *(For each opportunity listed below, the corresponding estimated potential annual savings is provided in parentheses.)*

BCG leveraged past experience, interviews, and prior data and reports to develop an initial set of hypotheses on potential efficiency opportunities. After further analysis and consultation with the LEAD Committee, the ideas were narrowed down to seven primary areas of focus:

- Transportation
- Purchasing
- Energy
- Salary and benefits

- Construction
- Administration and central support
- Department of Education

Additionally, the Committee explored broader “system recommendations” to address the common themes that cut across these seven areas.

Transportation

In transportation, BCG identified at least \$9-12 million in average annual savings from a current total statewide expenditure of \$80 million.

Transportation Efficiency Opportunity #1: Redesign the bus contracting process to provide incentives for districts to save money (\$1.6-4.6 million)

Currently, student transportation in Delaware is not organized for efficiency. Because the state funding formula aims to fund 100% of to-/from-school transport directly, local districts that manage the system have little incentive to explore more efficient ways of spending transportation dollars. Additionally, for the 2/3 of state school bus routes that are served by contractors, the state funds through a fixed-price formula, rather than allowing competitive bidding that could push contractors to be more efficient.

BCG analysis determined several ways in which the contractor funding formula specifically disadvantages the state. For example, the state provides bus contractors an 11% premium over the state bid rate for school buses, based on the assumption that the contractors cannot purchase buses at a price as low as the state can. Thus, the state essentially pays 11% more than it would if it were to buy buses and give them (for free) to contractors. The state also pays an interest allowance even to bus contractors that can afford to buy buses with cash. Finally, the formula assumes contractors can sell used buses for 2% of the purchase price, while often the market price for used buses is significantly higher¹.

For these reasons, BCG believes there is an efficiency opportunity in changing the current bus contracting process. One approach would be to change the parameters of the current contractor funding formula. More promising, perhaps, would be broader reform of the bus contracting process. While many of the details would need to be determined, it is likely that the state would save if there were competitive bidding among transportation providers rather than prices set by the state. Further, there could be additional value in entering multi-district contracts and/or managing transportation across multiple districts and charter schools.

¹ A BCG online search of school buses for sale found buses of ages and mileages eligible for retirement in DE on sale for 7-20% of the DE contractor price. These values are not exact, because the buses found online were not necessarily used in Delaware or built exactly to DE specifications.

Transportation Efficiency Opportunity #2: Increase minimum bus retirement age to 10 years (or 150,000 miles or a nationally certified mileage standard for bus safety) to close gap with national average retirement age of 14 years (\$4.1 million)

Delaware funds school bus replacement after 7 years (and 100,000 miles), while the national average school bus retirement age is 14 years. BCG estimates over \$4 million in annual savings if Delaware were to fund bus replacement at a minimum of 10 years or 150,000 miles. This would keep Delaware below the national average, and would not allow any buses on the road that are not allowed today (though replacement funding is available at lower ages and mileages, Delaware’s mandatory bus retirement today is 12 years).

Transportation Efficiency Opportunity #3: Eliminate funding of transportation for non-public school students (\$3 million)

The \$3 million transportation stipend that is provided to non-public school students is not tied to the cost of transportation, but rather is an annually budgeted total amount that is divided among the families of all eligible non-public school students. BCG interviews indicated—and this appears to be widely known in Delaware—that this money often is not used for transportation at all. While schools are required to allow parents to choose how the money is directed, many parents simply check a box to allow the school to keep the money as a tuition payment or annual fund gift. It thus functions as a public stipend to a set of people who have “opted out” of the state-provided system.

Transportation Efficiency Opportunity #4: Empower the Unique Hazards Committee to make final decisions on safety-based exceptions, and eliminate provisions in the budget bill that allow otherwise ineligible students to ride the bus (\$0.6-1.4 million)

BCG analysis identified that there are over 2,400 students who receive transportation to school as a result of 37 special exceptions in the annual budget bill. In many cases, the budget bill states that these exceptions are for safety reasons. However, many of these situations had been previously considered by the Unique Hazards Committee (the appointed arbiter of safety-based exceptions to the minimum mileage requirements) and found not to warrant an exception. Further, adding exceptions to the budget bill requires no proof of any hazard, and some exceptions do not mention safety at all. Transporting these students costs the state between \$600,000 and \$1.4 million dollars annually.

