

## NORTH CAROLINA LEA CASE STUDY

# SHARED SERVICES

By Jessie Peed and Casey Wyant

Project 1.2 / July 2007



## EXECUTIVE SUMMARY

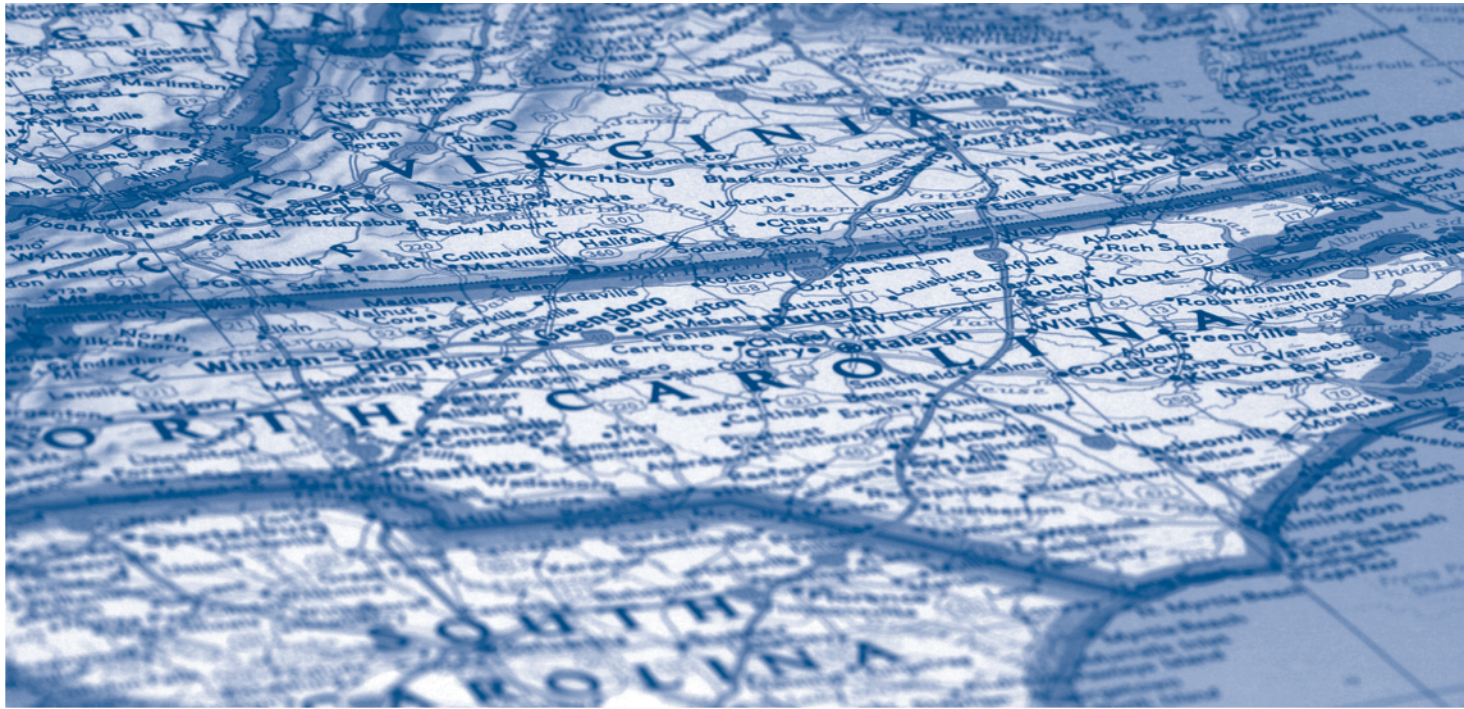
Smaller school districts are often faced with the challenge of providing the same quality of services as larger districts but with smaller staffs. In order to increase efficiency, decrease the burden on small LEA administrators, and enjoy the benefits of economies of size, we recommend that the North Carolina State Board of Education work with Regional Education Service Alliances (RESAs) to encourage exploration of shared service agreements between LEAs. LEAs can benefit from sharing services at many levels; however, we recommend beginning with smaller operations such as transportation, technology infrastructure support, and purchasing to expose stakeholders to the benefits of cooperation, while minimizing perceived risk.

## BACKGROUND

In efforts to decrease spending and increase administrative efficiency, many local government agencies have started to move towards service sharing agreements. Examples of agencies entering into service sharing agreements include school districts, county governments, municipal governments, and other local agencies. In a report for the Michigan Government Finance Officers Association, Art Holdsworth (2006) identifies several benefits of service sharing agreements. Holdsworth writes that sharing services among government agencies allows for more efficient use of personnel, improved quantity and quality of service, and the ability to hire and retain professional, well-educated, and highly qualified staff.

Service sharing also allows smaller school districts to take advantage of economies of size. Based on the literature on economies of size since 1980, Andrews et al (2002) find that "sizeable potential costs savings may exist by moving from a very small district (500 or less pupils) to a district with approximately 2,000 to 4,000 pupils, both in instructional and administrative costs." While school district consolidation might seem the easiest way to take advantage of economies of size, it is generally met with great discontent from the public. Eggers et al (2005) find that service sharing is a good way to take advantage of economies of size while avoiding the political risks associated with district consolidation; they suggest that states encourage shared services through budget pressure, financial incentives, and/or technical assistance. Similarly, Schwartzbeck (2003) suggests "Regional/Educational Service Agencies" as an alternative to consolidation and a way to increase efficiency and take advantage of economies of size.





## EXAMPLES OF COOPERATION IN NORTH CAROLINA

---

The North Carolina General Assembly authorized Interlocal Cooperation in Section 160A-461 of the North Carolina General Statutes. According to the statute:

*any unit of local government in this State or any other state (to the extent permitted by the laws of the other state) may enter into contracts or agreements with each other in order to execute any undertaking. The contracts and agreements shall be of reasonable duration, as determined by the participating units, and shall be ratified by resolution of the governing board of each unit spread upon its minutes.*

Currently, several groups of counties have cooperative agreements. Pitt, Onslow, Greene, Sampson, Duplin, Lenior, Granville, and Wayne counties have formed a purchasing cooperative for child nutrition. Over \$12 million dollars of purchases are made through the cooperative. In Davidson County, the county school system has joined with the Lexington and Thomasville city school systems to share career and technical education classes. By combining the classes, they are able to offer courses that would not have had sufficient enrollment within the individual systems. Additionally, some groups of LEAS have informal cooperation agreements to contract with a third party to provide transportation for school activities.

