



BUSINESS LEADERS FOR[®]
MICHIGAN

**Michigan K-12 Education
Non-Instructional Spend Analysis**
Michigan House School Aid Subcommittee
February 25, 2021

Project Overview

Source:

[A] "Documentation for the NCES Common Core of Data National Public Education Financial Survey (NPEFS), School Year 2014-15 (Fiscal Year 2015)," NCES, January 2018.

Our study focused on non-instructional spending in the Michigan K-12 system.

Spending Category	Definition
Instruction	For teaching students or facilitating interaction between teachers and students.
Student and Instructional Support	For activities designed to assess and improve student well-being and supplement the teaching process.
Non-Instructional	For services including general administration; school administration; business services; operations and maintenance; transportation; central support; food services; enterprise services; and other support services.

Note:

[1] Expenditures for property and facilities acquisition, payments & other transactions, prior year adjustments, debt service, transfers to other funds, and depreciation expense are excluded.

The team analyzed non-instructional spending in three educational entity types.

Entity	Definition	Description	Total 886
1 ISD	Intermediate School District	ISDs are entities that provide instructional (e.g., special education) and non-instructional (e.g., technology services) services to districts.	ISDs: 56
2 LEA	Local Education Agency	LEAs are entities that contain traditional publicly-funded, tuition-free public schools.	LEAs: 538
3 PSA	Public School Academy	PSAs are entities that contain publicly-funded, tuition-free public <i>charter</i> schools that stand alone or as part of a larger “network” of schools.	PSAs: 292 ¹

Note:

[1] 9 PSAs closed during the 2016-17 school year, bringing the number of PSAs in the scope of our analysis from 301 to 292.

Top 10 State Comparison

Source:

[A] “NAEP Data Explorer,” Nations Report Card, 2005-2017.

We compared spending in Michigan and the top 10 states (“Top 10 States”) in terms of NAEP performance.

State ¹	Math 4th Grade	Math 8th Grade	Reading 4th Grade	Reading 8th Grade
Massachusetts	1	1	1	1
New Jersey	5	4	2	2
New Hampshire	8	3	3	3
Virginia	4	5	6	18
Wyoming	3	7	7	12
Indiana	7	12	9	6
Connecticut	28	22	4	5
Minnesota	2	2	15	15
Florida	9	34	5	25
Vermont	18	13	8	4
Michigan	35	33	35	30

Abbreviations: NAEP, National Assessment of Educational Progress.

Note:

[1] Ranks are determined based on the percent of students that reached “proficiency” on each of the four NAEP tests listed above. The “Top 10” states in the subsequent slides were selected by the number of times each one appeared in the top 10 and top 5 lists for NAEP test performance.

Sources:

