



PERFORMANCE AUDIT REPORT

K-12 Education: Evaluating the Costs and Benefits of Smoky Hill Education Service Center Membership

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
February 2016**

Legislative Division of Post Audit

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February 3, 2016

To: Members, Legislative Post Audit Committee

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Representative Virgil Peck, Jr., Vice-Chair
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This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Evaluating the Costs and Benefits of Smoky Hill Education Service Center*. The audit was requested by Senator Tom Arpke. We would be happy to discuss the findings, recommendations, or any other items presented in this report with any legislative committees, individual legislators, or other state officials.

In its response, the agency disagreed with our finding that the membership fees for the districts we reviewed were greater than the benefits they receive. More information on this issue can be found in *Appendix B* on page 15.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Frank', written in a cursive style.

Scott Frank
Legislative Post Auditor

This audit was conducted by Heidi Zimmerman. Justin Stowe was the audit manager. If you need any additional information about the audit's findings, please contact Heidi at the Division's offices.

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K-12 Education: Evaluating the Costs and Benefits of Smoky Hill Education Service Center Membership

The Smoky Hill Education Service Center (Smoky Hill) was established in July 1990 and currently serves 52 member school districts across 25 counties. Smoky Hill offers a variety of services to school districts including teacher training, assistance with E-rate filings, software support, and bulk purchasing. To join Smoky Hill, members must pay an annual fee that is assessed based on both a flat and a per-student rate. Although that fee varies based on the size of the district, Smoky Hill officials told us it is generally less than \$2,000 a year.

The primary benefits of Smoky Hill membership are the discounts it offers on the various services it provides. Non-member districts can also use Smoky Hill services such as staff training or software support, but they pay full price. Similarly, member districts are able to make bulk purchases through Smoky Hill's vendor for no additional fee, whereas non-members must pay a 2% administrative fee for any purchases they make.

Legislators have expressed concern that member school districts are not receiving enough benefits from Smoky Hill membership to justify the costs.

This performance audit answers the following question:

1. Do the financial benefits of Smoky Hill Education Service Center membership outweigh the costs?

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A* on page 12.

To answer the question, we interviewed Smoky Hill staff, collected data on the services school districts purchased, and performed internet searches to gather information on the prices of certain technology equipment districts had purchased through Smoky Hill vendors. We also gathered information related to how much districts paid in membership fees in the 2014-15 school year.

We did not perform any work on internal controls because such work was not necessary to answer the audit question.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our findings begin on page 3.

Question 1: Do the Financial Benefits of Smoky Hill Education Service Center Membership Outweigh the Costs?

The Smoky Hill Education Service Center is one of seven education service centers in Kansas that offer support services to school districts (p. 3). For a sample of districts we reviewed, the cost of membership in Smoky Hill was greater than the financial benefit, primarily because districts did not purchase large enough quantities of discounted items to offset the costs (p. 5). Additionally, the results of our comparison of Smoky Hill's prices for certain technology items to prices from other vendors had mixed results, though Smoky Hill's prices were lower for many items (p. 9).

Smoky Hill is One of Seven Education Service Centers in Kansas that Offer Support Services to School Districts

Education service centers provide a variety of services to school districts that would be difficult or more expensive for districts to provide independently. For example, it is often more cost effective for a service center to provide training to several districts at one time rather than for each district to create and deliver training to its own staff. To achieve this greater efficiency, multiple school districts agree to form a service center that will provide certain services to all of its members (and in many circumstances to non-member districts as well).

School districts can join any of the state's seven service centers on a voluntary basis and may utilize multiple service centers for different purposes. The state's service centers are spread throughout the state and include:

- Education Services and Staff Development Association of Central Kansas (ESSDACK) - Hutchinson
- Northeast Kansas Education Service Center (Keystone) - Ozawkie
- Northwest Kansas Educational Service Center (NKESC) - Oakley
- Smoky Hill/Central Kansas Education Service Center (Smoky Hill) - Salina
- South Central Kansas Education Service Center (SCKESC) - Clearwater
- Southeast Kansas Education Service Center (Greenbush) - Girard
- Southwest Plains Regional Service Center (SPRSC) - Sublette

Service centers are somewhat similar to special education interlocals and cooperatives. Like service centers, these organizations are also formed by groups of school districts. However, unlike service centers, special education interlocals and cooperatives are typically limited to special education services. By contrast, service centers typically offer a variety of services which may include special education services.

Any district in the state (as well as private schools) can become a member of Smoky Hill service center. Smoky Hill has two categories of members:

- Charter members sign an interlocal agreement that grants them membership to Smoky Hill for five years. Further, representatives from those districts form a board that approves the budget and makes other decisions governing the service center. Smoky Hill currently has 38 charter members.
- Associate members join on a year-to-year basis and do not contribute to the governance of the service center. Smoky Hill currently has 14 associate members.