North Carolina also has nine Regional Education Service Alliances/Consortia (RESAs). These alliances serve voluntary district members in specific regional areas. The services offered by these alliances vary widely, but most include professional development. Other services offered by some alliances include teacher job fairs to recruit new teachers to member schools, grant evaluation, and assistance with data analysis.

## EXAMPLES FROM OTHER STATES

---

### **NEW JERSEY**

Because of a fiscal crisis in the state of New Jersey which caused aid to local districts to remain stagnant, the New Jersey School Board Association (2002) writes that more districts are beginning to share services. Services currently being shared between some districts in New Jersey include "pupil transportation, library resources, food services, curriculum development, teacher training, child study teams, special education, snow and trash removal, custodial services, and purchasing." Some administrative services are also being shared. The state has several programs that offer financial incentives for the exploration of shared services, but because of the previously mentioned fiscal crisis, they were not able to offer them in 2002.

### **NEW YORK**

In New York, school districts share services and resources through regional Boards of Cooperative Education Services (BOCES) (NY State Education Department, 2004). According to the

NY State Education Department, “it is often more efficient and less costly to operate one central service than it is to have separate programs in each school district. BOCES services are often customized offering districts the flexibility to meet their individual needs.” No school districts are required to join BOCES, nor are member districts required to participate or purchase any particular service. Each BOCES is governed a Board of Education comprised of one representative for each member district. Services provided through BOCES include instructional services, such as vocational programs and occupational therapy, and support services, including staff development, business services, and maintenance.

## APPLICABLE LESSONS FOR NC

The decision to share services between local government agencies should not be made hastily. Gaining the support of the people involved is a key element to the success of the agreement. Possible arguments for and against LEA cooperation are listed in the table below:

### LIKELY BENEFITS OF LEA COOPERATION

- Reduced cost
- Increased efficiency
- Improved service level and quality
- Improved employee moral and productivity
- Provision of services that would not otherwise be available
- Reduced potential impact of baby boomer retirement through shared institutional knowledge

### LIKELY BARRIERS TO LEA COOPERATION

- Fear of losing control
- Resistance to change
- Concern for quality of service
- Perceived lack of accountability
- Undefined start-up costs/financial plans
- Lack of institutional support/incentives
- Lack of local precedent/discernable leader

In his report “Merger of City-Village Services: Best Practices,” Dan Elsass (2003) identifies several important lessons learned from service sharing ventures in the state of Wisconsin. Below is a list of several tips that should be considered in the planning process:

- Start with a feasibility study
- Consider appointing a joint advisory board to review service options

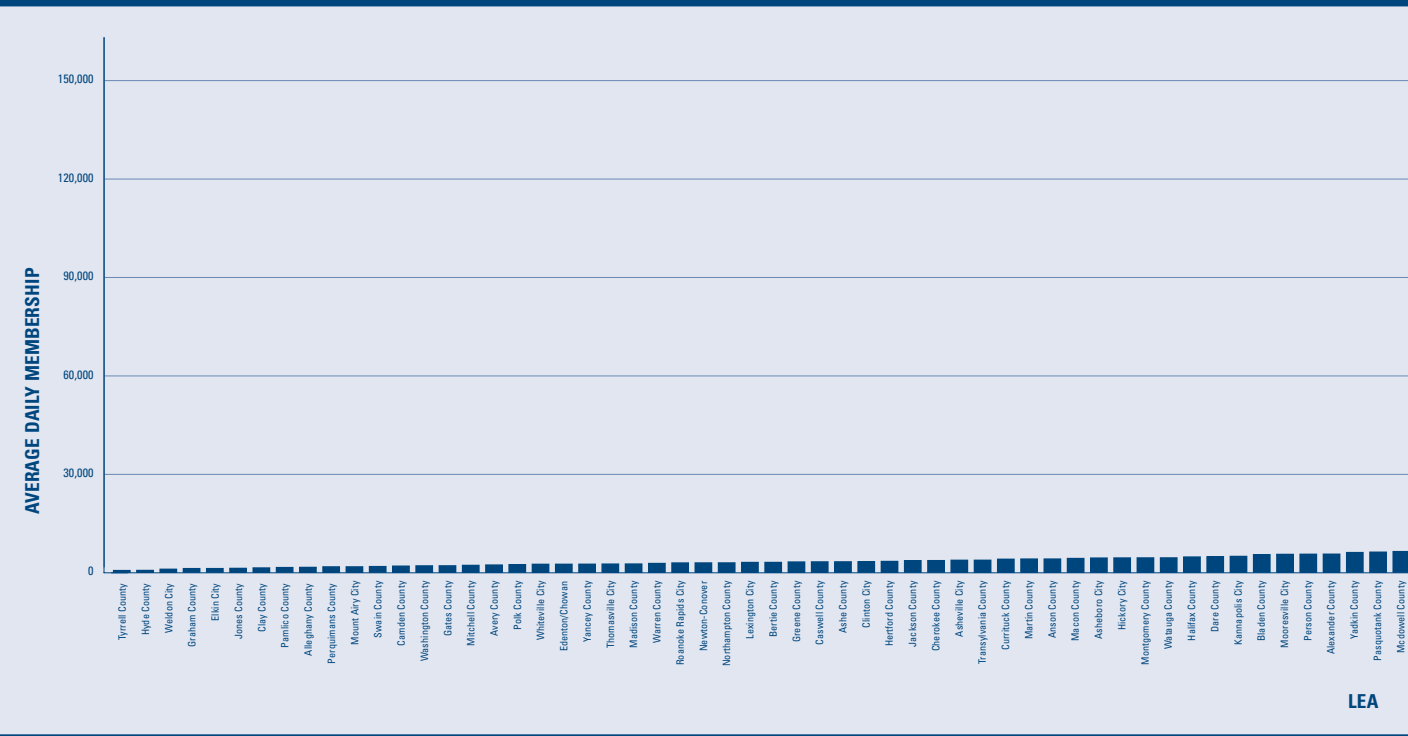


- Have a clear vision and firm objectives in mind before the proposal goes public
- Err on the side of maximum public participation before adoption
- Make sure agreements contain clear and equitable funding formulas covering members’ obligations
- Appoint permanent joint administrative boards to monitor service levels, personnel, and finance
- Include key personnel in the planning and transition process
- Conduct a complete appraisal of all participants’ assets before merging
- Consider a “dissolution” or “disbanding” clause in case things do not work out
- Consider including a mandatory cooling off period prior to dissolution