Purchasing

In purchasing, BCG identified a \$15-\$25 million annual efficiency opportunity from a base of \$178 million in annual spending (across all school districts and charter schools) on goods and third-party services. This estimated savings from purchasing (9-14% of the

current level) is consistent with the results BCG has observed in purchasing improvement efforts across a large variety of organizations world-wide.

The primary observation in purchasing is that, while school districts and charter schools collectively spend many millions on goods and services, there are only a few examples where they pool their collective purchasing power. Too often, the 19 school districts and 17 charter schools purchase as independent entities, and this has a direct negative impact on the prices they are able to receive from suppliers.

Purchasing is an area where having an informed, strategic approach can lead to significant dollar savings. In Delaware, the staff and expertise invested in purchasing varies widely across districts and charter schools. Large districts may have dedicated purchasing professionals, while smaller districts and charters assign purchasing to an administrator or clerical staff member who handles many other tasks. Furthermore, decentralized purchasing functions lack the coordination and sophistication that might be expected of an entity with the purchasing volume of Delaware's education system. A BCG comparison of Delaware school districts' purchasing practices to those of "best-in-class" purchasing organizations found—not surprisingly, given the relatively small size of any one school district—that there is much room for improvement.

Finally, while school districts have access to state contracts for purchasing, their use of them varies widely. Some districts and charter schools believe they can save by purchasing on their own, and this is likely true at least some of the time. State contracts are not specific to education and do not typically have the volume guarantees (or other contract features) that enable suppliers to provide lower prices.² More problematic, however, is that there is no data readily available to help districts and charter schools understand how the prices and terms that they have obtained compare with each other and with those available on state contracts. At the state level, there's no clear record of when and how districts or charters obtained "better deals" than those offered by state contracts.

Purchasing Efficiency Opportunity: Formalize statewide coordination of the education purchasing function (\$15-25 million)

BCG believes that the opportunity in purchasing lies in increasing the centralization and coordination of the purchasing function. For most purchasing categories, state-level education-specific Central Category Managers, with input from districts and charter schools, would ensure more widespread collective purchasing. Ideally, the category managers should be overseen by an Education Purchasing Council composed of

² One of the reasons the state cannot guarantee volumes is that school districts and charter schools are not required to purchase on state contracts, and thus volumes are unpredictable.

members from school districts, charter schools, and state government. In those areas where specific local input is needed, such as textbook purchasing, a Lead Buyer Network at the district/charter level (again, with oversight from the Purchasing Council) would serve to enable districts and charters to better share information and more closely coordinate their buying in order to obtain the best conditions possible. A solution such as this would increase sophistication, improve collaboration, and, ultimately, drive significant purchasing savings.

Energy

In energy, BCG identified efficiency opportunities valued at \$4-7 million per year based on current statewide energy spending of \$28 million. Within energy, there are two primary opportunities identified.

Energy Efficiency Opportunity #1: Implement best practices in demand management (\$3-5 million)

The BCG team observed that some school districts, such as Seaford and Colonial, have significantly reduced energy costs through concerted efforts to manage energy usage. Their tactics range from installing motion detectors that keep lights turned on less often to investing in more efficient boiler controls. Other districts and schools have not fully adopted these best practice tactics, and their costs are observably higher. Setting common, state-level energy management standards and better supporting districts and schools in adopting those standards would help to ensure more widespread adoption of best practices.

Energy Efficiency Opportunity #2: Continue to explore the statewide pooled purchasing of natural gas (\$1-2 million)

This opportunity, which has been previously discussed in Delaware independent of this study, is similar to the very successful effort made in recent years to pool the statewide purchasing of electricity.

Benefits

In benefits, BCG identified an efficiency opportunity of \$0-29 million per year. The Committee believes this is an area for further study, hence the broad range.