Non-member districts can also utilize most of Smoky Hill's services although those districts do not receive discounted prices. In the 2014-15 school year 47 non-member public school districts utilized Smoky Hill's services.

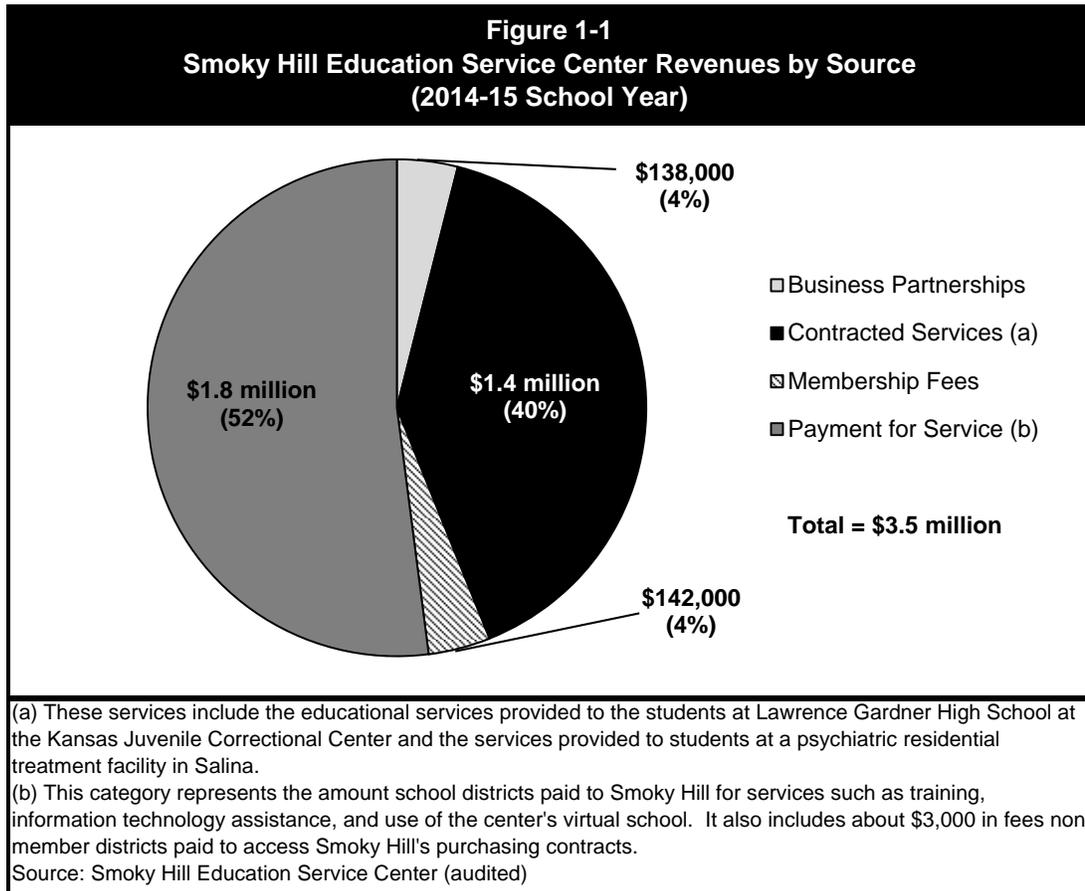
Smoky Hill provides services to school districts such as training, information technology support, and curriculum access. Officials at Smoky Hill told us they try to offer any service they can feasibly provide that a district requests. Although Smoky Hill offers a wide variety of services, those services generally fall into one of several categories, including:

- Providing access to a variety of different types of curriculum including Rosetta Stone (foreign language) and driver's education.
- Information technology assistance on either a long-term or short-term basis. Smoky Hill will also file a district's E-Rate paperwork (E-Rate is a federal program that reimburses school districts for certain information technology related expenditures).
- Training in a variety of areas including teacher mentoring, literacy, writing, and technology.
- Access to the virtual school and to the alternative learning program that Smoky Hill operates.
- Access to the several bulk purchasing contracts Smoky Hill coordinates.

Smoky Hill members pay annual membership fees in exchange for pricing discounts and other benefits. The primary factor that determines a district's membership fees is its headcount enrollment, though other factors are also considered. For example, the fees for associate members are also based on the number of teachers the district employs (in addition to headcount enrollment). Membership fees give both charter and associate members access to price discounts, although charter members receive the best discounts. For example, a full-day training workshop is \$500 for a

charter member, \$600 for an associate member, and \$750 for a non-member district.