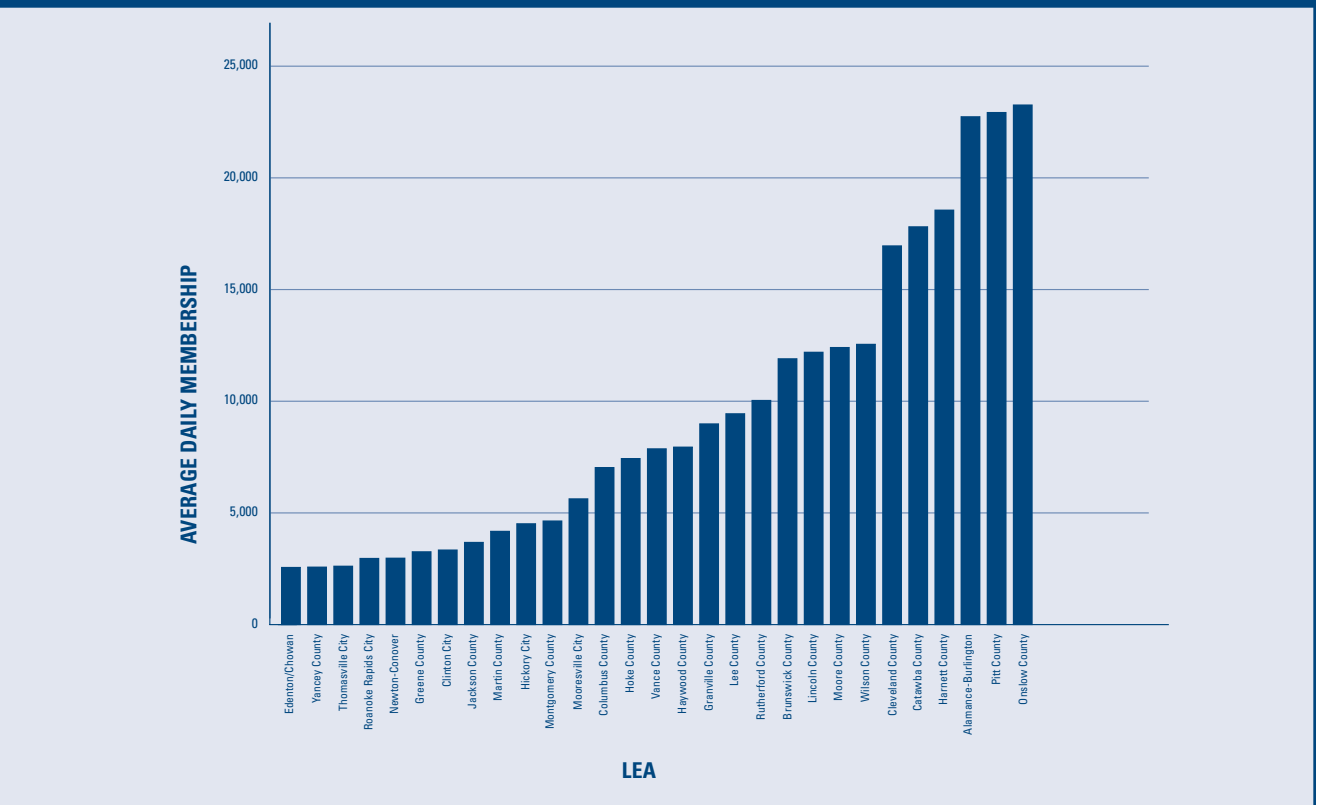
## THE CURRENT SITUATION

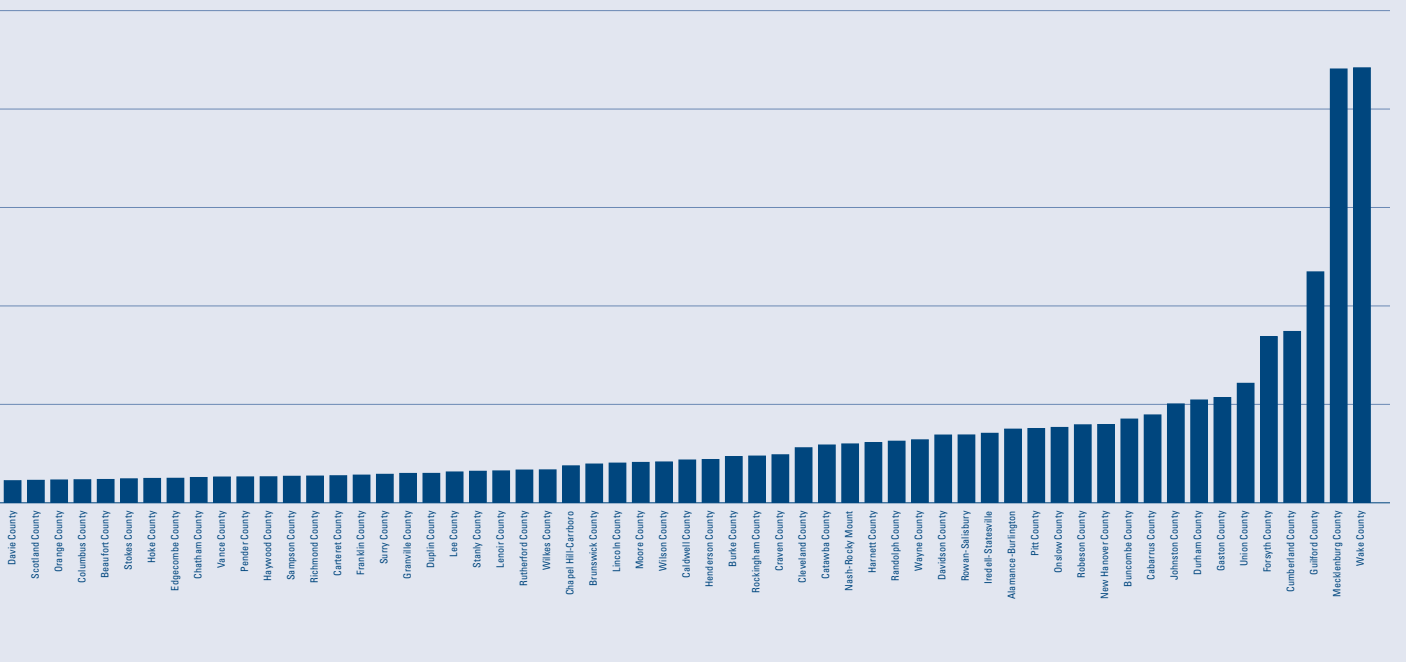
North Carolina Public Schools are divided into 115 local education agencies (LEAs). Each LEA has the same responsibility: to ensure that “every public school student will graduate from high school, globally competitive for work and postsecondary education and prepared for life in the 21st Century.” One hundred of the LEAs represent North Carolina’s 100 counties and fifteen are city units which operate independently of the county in which they are located (see FIGURE 1). The varied size and financial resources of the LEAs can affect their ability to provide services to students. One of the many factors that affect a school’s ability to meet the standards set by federal, state, and local law and to meet the needs of its students is the efficiency and effectiveness of its central