The Committee wrestled with one of BCG's early findings in benefits: while Delaware's educator salaries are competitive regionally and above average nationally³, its benefits spending as a percentage of salaries is significantly higher than either the national

³ This statistic is from the American Federation of Teachers 2005 Survey and Analysis of Teacher Salary Trends. The Report of [Delaware's] Public Education Compensation Committee, May 15, 2007, used a different methodology and reached a different conclusion: that Delaware's salaries are competitive for new teachers but less competitive as experience increases.

average or that of neighboring states. Delaware's benefits cost 40% of salaries, on average, while Maryland, the next highest neighbor, is at 34% and the national average is 31%. If Delaware's benefits level were the same percentage of salaries as in Maryland, Delaware would spend \$41 million less than it does today.

However, unlike in other areas discussed so far, this higher relative cost is not necessarily an efficiency opportunity. Benefits, in the context of a broader compensation package, are an important tool in recruiting and retaining talented educators. However, a high relative benefits level does at least prompt further investigation to determine if there are either 1) efficiency opportunities that would not adversely impact educator quality, or 2) ways to more optimally allocate money across the various components of compensation.

One potential opportunity discussed by the Committee was the idea of multiple compensation options. Today's young educators do not have the same needs and preferences as their more experienced peers. Some educators may—due to their age, career path, or spouse's employment—prefer packages with lower-cost pension and/or health insurance plans paired with higher salaries. Compensation options could be structured such that the state saves money, all current educators maintain the option of their existing packages, and educators are offered new choices that, for some, better fit their needs.

Benefits Efficiency Opportunity: The Public Education Compensation Committee⁴ should incorporate into their work a full study of options to both enhance educator recruitment and retention and help to secure the long-term viability of the educator compensation system (\$0-29 million). Topics addressed should include, but not be limited to:

- 1. exploring more flexible compensation options that will allow employees, for example, to accept a higher salary for a reduction in benefits that offsets the expense;**
- 2. exploring offering a defined contribution plan as an option to the current defined benefit plan; and**
- 3. conducting an in-depth analysis of local benefits with the potential of pooling the demand to negotiate better rates**

There are many details to explore to evaluate if and how new compensation options might work. Safeguards would have to be put in place to keep educators from making risky choices, such as forgoing health insurance entirely in favor of more short-term

⁴ The Public Education Compensation Committee was continued for FY 2008 by Section 339 of the FY 2008 Final Operating Budget. It consists of members representing the Controller General's office, OMB, the Department of Education, DSEA, and school districts.

cash. There are several potential side-effects (eg, increased administrative costs, reduced purchasing power with vendors) that must be considered in determining how much money the state would or could “save.” For these reasons, the Committee recommends further study of educator compensation, including compensation options, defined-contribution retirement plans, and pooled purchasing of local-level benefits.

A final issue discussed, though again not resolved, by the Committee is the long term solvency of the current compensation model. In Delaware, while the retiree pension is fully funded, retiree health care is currently estimated to be a \$3.1 billion liability (across all state employees) that is not currently fully funded⁵. This means that, while today’s workers are funding today’s retirees, as the retiree population grows, the system may become stretched to a point where changes must be made. The current administration has been aggressive in addressing this liability and has already accrued a \$70.0 million balance in a trust fund created for these obligations. Delaware must remain committed to addressing this issue, and any proposed change in compensation design must consider the effects on all current liabilities.

Construction

In construction, BCG identified \$31-48 million in potential annual savings that, if achieved, would accrue to the capital budget. Construction spending is variable by year but totaled \$195 million in the year BCG used for baseline data (FY 2006). There are two primary efficiency opportunities in construction.

Construction Efficiency Opportunity #1: Leverage purchasing power of the state to reduce both design and materials costs of major construction and renovation projects (\$10-14 million)

There is an opportunity for greater collaboration, standardization, and pooled purchasing in construction (similar to “Purchasing” opportunity for the operating budget discussed above). In construction, there is an opportunity to coordinate the purchase of both goods (eg, steel, boilers) and services (eg, architects, contractors). Additionally, districts could save by coordinating the planning process and by using common design and equipment specifications.