Membership fees make up a small share of Smoky Hill’s total revenues. **Figure 1-1** summarizes these revenues by source. As the figure shows, Smoky Hill had revenues of about \$3.5 million in 2014-15, with only about 4% (\$142,000) coming from membership fees paid by school districts.



For a Sample of Districts We Reviewed, the Cost of Membership in the Smoky Hill Education Service Center Was Greater Than the Financial Benefit

We compared the cost of membership to the discounts districts received because of that membership for 10 school districts.

To determine whether the benefits of Smoky Hill membership outweighed the cost, we took several steps:

- We selected 10 school districts (out of 99 total districts) that purchased services from Smoky Hill in the 2014-15 school year. Although we chose the districts to achieve a generally representative mix of services purchased, district sizes, and membership types the results are not projectable. Moreover, we chose both member and non-member districts because we thought that non-member districts might have had a different purchasing pattern than member districts. As such, we wanted to avoid evaluating only one type of district.

- We then calculated the financial benefit of membership for each district. For the five member districts, we determined how much the district paid for the services it purchased and how much it would have paid if it had not been a member. For the five non-member districts, we determined how much it paid for services and how much it would have paid if it had been a member. Further, we reviewed, on average, 97% of the services each district purchased from Smoky Hill.
- Next, we identified or estimated the cost of membership for each of the 10 districts. For those districts that were members, we determined what they actually paid in membership fees in 2014-15. For the non-member districts in our selection, we estimated what they would have paid to be an associate member based on Smoky Hill's membership-fee formula.
- Last, we compared the financial benefits of membership to the cost of membership. When a district achieved, or would have achieved, more savings through discounted services than it paid in membership fees, we determined that the financial benefits of membership outweighed the cost. Conversely, if the district spent more on membership fees than it received in discounts, we determined the financial benefits of membership did not outweigh the costs.

Our analysis only considered the financial aspects of membership in Smoky Hill. Other non-financial factors such as the convenience or service quality, were not included.