**FIGURE 1 Average Daily Membership 2006-2007 (all LEAs)**



**FIGURE 2 Average Daily Membership 2006-2007 (Sample)**





office. To look more closely at central office functions, a survey was conducted of the finance officers of thirty randomly selected LEAs (see FIGURE 2).

The survey results indicated that seventy-five percent of finance officers in LEAs with an Average Daily Membership (ADM) of less than 5,000 believed that the amount of work assigned to each staff member in their central offices was more than what they consider appropriate. In comparison, only thirty-three percent of finance officers in LEAs with an ADM of greater than 15,000 believed that the amount of work assigned to each staff member in their central offices was more than what they consider appropriate. As one finance officer from a small LEA (with an ADM less than 5,000) explained, “We are a small LEA and therefore people at the central office level have to be responsible for multiple areas or tasks.” Another described her central office as having “very minimal staff wearing many hats.” As the charts show, the smaller the ADM the more likely it is that the finance officer will believe the central office staff is overworked (see FIGURE 3 and 4).

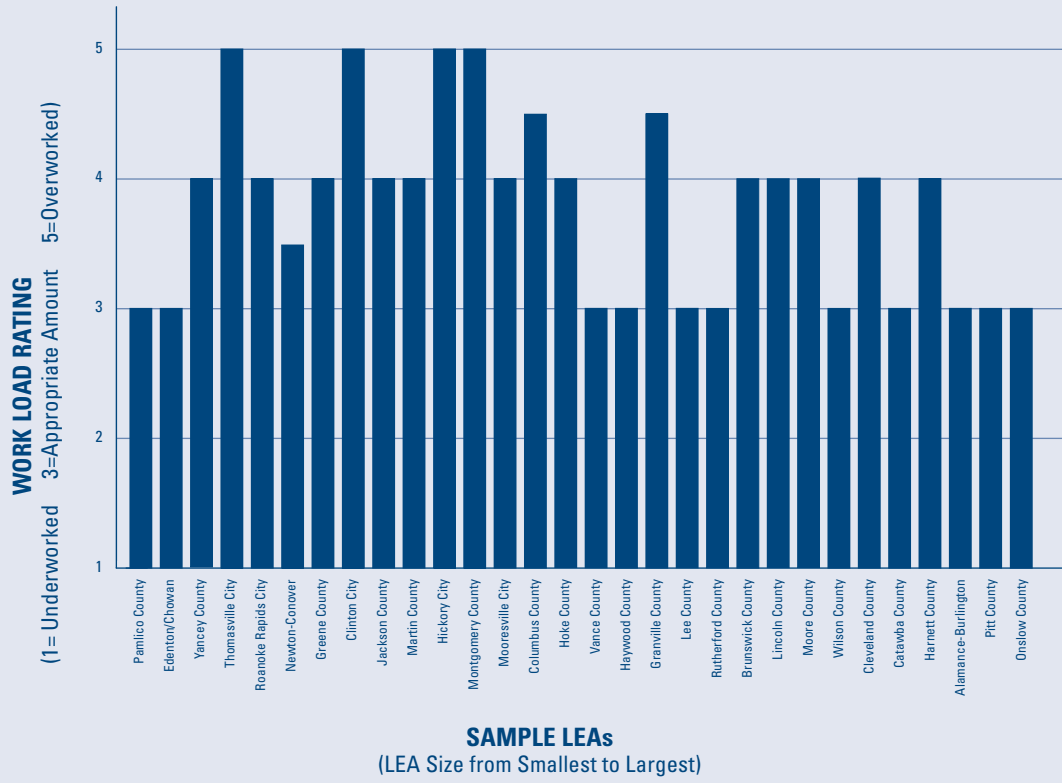
According to the survey, employees in the finance office, most often the payroll or accounts payable positions, were considered overworked (according to 73% of the counties surveyed).

In Section 115C-435 of the North Carolina General Statutes the North Carolina Legislature mandates that each LEA have a