One way to achieve coordination and pooled purchasing would be to have a state-level construction board to work with districts and schools to develop a statewide construction plan that would enable these efficiencies. Without a formal mechanism to facilitate coordination, it is unlikely that it will happen.

⁵ \$3.1 billion estimate comes from the Report to the Governor, Members of the General Assembly, and Members of the Delaware Economic and Financial Advisory Council from the Benefit Study Committee pursuant to Executive Order No. 67 (2005).

Construction Efficiency Opportunity #2: Evaluate an exemption of public schools from prevailing wage rate requirements for construction, renovation, and maintenance (\$21-34 million)

BCG used two methods to evaluate the potential savings from a prevailing wage exemption. One method was to assume the same savings rate that was achieved recently in Ohio, which exempted schools from prevailing wages in 1997. Ohio required a comprehensive five-year review of the policy, looking at cost savings, impact on building quality, and impact on construction wages in the state as a whole. The review indicated that Ohio achieved substantial savings (20% on additions, 11% on renovation projects, and 1% on new construction) without any adverse effects on quality or construction wages in the state as a whole.

To better understand the unique context of Delaware, BCG also interviewed a sampling of school district facilities' managers for their estimates of the cost differential of prevailing wages on various types of projects (new constructions, renovations, additions, and repairs). Their savings estimates were consistent with (in fact, often even higher than) the results achieved in Ohio.

Prevailing wage exemption is a controversial issue. However, due to the magnitude of the potential savings and the success of the exemption elsewhere, the committee feels that this opportunity is worthy of further policy debate. One potential implementation approach is a limited trial with a comprehensive evaluation of the results, as was conducted in Ohio.

Administration and Central Support

BCG identified \$25-34 million in potential savings out of the \$86 million spent annually on administration, instructional support, and student support at the district office level. In addition to the savings, implementing the opportunities in this section should have secondary benefits and increase the likelihood of successfully capturing the efficiencies in transportation, purchasing, and other areas discussed above.

In a state with 19 school districts that act largely independently, it is clear that there are duplicated efforts and forgone scale opportunities. In other words, it is contrary to the experience of many types of organizations—in both the public and private sectors—that just as many district office administrators per student are needed in a 20,000-student district as in a 1,000-student district. Among other factors, larger districts are able to spread fixed personnel costs (eg, a superintendent) across a larger base of students. BCG analysis of the types of functions performed by a school district indicates that the scale should be about 85%. This means that if two hypothetical 1,000-student districts each had 10 administrators, a consolidated 2,000-student district should not require 20 administrators, but rather 17 (85% of 20).

However, Delaware's school funding formula assumes very little scale in administration (96%). For this reason, it is not surprising that some past consolidation studies have found very little savings. For example, the formula would allocate 19 administrators to the hypothetical consolidated 2,000-student district above. Assuming "true" scale is 85%, the consolidated district would only need about 17 administrators to perform the same functions. Thus, savings estimates based on the current funding formula understate the potential impact of district consolidation.

Administration and Central Support / Overall System Efficiency Opportunity #1: Increase magnitude of scale in the funding formula by providing more incentives for larger districts to drive scale efficiencies (\$0.4-2 million)

Despite the fact that the funding formula assumes only 96% scale, the actual scale observed in district spending on administration is 90%. This means either large districts are "cashing in" their administrator units to spend on something else, small districts are pouring more local discretionary dollars into administration, or both. Adjusting the funding formula to more closely reflect "true" scale (85%) would ensure larger districts are operating as efficiently as they should.

Administration and Central Support / Overall System Efficiency Opportunity #2: Create broad shared services (\$25-34 million⁶). Ensure full consideration of regional and/or statewide shared services among districts and charter schools by requesting DOE to convene a committee not later than March 1, 2008 to fully research shared service models and to develop a business plan for implementation. This business plan should be completed by September 1, 2008.