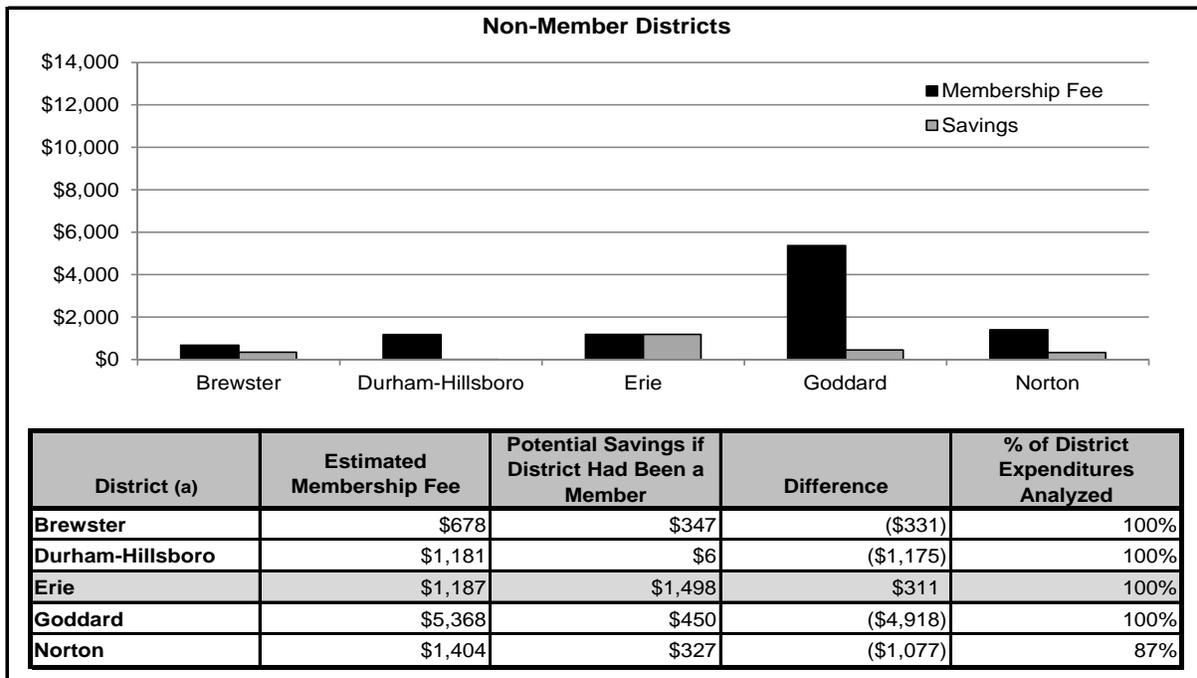
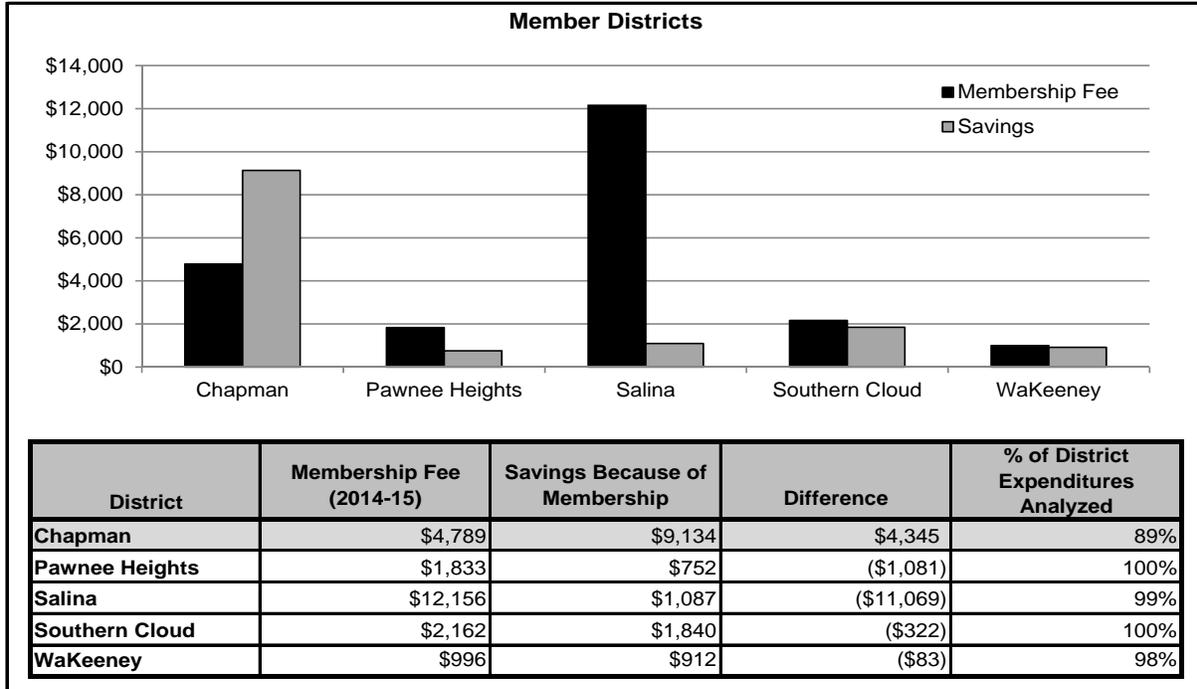
The membership fees for four of the five member districts we reviewed were greater than the financial benefits. For example, the Salina school district paid about \$12,200 in membership fees and purchased about \$368,300 in services from Smoky Hill in the 2014-15 school year. Had Salina not been a member, we estimated it would have spent about \$369,400 on those same services (about \$1,100 more). This means the district spent \$12,200 in membership fees but received only \$1,100 of savings. As such, we concluded that the cost of membership was greater than the financial benefits this district received.

Figure 1-2, on page 7, shows the membership fee and amount of savings each district in our selection received (or would have received) because of membership. As the figure shows, the cost of membership was greater than the financial benefits of membership for four member districts we reviewed. Those four districts spent a median of \$2,000 on membership fees, but only received a median of \$1,000 in savings as a result of their membership.

For Chapman, the amount the district saved was greater than the cost of membership by more than \$4,000. Chapman achieved these savings largely because it participated in a Smoky Hill program that provides an unlimited amount of certain types of

training for a flat fee of \$1,000 per year. Because the district utilized a large number of these trainings, the savings the district received exceeded the amount of their membership fees.

**Figure 1-2
Comparison of Membership Fees and Membership Savings for
Selected Member and Non-Member Districts**



(a) Because these districts are not Smoky Hill members, we estimated their membership fees based on a formula provided by Smoky Hill officials. Further, the savings are based on the discounts the district would have received if it had been an associate member of the service center.

Source: LPA analysis of data provided by Smoky Hill Education Service Center officials.

In total, if the four member districts we reviewed had not purchased memberships in Smoky Hill they would have saved a net amount of about \$12,600 (88% of this would have been saved by Salina). Although these savings are small, they may not be completely inconsequential, especially for small school districts.

Similarly, the potential membership fees for four of the five non-member districts we reviewed were also greater than the potential financial benefits. As *Figure 1-2* shows, the cost of membership would have been greater than the financial benefits of membership for four of the five non-member districts we reviewed. Those four districts would have spent a median of \$1,300 to become members but would have only received a median of about \$350 in savings as a result of that membership.

Last, the cost of membership was less than the financial benefits of members for one district we reviewed. Erie would have spent about \$1,200 on membership fees but would have received almost \$1,500 in savings had it been a member.