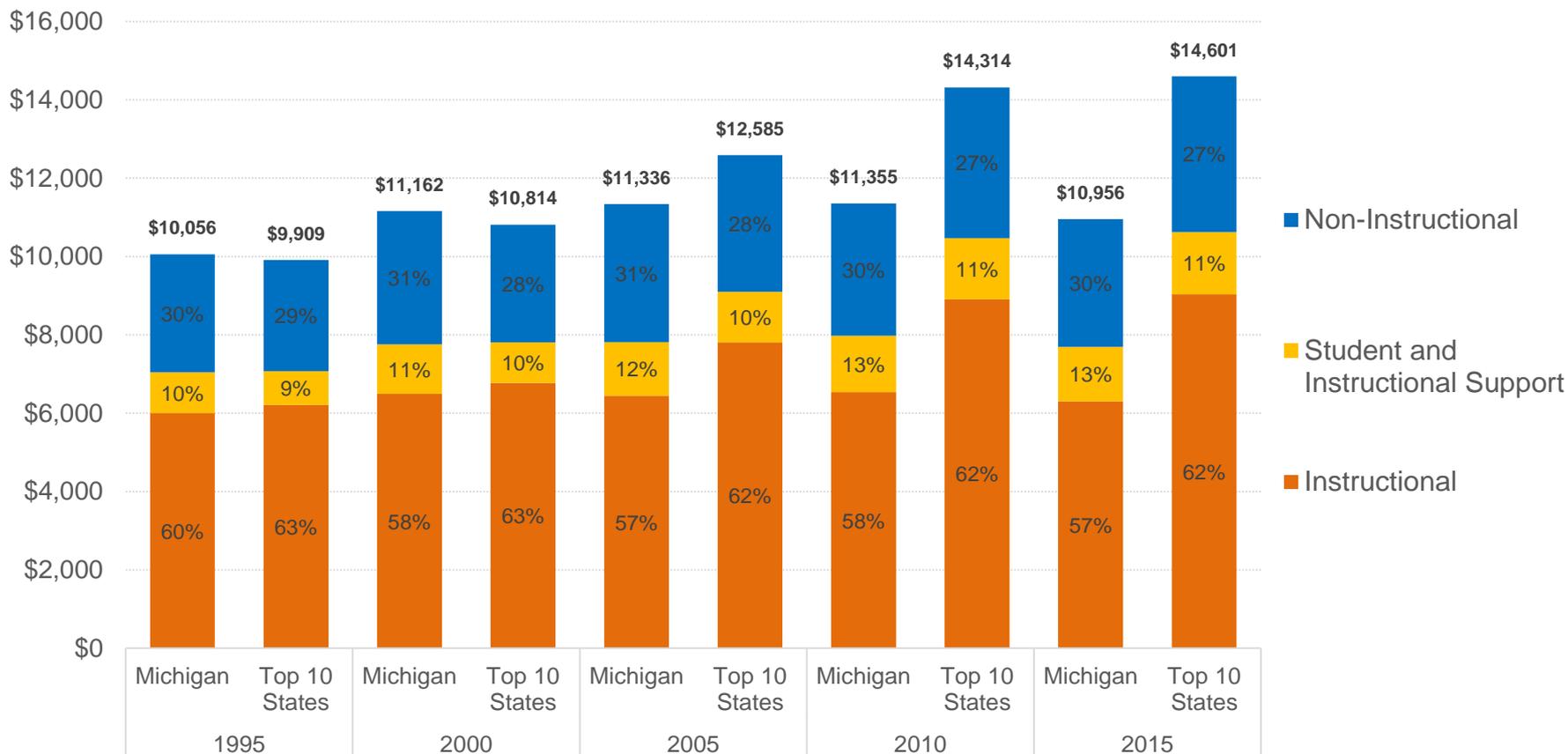
[A] "Common Core of Data," NCES, FY 2014-15.

[B] "SARPP Regional Price Parities by State (2015)." US Bureau of Economic Analysis, 2015.

Since 1995, spending in Michigan stayed relatively flat, but grew by 35% in the Top 10 States.

Per-Student Expenditure Breakdown: Michigan vs. Top 10 States (1995 - 2015)

Spend per student



Source:

[A] "Common Core of Data," NCES, FY 2014-15.

In general, Michigan spends less per student than the Top 10 States on instruction and non-instruction.

Top 10 State	Total Spend	Instruction		Student and Instructional Support		Non-Instruction	
	\$ per student	\$ per student	%	\$ per student	%	\$ per student	%
Michigan	\$11,743	\$6,751	57%	\$1,493	13%	\$3,499	30%
Massachusetts	\$15,439	\$9,852	64%	\$1,825	12%	\$3,762	24%
New Jersey	\$16,641	\$9,865	59%	\$2,208	13%	\$4,569	27%
New Hampshire	\$14,188	\$9,015	64%	\$1,519	11%	\$3,655	26%
Virginia	\$10,950	\$6,665	61%	\$1,264	12%	\$3,021	28%
Wyoming	\$16,647	\$9,908	60%	\$1,913	11%	\$4,826	29%
Indiana	\$10,518	\$6,050	58%	\$934	9%	\$3,534	34%
Connecticut	\$17,497	\$11,064	63%	\$1,637	9%	\$4,796	27%
Minnesota	\$12,243	\$7,928	65%	\$940	8%	\$3,375	28%
Florida	\$9,159	\$5,621	61%	\$991	11%	\$2,546	28%
Vermont	\$18,347	\$11,617	63%	\$2,132	12%	\$4,599	25%
US Average	\$12,075	\$7,249	60%	\$1,281	11%	\$3,545	29%

Notes:

[1] Student and Instructional Support: Student support and instructional support.