The committee has discussed three ways to improve the capture of scale and increase collaboration within Delaware's educational system: improved cooperation, shared services, and district consolidation. Each of these has pros and cons that led the committee to currently endorse a shared services opportunity.

- **Improved cooperation:** This is clearly the least disruptive of the three, but just encouraging more cooperation across districts 1) rarely captures all of the potential opportunity at hand, and 2) provides the least structure and incentives to ensure results are different than today.
- **Aggressive shared services:** "Shared services" involves the consolidation of certain district office support functions, while keeping current district boundaries

⁶ This estimate does not include the potential positive impact that implementing shared services could have on realizing savings in other areas discussed in this report, such as transportation and purchasing

and governance intact. It allows personnel scale and efficiencies in areas such as finance and HR, as employees could serve multiple districts. It also enables improved capabilities in areas such as purchasing and transportation management, where specialization is not possible today in small districts. A shared services approach is not subject to “leveling up” of educator salaries and also allows charter schools to benefit from the shared services put in place. BCG analysis indicates that ~70% of administrative employees currently in district offices could be part of shared services, which could lead to a cost savings of \$25-34 million. Further, increased cooperation across districts can help enable many of the other recommendations in this report (for example, implementing the Lead Buyer Network for purchasing, or cross-district bus routes).

Implementing shared services is not an easy task, and tough decisions must be made about what functions will be shared. District offices must give up some control and reduce their staff size, and many functions must be coordinated across districts. Shared services also add some complexity by creating new entities (shared services centers, which could be independent, located within districts, or a part of DOE).

- **District consolidation:** Clearly, consolidation best leverages the scale of the system and most ensures that structural change, and efficiency capture, actually occurs. However, several other factors have to be considered before pursuing this type of reorganization: “leveling up,” optimal district size, and local control.

“Leveling up”: As discussed in past reports, a newly consolidated district might require “leveling up” teacher salaries to a common pay scale at least as generous as that of the highest-paying previously-existing district. While BCG analysis indicates that many consolidation scenarios still create significant net savings even assuming full “leveling up,” leveling up requires a potentially significant cost and must be considered in any consolidation discussion.

Optimal district size: Research on consolidation and district size nationally is somewhat mixed with regard to its impact on costs. Very small districts (below ~1,500) are almost universally regarded as subscale and able to benefit from consolidation. On the other hand, very large districts are at times found to spend more on administration per student, in conflict with scale assumptions (possibly due to funding mechanisms). From a cost perspective, past studies suggest an optimal district size is between 1,500 and 10,000 students. BCG believes larger districts can be more efficient, even beyond 10,000 students, if the right governance and funding models are in place.

Local control: Consolidation has implications beyond just the efficiency of district offices. It takes no more than an understanding of the history of school districts in the City of Wilmington to understand this fact⁷. The district is a community institution, and while there are districts in Delaware today that successfully represent more than one geographic community, issues of local control and local ownership enter into any consolidation discussion. Local control should not be the end of the consolidation discussion; indeed, if it were, Delaware would still have the many dozens of districts it had 50 years ago. However, in balance with cost and impact on student performance, it is another factor to consider.

Given the above considerations, the Committee at this time endorses the aggressive pursuit of shared services.

Administration and Central Support / Overall System Efficiency Opportunity #3: Measure impact of shared services in year 5 of implementation, and consider district consolidation at that time (\$39-42 million⁸)

The Committee proposes that once implemented, shared services be evaluated after five years to determine its impact on administrative cost, school district operations, and service quality. In light of the experience and evaluation, consolidation should be actively investigated at that time.

Department of Education (DOE)

Finally, the Committee also explored efficiency opportunities at the Department of Education (DOE). Of the \$50 million in addressable DOE spending, there is at least a \$1.6-2.8 million savings opportunity.

DOE Efficiency Opportunity #1: If service centers are created, ensure alignment with DOE

Foremost, any move toward increased coordination or shared services, as suggested above, must be coordinated with any services currently being provided on a statewide basis by DOE. Duplication of services must be avoided, and the DOE should take advantage of any shared services that are being put in place to support the districts.