Membership fees did not appear to be cost effective for the districts we reviewed because they did not purchase enough discounted items. Like most purchasing cooperatives, an organization pays a fee to join but receives discounts in exchange. The organization must then purchase discounted goods and services in a sufficient volume to offset the membership fee. We found that the discounts did not offset the cost of membership for two reasons:

- **About three-quarters of the districts' expenditures were for items that were not discounted.** Across all of the selected districts' expenditures, 78% of the expenditures those districts made did not confer any type of discount based on membership. For example, the cost to access the virtual school that Smoky Hill operates is the same for both member and non-member districts. Because both members and non-members can access many services for the same price, the value of the discounts are diminished.
- **Districts did not purchase services or items in quantities large enough to offset the cost of membership.** For example, the Pawnee Heights school district spent about \$4,300 on services from Smoky Hill and received about \$800 in discounts. In order to offset its \$1,800 membership fee it would have had to spend about \$12,300. However, most districts do not utilize the service center enough to offset the cost of their membership fees.

Because the membership fees are a very small part of the districts' overall budgets, they may not perform a cost benefit analysis to determine if benefits outweigh the costs. For example, although

Salina spent about \$12,000 on membership fees in 2014-15, this represents only a fraction of the district's total expenditures which were a little more than \$114 million. Additionally, some districts may prioritize non-financial concerns above the financial, especially considering the relatively small amount districts pay for membership. For example, a Salina district official told us they continue to pay for membership because the district was a founding member of Smoky Hill and because they have established a good working relationship with it.

The Results of Our Comparison of Smoky Hill's Vendor Prices to Other Vendors for Certain Technology Purchases Had Mixed Results

In addition to our analysis of membership fees, we wanted to compare Smoky Hill's services to market rates. However, we were only able to evaluate prices for technology items. That is because technology items are sold by a large number of private sector vendors and because they include numerous technical specifications that facilitate accurate comparisons. By contrast, comparing services such as staff training can be more difficult because it is not always obvious whether the training is comparable (in terms of either content or quality) across multiple vendors.

We compared the prices Smoky Hill's vendors offered for 18 technology-related products to the prices we could find online through other vendors. Smoky Hill coordinates several bulk purchasing contracts that districts can utilize to purchase a variety of items such as office supplies, athletic supplies, and computers. Member districts can use this service at no additional charge but non-member districts must pay a 2% administrative fee to access those contracts. We chose the technology products that districts bought most often and the products districts spent the most on such as computers, monitors, and projectors. We then compared the best prices we found online to the prices Smoky Hill's vendors offered. Our comparison took into account shipping charges. These results are summarized in **Figure 1-3** on page 10.

Smoky Hill had lower prices than other vendors for a little more than half of the technology items we reviewed. Our comparison of Smoky Hill prices to other vendors showed that:

- **For 10 of the 18 (56%) items we reviewed, the prices offered through Smoky Hill's vendors were less than the best prices we could find through other vendors.** For those 10 items, other vendors' prices were, on average, 16% more than Smoky Hill's prices. **Figure 1-3** shows the prices Smoky Hill vendors offered and the prices we were able to find through an internet search. As the figure shows, a wireless access point costs \$800 through one of Smoky Hill's vendors, but \$985 was the best price we found online. Further, for these items, Smoky Hill's prices were still lower than other vendors even after considering the 2% administrative fee non-members pay.

- For 5 of the 18 (28%) items we reviewed, the prices offered through Smoky Hill's vendors were more than the best prices we found through other vendors. For the five items that had better prices through other vendors, their prices were, on average, 21% less than Smoky Hill's prices. As the figure shows, a Lenovo desktop computer cost \$600 through Smoky Hill's vendor but we found it online for only \$460.
- For 3 of the 18 (17%) items we reviewed, the prices offered through Smoky Hill's vendors were similar to the prices we found through other vendors. For those three items, the prices we found through other vendors were within 5% of Smoky Hill's vendor prices.