[2] District Administration and Business Services: Services including general administration; school administration; business services; operations and maintenance; transportation; central support; food services; and other support services.

[3] Numbers have been adjusted to reflect cost of living in each state.

Source:

[A] "Common Core of Data," NCES, FY 2014-15.

However, Michigan spends 70% more than the Top 10 States in Other Services.

Top 10 State	Total Non-Instruction	School Admin	General Admin	Other Services¹	Ops and Maintenance	Transport	Food Services	Enterprise
Michigan	\$3,499	\$650	\$260	\$601	\$1,070	\$486	\$432	\$0
Massachusetts	\$3,762	\$661	\$239	\$386	\$1,371	\$685	\$419	\$0
New Jersey	\$4,569	\$805	\$334	\$388	\$1,632	\$864	\$366	\$181
New Hampshire	\$3,655	\$788	\$497	\$172	\$1,210	\$630	\$357	\$0
Virginia	\$3,021	\$648	\$174	\$175	\$1,021	\$581	\$420	\$2
Wyoming	\$4,826	\$903	\$339	\$661	\$1,588	\$833	\$497	\$6
Indiana	\$3,534	\$668	\$238	\$265	\$1,212	\$643	\$507	\$0
Connecticut	\$4,796	\$1,016	\$386	\$447	\$1,542	\$869	\$392	\$144
Minnesota	\$3,375	\$487	\$454	\$325	\$857	\$684	\$528	\$39
Florida	\$2,546	\$506	\$83	\$237	\$910	\$355	\$455	\$0
Vermont	\$4,599	\$1,160	\$372	\$417	\$1,467	\$639	\$525	\$18
US Average	\$3,545	\$680	\$272	\$390	\$1,135	\$534	\$499	\$36

Notes:

[1] Other Services includes business services (fiscal services), central support (IT data processing services), and other support (expenditures not categorized elsewhere).

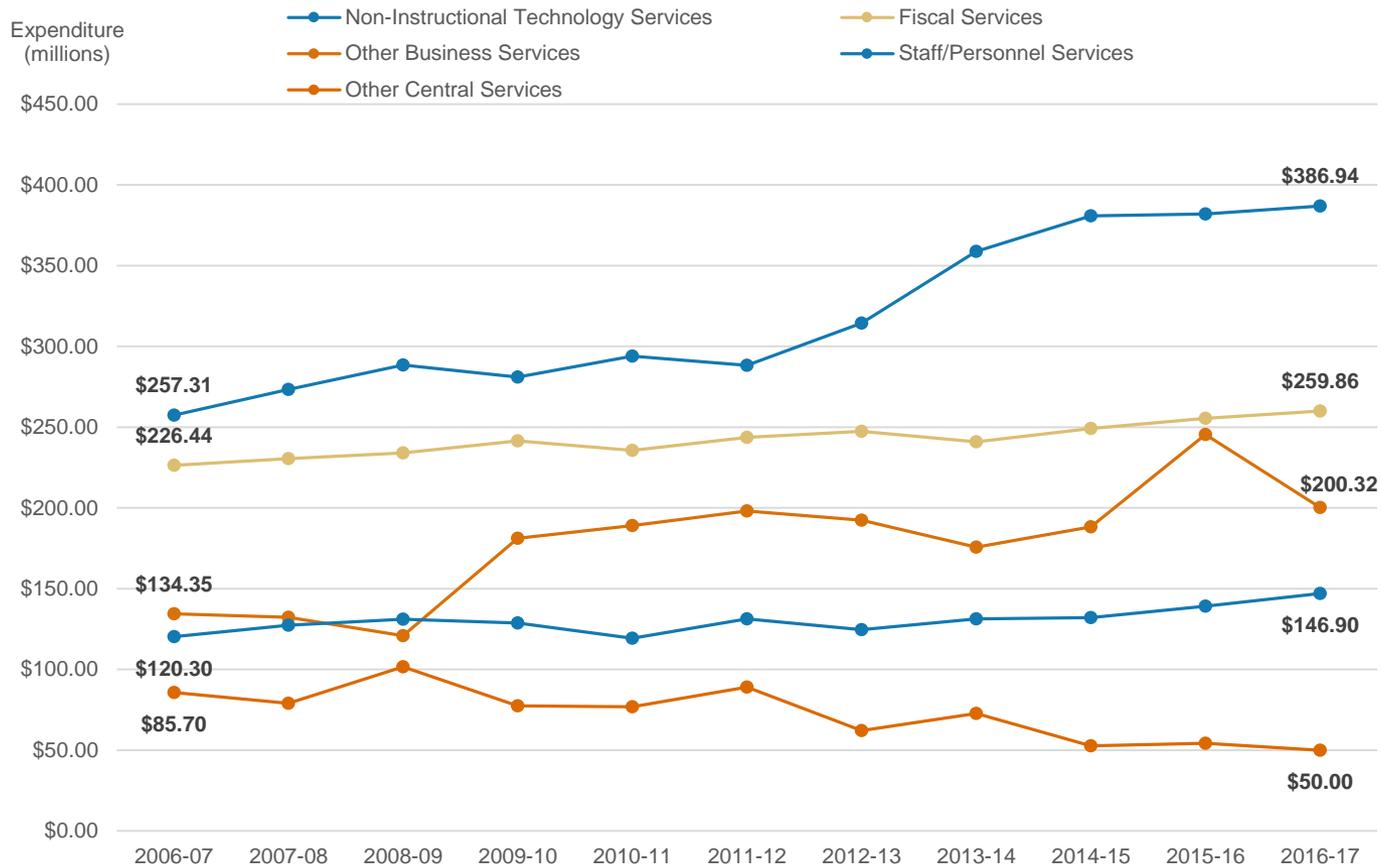
[2] Numbers have been adjusted to reflect cost of living in each state.