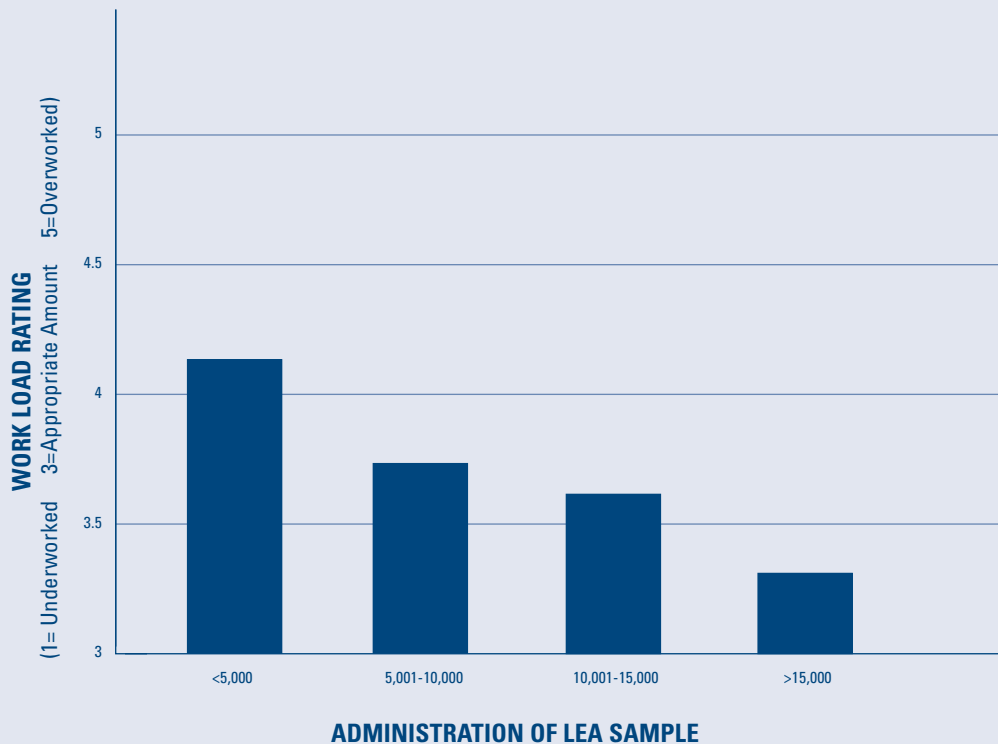
school finance officer. According to the North Carolina State Board of Education Policy Manual the duties of the school finance officer shall include:

- Maintaining an accounting system in accordance with generally accepted accounting principles and governmental accounting standards.
- Providing a secure physical and operational infrastructure to safeguard electronic data for the business operations of the school system.
- Maintaining a school payroll accounting system in accordance with applicable state and federal laws and regulations.
- Preparing financial reports annually and at other times as requested by the superintendent and local board.
- Preparing monthly, quarterly, and annual reports as required by other agencies.
- Maintaining an adequate system of internal controls including property and inventory accounting.
- Maintaining a sound system of cash and management, including signing and issuing all checks, drafts and warrants, receiving and depositing all monies, and investing all idle cash.
- Maintaining accounting systems in the individual schools.

**FIGURE 3 Do you think that the amount of work assigned to each staff member is appropriate?  
(1 = Staff is Underworked, 3 = Staff has Appropriate Amount of Work, 5 = Staff is Overworked)**



**FIGURE 4 Do you think that the amount of work assigned to each staff member is appropriate? (1 = Staff is Underworked, 3 = Staff has Appropriate Amount of Work, 5 = Staff is Overworked) Average answer based on LEA size?**



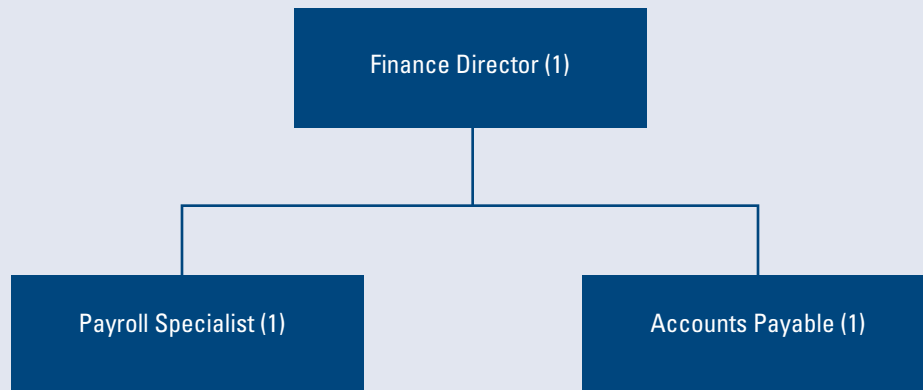
- Maintaining a system of contracting and purchasing procedures, including the issuance of the pre-audit certificate.
- Coordinating the preparation of the annual budget and any amendments as appropriate.
- Maintaining a financial management system for child nutrition and other special funds' operations.
- Carrying out all assigned responsibilities in accordance with federal, state, and local laws and applicable rules and regulations.
- Collecting, processing and reporting fiscal data in accordance with the applicable specifications of the Uniform Education Reporting System.
- Complying with the requirements of the Uniform Education Reporting System including the standards and procedures adopted by the State Board of Education for providing timely, accurate and complete fiscal and personnel information.

auxiliary services, child nutrition, ordering textbooks, and maintenance among other things. One finance officer pointed out that the finance office has had to pick up tasks for vacant positions in other parts of the central office. Another expressed exactly what we observed throughout our study, "smaller units have same amount of work to be completed but fewer people to handle it." This difference can clearly be seen from the sample organization charts on the next page.

The finance offices of the sample LEAs ranged from 3 to 17 employees sharing the responsibilities listed above. In the small districts they often had additional responsibilities including