**Figure 1-3
Price Comparison of Smoky Hill Prices and Other Vendors**

Item	Total \$ Districts Spent (2014-15)	Smoky Hill Price (Per Unit)	Other Vendor Price (Per Unit)	% More/Less Than Other Vendor Prices	Vendor with Best Price
Smoky Hill's Prices Were <u>Less</u>					
LCD Projector	\$4,896	\$612	\$849	(28%)	Smoky Hill
Internet Security License	\$4,088	\$9	\$12	(21%)	Smoky Hill
Wireless Access Point	\$4,800	\$800	\$985	(19%)	Smoky Hill
iPad Protective Case	\$1,745	\$32	\$39	(16%)	Smoky Hill
Acer Chromebook Laptop (4 GB)	\$5,809	\$244	\$278	(12%)	Smoky Hill
Surveillance Camera	\$5,824	\$208	\$229	(9%)	Smoky Hill
Headphones	\$598	\$10	\$11	(9%)	Smoky Hill
iPad Charging Cable	\$947	\$16	\$17	(7%)	Smoky Hill
License for Camera Software	\$3,384	\$94	\$100	(6%)	Smoky Hill
Computer Monitor	\$14,999	\$100	\$106	(6%)	Smoky Hill
Smoky Hill's Prices Were <u>Similar</u>					
Projector	\$4,843	\$837	\$859	(3%)	Smoky Hill
Acer Chromebook Laptop (2 GB)	\$17,080	\$244	\$240	2%	Sears
Network Camera	\$5,828	\$1,457	\$1,387	5%	Network Camera
Smoky Hill's Prices Were <u>More</u>					
Headphones	\$1,496	\$8	\$7	8%	Jet
Keyboard for iPad	\$2,074	\$48	\$44	10%	Triplenet
Lenovo Desktop Computer	\$4,800	\$600	\$458	31%	CDW
HP Flash Drive	\$1,745	\$44	\$32	36%	Blinq
48 Port Internet Switch	\$8,459	\$2,820	\$1,735	63%	BecTech Global
(a) Prices for technology equipment can fluctuate over short periods of time. The prices in this table reflect the prices we found at the time of our search in November 2015. Source: Data provided by Smoky Hill officials (audited) and Internet searches by LPA.					

Conclusion and Recommendations

Conclusion

For the districts we examined, membership fees in the Smoky Hill Education Service Center did not appear to be cost effective. This was because districts typically did not buy the types of services that offered a discount in enough quantities to offset the cost of membership. Member districts should consider whether they can increase their purchasing through the service center to make the membership fee more cost effective. If the district cannot, it should consider whether continuing its membership in the service center is in the best interest of the district.

Finally, these findings should not be viewed as an assessment of the quality of services delivered by the Smoky Hill Education Service Center. That assessment is beyond the scope of this audit. As a result, if districts are pleased with the quality of the services they receive, nothing in this audit would indicate they should not continue to use the service center for those services.

Recommendations for District Action

1. The four member districts we reviewed that paid more in membership fees than they received in savings should evaluate whether continued membership in the service center is cost effective.

APPENDIX A Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on April 28, 2015. The audit was requested by Senator Tom Arpke.

K-12 Education: Evaluating the Costs and Benefits of Smoky Hill Education Service Center Membership

The Smoky Hill Education Service Center (SHESC) was established in July 1990 and currently serves 65 school districts across 25 counties. SHESC offers a variety of services to school districts including teacher training, assistance with E-rate filings, software support, and bulk purchasing. To join the SHESC, members must pay an annual fee that is assessed based on both a flat and a per-student rate. Although that fee varies based on the size of the district, SHESC officials told us it is generally less than \$2,000 a year.

The primary benefit of SHESC membership is discounts on the various services SHESC provides. Non-member districts can also use SHESC services such as staff training or software support, but they pay full price. Similarly, member districts are able to make bulk purchases through SHESC vendor contracts for free, whereas non-members must pay a 2% administrative fee.

Legislators have expressed concern that member school districts are not receiving enough benefits from SHESC membership to justify the costs.

A performance audit in this area would address the following question:

- 1. Do the benefits of Smoky Hill Education Service Center membership outweigh the costs?** To answer this question, we would work with SHESC staff to inventory the services they provide and how much those services cost for both member and nonmember school districts. We would also collect information from several SHESC member districts to determine which SHESC services they have used in the past several years and how often. Based on that information, we would determine whether SHESC membership costs were adequately offset by discounts in service prices for those districts. In addition, we would compare bulk purchase prices for a sample of items included in SHESC vendor contracts to determine whether they are lower than the retail price and whether they cover the administrative fee waived for SHESC members. We would perform additional work in this area as necessary.

Estimated Resources: 1 LPA staff

Estimated Time: 6 weeks (a)

(a) From the audit start date to our best estimate of when it would be ready for the committee.

APPENDIX B

Agency Response

On December 11, 2015 we provided copies of the draft audit report to the Smoky Hill Education Service Center. Its response is included as this Appendix.

Smoky Hill officials disagreed with our finding that the membership fees for the districts we reviewed were greater than the benefits they received. Officials contend that our definition of financial benefit was too narrow and that our analysis had not included a variety of services that Smoky Hill provides to school districts. Some of the services they mentioned included crisis plan assistance, counseling services after crisis situations, answers to difficult questions, clarification on federal or state guidelines and mandates, technology planning, and principal forums.