Source:

[A] "School Year 2016-2017 Financial Expenditure Data," CEPI, May 22, 2018.

Recent tech investments in Other Services may have "primed the pump" for future efficiency gains.

Michigan Spending in Top 5 Other Services:
2006-07 through 2016-17



Notes:

[1] Other Services spending is primarily concentrated (88%) in five areas: non-instructional technology services, fiscal services, other business services, staff/personnel services, and other central services.

Recommendations Overview

In our review, we identified inefficiencies, the pain points contributing to them, and recommendations to address them.

We identified pain points and recommendations via:

- desk research
- data analysis
- benchmarking
- surveys
- interviews



Pain Point #1	Non-standard information technology systems lead to high and duplicative costs
Why this issue matters	<ul style="list-style-type: none">• Districts fail to leverage economies of scale when they procure and operate systems on their own• Lack of interoperability between systems hinders district adoption of ISD administrative services• Differences in the way systems collect and organize data inhibits data collection and analysis
How this issue is substantiated	<ul style="list-style-type: none">• Multiple interviewees noted that districts could save time and money by using fewer systems• A study by the Michigan Association of Intermediate School Districts (MAISA) found that getting all districts onto a standard data hub system could save (just on data-related efficiencies) over \$50M per year.
How to address this issue	<ul style="list-style-type: none">A. Develop a state-wide roster of pre-approved technology systems (e.g., financial accounting, student accounting, etc.) for districts to choose among as systems become due for upgradeB. Create statewide consortiums for districts to pool costs by using the same information technology systems (e.g., for training, servicing, etc.)

We weighed potential recommendations based on numerous factors.

Cost

- Are there one-time or repeating investment costs?
- How significant are the one-time or repeating investment costs?

Owner

- Who is responsible for implementing the recommendation?
- What stakeholders are required to support the recommendation?

Politics

- Is a constitutional amendment required?
- Is a legislative act required?
- Is a public vote required?

Timeline

- How long will the recommendation take to implement?
- What other changes are required for the recommendation to begin or be successful?

Benefits

- What benefits will be associated with this recommendation?
- Will this be a one-time benefit or an ongoing benefit?

We grouped recommendations into “option” packages based on the likely benefit and degree of difficulty.

Option 1

Recommendations that require minimal change to the status quo, e.g., improved transparency via reporting and benchmarking.