⁷ Currently, the Wilmington Education Task Force is considering, among other issues, the alignment of district boundaries in and around the City of Wilmington. While this study addresses district organization to some degree, the LEAD Committee has not fully engaged in discussion on all of the issues surrounding alignment of districts in New Castle County, and it defers to the Task Force for specific recommendations in that regard.

⁸ Quoted potential annual savings assumes consolidation to 4-5 districts and does not include level-up calculation. The size of the opportunity drops to \$21-22 Million if it is assumed that teacher compensation will be leveled up to that of the highest-paying former district within each newly consolidated district.

DOE Efficiency Opportunity #2: Implement purchasing recommendations for all other goods and services obtained for DOE core programs (\$1.6-2.8 million)

The DOE, like the districts and charter schools, could achieve purchasing savings by collaborating with school districts and/or other state agencies in the procurement of goods and services. (While there may be some common opportunities, it should be noted that as a state agency, some of the policies regulating purchasing by the DOE vary from those applying to districts and charter schools).

DOE Efficiency Opportunity #3: Study and monitor the cost of state and federal laws and regulations

This study did not encompass a detailed estimate of the costs associated with specific rules and regulations. However, many BCG interviewees, particularly at the district level, noted that laws and regulations often lead to increased staff costs. While many of these policies may be necessary, the legislature, in cooperation with the DOE, should consider the administrative and other costs to districts, charter schools, and DOE associated with legislation and the subsequent implementation of rules and regulations.

Finally, some limitations of this study should be noted with regard to the DOE. The duration and nature of the study did not allow for detailed analysis of individuals' daily tasks or job functions. One proxy for such analysis at the district level is to compare the spending in a given category among districts. While such a comparison is never proof that one district is more efficient than another, it is useful in directing where further investigation into specific efficient practices can be conducted. At the state level, however, such comparisons are very difficult, as state departments of education (or equivalent) differ markedly in their policies, organization, powers, and scope.

III. Implementing these opportunities

Few, if any, of the opportunities surfaced in this report will be easy to realize. Most face formidable challenges of political will, fidelity of execution, or both. Political will needs no example—Delaware political observers will note that some of the opportunities here have been recommended before and have failed for lack of political will. On the execution side, a sustained effort is critical. Most of these opportunities will require detailed planning by those who can implement them, and the details will matter. In purchasing, for example, it will be important to implement a set of rules that strike the right balance between ensuring districts and charter schools are able to buy outside of state contracts if they find better terms elsewhere, and ensuring that state-wide contracts can provide vendors guaranteed volumes. If the rules placed upon buying outside of state contracts are too strict, districts and charter schools may stop complying; if, on the other hand, they're too lenient, state-wide contracts will be nearly as open-ended as those today, and as a result will not produce the best possible prices.

Many of the opportunities discussed in this report will require changes to laws and regulations. However, the Committee cautions against the temptation to implement this report through a series of legislative mandates without thoughtful consideration of the resulting administrative and/or financial burden on districts and charter schools, and any other unintended consequences. In light of both Vision 2015 and the findings here, the Committee is advocating not for a system with more rules, but for a system with more collaboration, brought about in a way that is more efficient and ultimately advances student success.

IV. Conclusion

Regardless of the above-mentioned challenges, we must examine our priorities in light of what is best for the children of Delaware. This document points to a potential of up to \$86-158 million per year for reallocation. Just over \$4 million saved and reallocated would fund high-quality early childhood education for 600 low-income children. When considering the opportunities raised in this report, we must ask ourselves whether each dollar we spend today is the best investment we could be making in our future.

Respectfully,

Marvin N. "Skip" Schoenhals, Chair

Valerie Woodruff, Vice-Chair

On behalf of the Leadership for Education Achievement in Delaware Committee

Attachments:

Cost efficiency opportunities presentation (from BCG)

Cost efficiency opportunities appendix (from BCG)

Committee member statements

LEAD Committee meeting minutes, August-December 2007

Executive Order 98