We considered this information but determined our finding remains accurate for the following reasons:

- **Most of the services offered by Smoky Hill are available to both member and non-member districts.** Consequently, even though the services Smoky Hill listed in its response may provide value to school districts, they often do not represent a unique benefit to only member districts (i.e. they are available to all districts).
- **Our audit question specifically focused on comparing the benefits of member and non-member districts in Smoky Hill.** In their response, Smoky Hill officials noted that their \$500 per-day price for teacher evaluation training was significantly lower than their estimate of \$2,000 to \$3,500 for similar training through an out-of-state company. We recognize that this could be the case. However, the main objective of our audit was to determine if the benefits of membership outweighed the costs. As such, the proper comparison is between the cost of services to member and non-member districts rather than a comparison between Smoky Hill and other alternatives.



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December 28, 2015

Mr. Scott Frank
Legislative Division of Post Audit
800 SW Jackson Suite 1200
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Dear Mr. Frank:

Thank you for the opportunity to respond to the recently completed performance audit, *K-12 Education: Evaluating the Costs and Benefits of Smoky Hill Education Service Center Membership*. The administrative staff of Smoky Hill Education Service Center appreciates the chance to share with others the work we do for school districts around the state and the manner in which we do it. The LPA team members who visited our location and interviewed our staff were diligent and professional in their work and allowed us to explain the programs and services we offer. It never hurts to assess how an organization operates and look for areas that can be improved, and this post audit has given us that opportunity.

Since it was founded in 1990, Smoky Hill Education Service Center has provided services requested by school districts that choose to belong to the service center. While most people are familiar with how public school districts operate either through their own educational experiences or those of relatives or acquaintances who are currently in school, service centers are unique not only in the services they provide but in how they operate. So the legislative post audit process was an opportunity for Smoky Hill ESC administrators to explain our history, the service center's operations, and how we go about carrying out our mission of promoting success for learners by providing superior services.

Service center membership is voluntary. There is no statutory requirement or Kansas State Department of Education (KSDE) mandate that requires school districts to be a member of a service center. However, KSDE regularly encourages districts to contact service centers when necessary for assistance with educational issues. Local administrators and boards of education decide whether or not it makes sense to belong to one of the service centers in Kansas.

Smoky Hill ESC prides itself on being able to do for school districts the work that is too difficult or too expensive for individual districts to do on their own. In addition to doing work that is difficult, Smoky Hill ESC is often asked to do work that districts do not have the personnel, expertise, or time to do on their own. Or it may not make sense to have a school staff person provide it when someone from the

service center can do it quicker, easier, and more economical. The most recent state assessment results that were released last fall are an example of this. Districts needed help interpreting the results and communicating with teachers, parents, and patrons what the results indicated. KSDE faces its own challenges with having enough staff to do all the work that is required so Smoky Hill ESC provided assistance in this situation.

Response to Findings (Membership):

Finding #1: The LPA team found that membership fees for districts reviewed were greater than the financial benefits received.

Smoky Hill ESC administrators believe that the definition of financial benefits used by the LPA team was limited. Membership benefits are much broader than the definition utilized by the LPA team. In our opinions, this is the reason the team reached the conclusion that membership fees are greater for the districts reviewed than the benefits received.

The approach used by the LPA team does not take into consideration other benefits of Smoky Hill membership. For example, USD 334 Southern Cloud paid \$2,162 in membership fees and received savings of \$1,840 on Smoky Hill ESC programs and services according to the audit report. By being a charter member, the Southern Cloud district can have Smoky Hill ESC staff members conduct teacher evaluation training for \$500 per day instead of having an out of state company come into the district and do the same training at the rate of \$2,000-\$3,500 per day. When a broader view of benefits is used, membership fees are offset by benefits received.

In addition to saving on Smoky Hill programs and services, there are other benefits that come with membership that may not be easy to figure using a calculator or spreadsheet. Member districts also receive the opportunity to make governing decisions through the Smoky Hill ESC executive cabinet. District administrators can attend superintendent and principal meetings at no charge. They can also contact any Smoky Hill staff member for answers and guidance regarding educational issues at any time. These are just a few examples of membership benefits that are not easily quantified or calculated.

Reduced pricing is only one of many membership benefits, and some benefits have value that cannot be given a dollar figure. Smoky Hill ESC members receive Career and Technical Education (CTE) guidance, crisis plan assistance, counseling services after crisis situations, answers to difficult questions, clarification on federal or state guidelines and mandates, technology planning, grant opportunities, education library materials, principal forums, superintendent advisory council (SAC) meetings, first choice at distance learning classes, and more. These are all additional benefits that are available to Smoky Hill ESC member districts as part of the membership fee.

The LPA team acknowledges that convenience and quality of service center services were not examined. After 25 years, Smoky Hill ESC would not still be in operation if districts were unhappy with its services or how they were delivered. If districts did not think the total benefits received were greater than the costs, they would not choose to continue their memberships with Smoky Hill ESC. Districts inquire about services and request information about membership in order to make informed decisions. Two of the most recently added members joined Smoky Hill ESC as associate members only after determining that doing so would save money and be a wise economic decision.