One-Time Cost:
Less than \$3 million

Annual Net Savings:
\$50-75 million

Option 2

Recommendations that require moderate change to the status quo, e.g., increased shared services and integrated technology use and purchasing.

One-Time Cost:
\$50-75 million

Annual Net Savings:
\$175-250 million

Option 3

Recommendations that require substantial change to the status quo, e.g., management of capital projects and consolidation of back-office operations.

One-Time Cost:
\$175-250 million

Annual Net Savings:
\$525-750 million

Note: Totals figures are rounded to the nearest \$25 million, except the one-time cost of Option 1. Wherever practical, estimates at the high end of the range were rounded up, and estimates at the low end of the range were rounded down.

Summary of Options and Recommendations

	Option 1		Option 2		Option 3	
Recommendation	Expected Cost	Annual Benefit	Expected Cost	Annual Benefit	Expected Cost	Net Annual Benefit
1A: Reporting rationalization	<\$1M	\$5-7.5M	<\$1M	\$5-7.5M	<\$1M	\$5-7.5M
1B: Benchmark reviews	<\$1M	\$15-20M	<\$1M	\$15-20M	<\$1M	\$15-20M
1C: Shared service utilization	<\$1M	\$20-60M	<\$1M	\$20-60M	<\$1M	\$20-60M
2A: IT systems roster			\$50M	\$75-100M	\$50M	\$75-100M
2B: District Support Centers			\$10-20M	\$50-75M	\$10-20M	\$50-75M
3A: Capital Project Fund					\$1-2M	\$15-25M
3B: Consolidate ISD non-instructional activities					\$20-30M	\$175-275M
3C: Consolidate LEA back-office operations					\$100-130M	\$150-185M
Total	<\$3M	\$50-75M	\$50-75M	\$175-\$250M	\$175-\$250M	\$525M-\$750M

Note: Totals figures are rounded to the nearest \$25 million, except the one-time cost of Option 1. Wherever practical, estimates at the high end of the range were rounded up, and estimates at the low end of the range were rounded down.

Summary of Option 1 Package

Option 1 Package		Impact	
Recommendation	Description	Expected Cost	Net Annual Benefit
1A: Reporting rationalization	Increase integration between state reporting requirements for LEAs, PSAs, and ISDs	<\$1M	\$5-7.5M
1B: Benchmark reviews	Establish detailed non-instructional spending and staffing benchmarks for LEAs, PSAs, and ISDs	<\$1M	\$15-20M
1C: Shared service utilization	Encourage LEA utilization of ISD shared services	<\$1M	\$20-60M
Total		<3M	\$50-75M

Note: Total Annual Benefits figures are rounded to the nearest \$25 million. Wherever practical, estimates at the high end of the range were rounded up, and estimates at the low end of the range were rounded down.

Summary of Option 2 Package

Option 2 Package		Impact	
Recommendation	Description	Expected Cost	Net Annual Benefit
2A: IT systems roster	Establish a state-wide IT reference architecture	\$50M	\$75-100M
2B: District Support Centers	Centralize shared service offerings in several ISD District Support Centers	\$10-20M	\$50-75M
Total (including costs and benefits from option 1)		\$50-75M	\$175-\$250M

Note: Totals figures are rounded to the nearest \$25 million. Wherever practical, estimates at the high end of the range were rounded up, and estimates at the low end of the range were rounded down.

Summary of Option 3 Package

Option 3 Package		Impact	
Recommendation	Description	Expected Cost	Net Annual Benefit
3A: Capital Project Fund	Create a state-wide Capital Cost Fund to support capital projects	\$1-2M	\$15-25M
3B: Consolidate ISD non-instructional activities	Centralize all ISD non-instructional activities	\$20-30M	\$175-275M
3C: Consolidate LEA back-office operations	Consolidate the administration and back-office operations of LEAs under 1,000 students	\$100-130M	\$150-185M
Total (including costs and benefits from options 1 and 2)		\$175-\$250M	\$525M-\$750M

Note: Totals figures are rounded to the nearest \$25 million. Wherever practical, estimates at the high end of the range were rounded up, and estimates at the low end of the range were rounded down.