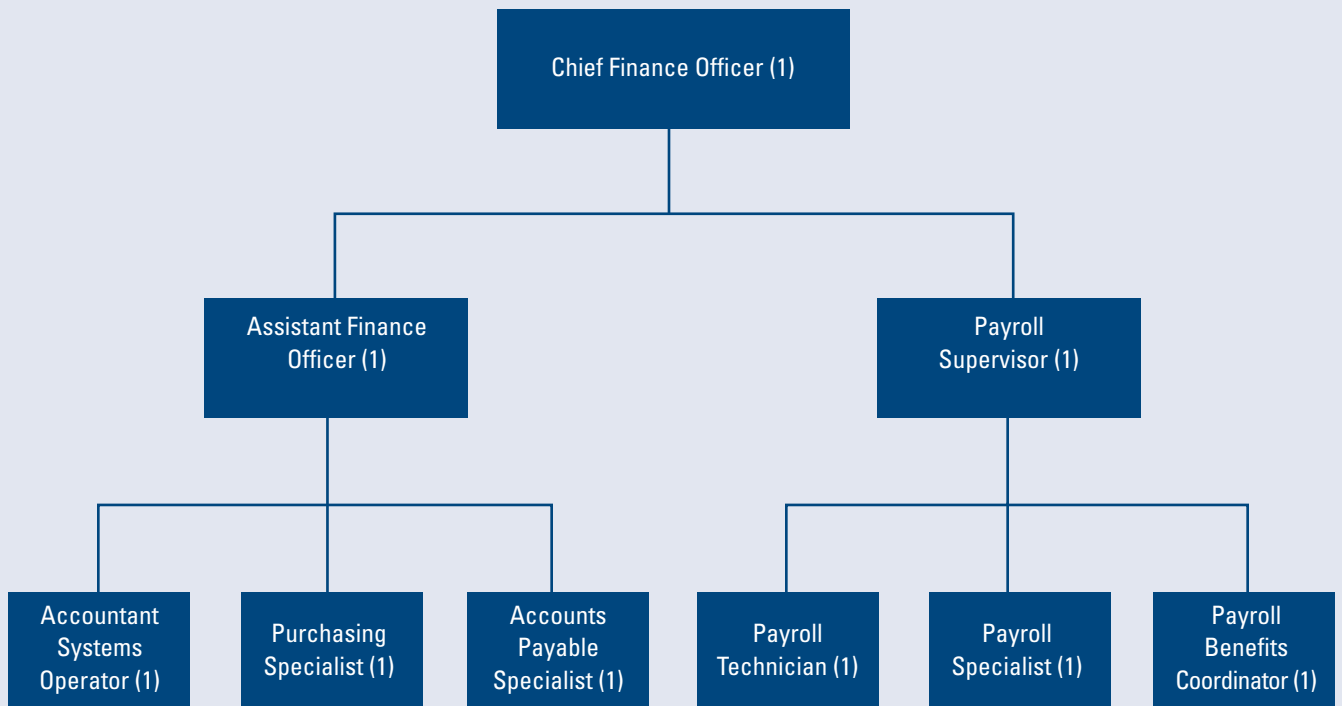


## SAMPLE LEA FINANCE OFFICE – ADMINISTRATION <5,000



The smallest LEAs work with limited budgets and small staffs to provide financial services to their school districts. They have similar responsibilities to the larger offices with fewer people. Of the LEAs surveyed those with an ADM of less than 5,000 had between three and five staff members in their finance offices. Seventy-five percent of finance officers in these LEAs believed the amount of work assigned to staff members was more than what is appropriate.

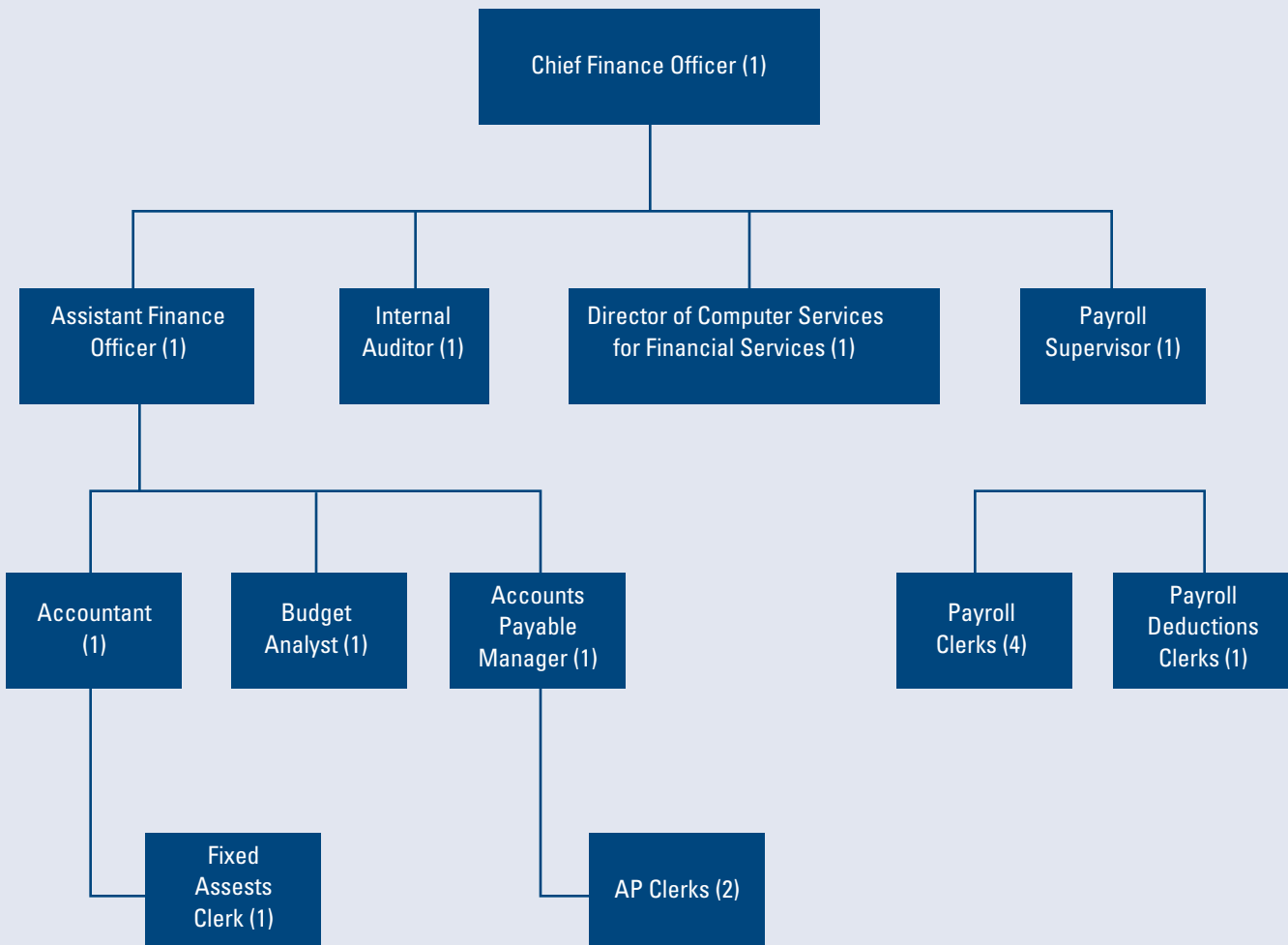
## SAMPLE LEA FINANCE OFFICE – ADMINISTRATION ~10,000



The LEAs with ADM between 5,000 and 15,000 vary according to size. According to the survey these LEAs have between seven and fourteen finance office staff members. The average number of finance office staff members for LEAs of this size range is nine. Fifty-eight percent of finance officers in these LEAs believed the amount of work assigned to staff members was more than what is appropriate.