Finding #2: The LPA team found that membership fees did not appear to be cost effective for the districts because they did not purchase enough discounted items.

Although it is not uncommon for interlocals to have membership fees or assessments in order for school districts to belong and receive the benefits, Smoky Hill ESC strives to make its services as affordable as possible for its members. Smoky Hill ESC has not raised prices on most services in the last ten years. Moreover, membership fees have been reduced three times in the twenty-five year history of the service center.

Smoky Hill ESC has no set limit on the amount of products or services that can be purchased at discounted rates. Nor does Smoky Hill ESC require that a minimum number of services be purchased to maintain membership. Rather, any such limits are most likely directly related to the overall school district budget and the amount of funding available to make any purchases. As districts have faced budget crises the last several years, we have seen the demand for Smoky Hill ESC services change accordingly. As the amount of money available for professional development and the other services provided by Smoky Hill has declined, districts have purchased fewer services from the service center. We do not disagree that savings to districts may be greater if more services were purchased.

Response to Findings (Volume Purchasing):

Finding: The LPA Team's comparison of Smoky Hill's vendor prices to other vendors for certain technology purchases had mixed results.

One of the reasons that area school districts decided to form the Smoky Hill service center in 1990 was to create volume purchasing opportunities for member districts. As explained to the LPA team, Smoky Hill ESC has volume purchasing programs in place to help districts acquire athletic equipment, art supplies, cafeteria food, cafeteria supplies, construction paper, copy paper, custodial supplies, furnace filters, instructional materials, light bulbs, lumber, personal protective equipment, printer toner, science materials, and technology items. District administrators are frequently asked for suggestions of additional volume purchasing options that would be helpful for their schools. The LPA team focused on technology products for its review.

Technology prices fluctuate greatly based on supply and demand, whether a product is new to the market or being phased out at the end of the model's run, and general changes in technology and customer preferences. Therefore, we are pleased that Smoky Hill vendors' prices were competitive on thirteen of the eighteen products compared by the LPA team. However, we also understand that our prices may not remain the most competitively priced as time passes and the market conditions listed above change. As a result, district administrators are regularly encouraged to compare prices from Smoky Hill ESC partners, local providers, and other vendors. Many administrators report doing exactly this when making purchasing decisions.

District administrators make purchasing decisions based on a variety of factors, and price is only one of those factors. Sometimes they need items quickly so delivery speed is the most important consideration. Other times they feel the need to support a local business so being a local vendor is most important. Some purchasers prefer the quality of goods or the customer service from one company so previous experience with a certain vendor is the most important factor. School district purchasers are

not forced to buy from Smoky Hill ESC vendors exclusively. They can buy from any source and many do when it is to their advantage because of price, delivery speed, or support for a local business.

Smoky Hill ESC's goal in the volume purchasing program is to provide school districts with sources of high quality, easily attained products at competitive prices. If we were not successful in doing this, districts would purchase elsewhere, and sometimes they do just that. When we find that our vendors are not the best option, we communicate with them about why districts are getting materials from other vendors.

Response to Recommendations:

Recommendation: The LPA team recommends that school districts decide whether continued membership in the service center is cost effective.

Smoky Hill ESC administrators agree with this recommendation. As noted earlier, membership in Smoky Hill ESC is completely voluntary so school district leaders have the choice regarding whether or not they continue as Smoky Hill ESC members. When the Smoky Hill ESC interlocal agreement is up for renewal every five years, district leaders decide whether continued membership is beneficial. In fact, Smoky Hill ESC staff members voluntarily supply information that helps district administrators and board of education members evaluate membership. Some districts—especially associate members—ask for the information to evaluate membership every year.

Since 1990, Smoky Hill ESC membership has only increased as districts have chosen to join the service center. We believe this is because the decision regarding whether to be a Smoky Hill ESC member is based on the total benefits received by being a member and not just on the savings received. In an instance of ironic timing, a superintendent called as the LPA was being conducted and asked about changing her district's membership from the associate level to the charter level because she thought it would be beneficial to make the change.

Conclusion:

Thank you for this opportunity to explain more about the operations of Smoky Hill Education Service Center. One of the service center's goals is to provide the services requested by our member districts. Throughout the history of Smoky Hill ESC, school district leaders have evaluated their choices regarding membership in the service center as they look for assistance with the needs of their districts, and they are encouraged to continue this practice. Smoky Hill ESC administrators are open to suggestions from our members about how to improve to better meet schools' needs.

If there are any questions, I will be glad to try to answer them.

Sincerely,



Chris Modellmog
Executive Director
Smoky Hill Education Service Center