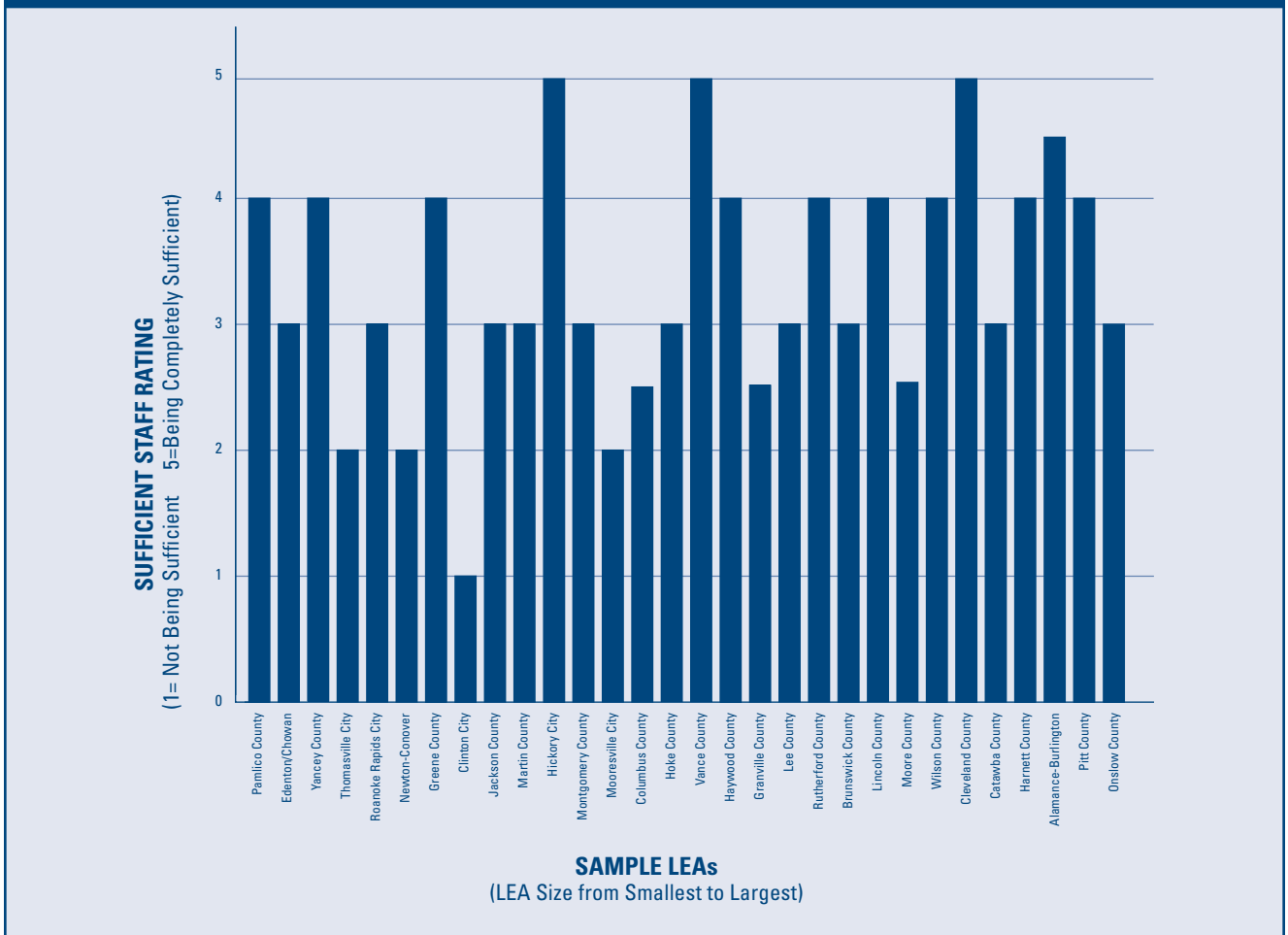


## SAMPLE LEA FINANCE OFFICE – ADMINISTRATION >15,000



The largest LEAs have much larger staffs. The average number of finance office staff members for LEAs of this size range is sixteen, but the number increases as the ADM of the LEA increases. Only thirty-three percent of finance officers in these LEAs believed the amount of work assigned to staff members was more than what is appropriate.

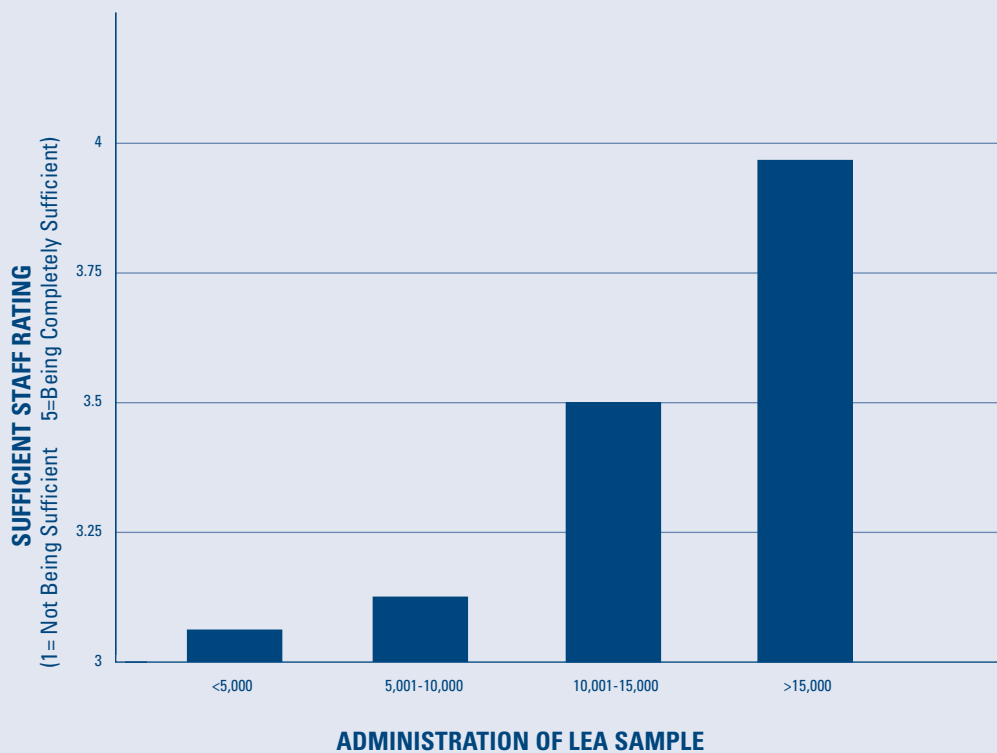
**FIGURE 5 On a scale of 1 to 5, how sufficiently staffed is your district office?  
(1 = Not Being Sufficient, 5 = Being Completely Sufficient)**



As the ADM of the LEA grows, so does the size of the finance office and the ability to efficiently and effectively manage the necessary operations of the office. In the smallest LEAs the finance office may only have three or four staff members to handle a wide range of tasks. As the LEAs increase in size they are able to hire a greater number of staff members who can specialize in certain areas of finance.

Finance officers were also asked whether they believed their central offices were sufficiently staffed. The results of this question were less decisive. The question was, "On a scale of one to five, how sufficiently staffed is your district office - with one being not sufficient and five being completely sufficient?" Only thirty-three percent of finance officers in LEAs with ADM less than 10,000 rated their district a four or five. Comparatively fifty percent of those finance officers in LEAs with ADM of 10,000 to 14,999 rated their district a four or five, and sixty-seven percent of those in LEAs with ADM of greater

**FIGURE 6** On a scale of 1 to 5, how sufficiently staffed is your district office? (1 = Not Being Sufficient, 5 = Being Completely Sufficient) Average answer is based on LEA size.



than 15,000. As figure 6 shows, the perception of district offices as being sufficiently staffed increases as the size of the LEA increases (see FIGURE 5 and 6).

The overall perception by the Finance Officers is that the central offices in small LEAs are insufficiently staffed. This is one example of the obstacles that small LEAs have to face: providing the same quality of service as larger LEAs with fewer resources.

## RECOMMENDATION

Almost 42% of the Local Education Agencies (LEAs) have an ADM of less than 5,000. As shown by Finance Officers' survey responses, the smaller districts are often overworked and the central offices are not sufficiently staffed. In order to lessen the burden on employees of small districts and increase administrative efficiency, we recommend that smaller districts take advantage of economies of size by sharing services.

While most people recognize the rewards that can be gained by sharing services, the initial decision to begin the process is difficult and is often met with resistance. The stakeholders,



most broadly the voters in a school district (more specifically the local board of education, superintendent, central office personnel, teachers and parents), must all be convinced that sharing services will be advantageous to the schools. This means overcoming the general resistance to change and fear of losing direct authority over certain areas.

In its analysis of the success of shared services in New Jersey school districts, the New Jersey State League of Municipalities (2005) advises that "options are preferable to mandates." New Jersey uses regional liaisons to disseminate information about the benefits of shared services to local school boards and encourage districts to consider filling positions on a shared basis when vacancies arise. With that in mind, we recommend that the North Carolina State Board of Education cultivate the support of RESAs in encouraging LEAs to pursue shared service opportunities.

While our research indicates that sharing services such as payroll and accounts payable through joint finance operations would relieve some of the pressure on the central office personnel, this is not a feasible step at this point in time. We recommend that cooperation between school districts begin in a less intrusive way, perhaps via a new initiative like school connectivity.

Some North Carolina school systems have already recognized the benefits of shared services. They join together for bulk purchasing agreements and save money by sharing the expenses of transportation. With increased involvement and support from the State Board of Education and local RESAs,

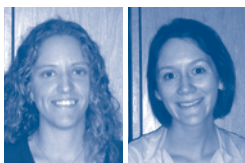


more districts could follow this example. Sharing services at this level is an excellent step toward introducing stakeholders to the idea of cooperation. This would set the groundwork for increased cooperation in the future.

---

#### WORKS CITED

- Andrews, Matthew, William Duncombe, and John Yinger. "Revisiting Economies of Size in American Education: Are We Any Closer to a Consensus?" *Economics of Education Review* 21 (2002): 245-262.
- Eggers, William D., Lisa Snell, Roberta Wavra, and Adrian T. Moore. "Driving More Money into the Classroom: The Promise of Shared Services." Reason Foundation, 2005.
- Elsass, Dan. *Merger of City-Village Services: Best Practices*. UW-Extension Local Government Center, 2003.
- Holdsworth, Art. *The Business Case for Interlocal Cooperation*. Michigan Finance Officers Association, 2006.
- Librera, William L. *School Districts and Shared Services: Reducing Costs and Improving Quality*. New Jersey State League of Municipalities, 2005.
- New Jersey School Boards Association. "Schools Practice What They Teach: It's Good to Share." *Back to School*, 2002.
- New York State Education Department. "What is BOCES?" 2004. <http://www.emsc.nysed.gov/mgtserv/BOCES/APrimerAboutBOCES.htm>
- Schwartzbeck, Theresa D. *Declining Counties, Declining School Enrollments*. American Association of School Administrators, 2002.
- 



By Jessie Peed and Casey Wyant

The Financial and Business Services Area established the Research Intern Program in FY 2006-07. The Program is designed to help build a quality research program within DPI to supplement and supply data for discussions related to procedural, process, and policy changes. The inaugural program includes five graduate students from four area universities. The intern program is managed by Jackson Miller (919) 807-3731 | [jmiller@dpi.state.nc.us](mailto:jmiller@dpi.state.nc.us).

NC DEPARTMENT OF PUBLIC INSTRUCTION :: **June St. Clair Atkinson, Ed.D., State Superintendent** :: 301 N. Wilmington Street :: Raleigh, NC 27601-2825  
In compliance with federal law, NC Public Schools administers all state-operated educational programs, employment activities and admissions without discrimination because of race, religion, national or ethnic origin, color, age, military service, disability, or gender, except where exemption is appropriate and allowed by law.

*Inquiries or complaints regarding discrimination issues should be directed to:* Associate Superintendent :: Office of Curriculum and Instructional Services  
6307 Mail Service Center :: Raleigh, NC 27699-6307 :: Telephone 919-807-3761 :: Fax 919-807-3767