



Briefing Note

Subject: Shared Services planned for the K-12 sector¹
To: CUPE and other support staff unions in K-12
From: John Malcolmson, CUPE Research Representative, K-12 sector
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Shared services, as a concept, refers to an arrangement where multiple public sector organizations or employers come together to create a single organizational entity charged with the responsibility of delivering some significant part of their service mandate. The concept and its potential application to BC's K-12 sector have been discussed for a number of years. However, in recent months, it has gained added prominence.

BC's Throne Speech and Budget earlier this spring both highlighted government intentions to seek new administrative efficiencies in the operation of public services. Shared services also surfaced in the wake of the decision of the Minister in April to appoint a special advisor to review the state of Vancouver district's budgetary situation. Terms of reference for the review included a "review existing administrative expenditures and opportunities for economies of scale." However, it was a May 27 new release by the Ministry of Education that brought the government's shared services intentions in K-12 into clear view.

Four school districts have been selected to provide early leadership as the Province moves school districts to shared payroll and business administration systems, which will focus dollars on students instead of administration, announced Education Minister Margaret MacDiarmid.

"We have been clear about the need to find administrative efficiencies and savings in the education system," said MacDiarmid. "Currently, we have 60 school districts each operating different payroll and business administration systems. By streamlining them, we will put savings back in the classroom."

¹ This document elaborates on an earlier briefing note on the same subject prepared in March, 2010.

The four districts selected for the pilot are Vancouver, North Vancouver, Surrey and Kamloops-Thompson. Savings for this undertaking are estimated at 10 to 15 per cent of the estimated \$70 million currently spent by boards on payrolls and business administration systems. This \$7 to 10 million is predicted saving is now “promised” for eventual return to classrooms around the province.

This is not the first time the theme of shared services has surfaced in K-12 education. It is instructive to look briefly at the history of K-12 shared services to see what the practical experience has been with new administrative services that purport to streamline and save money. Within BC public schools, initial experience with shared services has centred on the student information system known as BCeSIS.

BCeSIS

In mid-2006, Ministry officials unveiled a new cross-district system for the management of student records named the BC enterprise Student Information System (BCeSIS). In October of that year, BCeSIS was given a Distinction Award for technical innovation at the Government Technology Exhibition Conference in Ottawa.

BCeSIS uses a web-accessible database to help track student information in the areas of timetables, attendance and performance. The promise of BCeSIS is that it will deliver timely access to relevant and up-to-date student information capable of assisting administrators, teachers and others to improve student achievement. This is how Shared Service BC, a government agency created earlier this decade to promote application of the concept across BC’s public sector, describes BCeSIS.

The Common Student Information System (known as BCeSIS) is a shared School District application that has replaced many of the existing standalone student information systems that have become increasingly obsolete and unable to keep pace with growing school and School District management needs. The systems replaced include student registration, enrolment, scheduling, recording of marks and outcomes, special education, and reporting. The new common application provides the underlying systems infrastructure needed by school authorities (i.e. Boards of Education, Independent School authorities and First Nations School authorities) to improve education management and ultimately drive student achievement.

On-ground implementation of BCeSIS has not been without controversy. Support staff in different districts offer mixed reviews of BCeSIS: some like it and report few if any implementation problems to date; others have had to deal with jurisdictional confusion along with technical glitches carrying negative implications for both workflow and workload. Teachers, on the other hand, have been forced to contend with significant increase in time

spent inputting information into the system. Along with the BCTF, many see this as time wasted on the Ministry's questionable accountability agenda and, as such, an affront to teachers' professional autonomy and responsibility.²

BCeSIS has also been costly. Currently the Ministry and districts pay \$21 per student per year, with \$10 of that amount falling to boards. The latter figure represents a \$5 to 6 million annual cost to districts for which the Ministry of Education provides no ongoing financial support. As such, it is a factor contributing to the structural funding shortfall currently affecting school districts in the province.

Shared services for payroll and business systems

Payroll and business systems are therefore the second major target for K-12 shared services. The initial stage of the pilot is a “fact-finding and due diligence review” of existing systems, needs and capabilities involving the four districts. In all likelihood, the pilot will run up against some real challenges. Payroll cannot be segregated out from larger human resources management systems used by school districts today. Add to this the difficulty associated with managing 150+ collective agreements across 60 districts and differentiated bargaining units for educators and support staff containing varying provisions which trigger real consequences for how payroll is administered. Asking the question “Should Employee X be paid for the coming statutory holiday” will elicit multiple answers or qualifying statements depending on the district, bargaining unit, collective agreement or history of local administrative practice. This is not an on-ground situation that lends itself readily to provincial standardization if efficiency gains are the driving objective.

Conversations with staff in affected districts as well as the Ministry have provided additional insight with regards to the shared services plan and the interests behind it. To summarize:

- Treasury Board within the provincial Ministry of Finance is directing efforts across all provincial Ministries to seek ways of economizing on administrative expenditure, including the promotion of shared services arrangements.
- Within the K-12 system, annualized operating budgets are close to \$4.7 billion of which upwards of 80 per cent is directed to the payment of wages and salaries. This fact alone qualifies payroll as a logic focus for shared services initiatives.
- Since at least January, 2010 representatives of the BC Association of School Business Officials (BCASBO) and the Ministry have conducted joint work to develop an alternative system of direct funding disbursement capable of streamlining this overall process.

² For her part, Minister MacDiarmid has tended to deflect negative reactions to BCeSIS. “There is and has been regular consultation with teachers and administrators as long as BCeSIS has been in existence... So it has always been a consultative process where people who are actually using the system definitely have input.” (Hansard, May 6, 2010.)

- The provincial government's primary financial interest as regarded K-12 shared services is less directed to service consolidation or contracting out and more focused on what can be termed "just in time" funding disbursement. Under this system, the Ministry would be able to disburse money to cover payroll costs at the exact points in time when this is required. Proceeding this way could offset provincial interest costs associated with the current practice of sending money to districts and having it sit in district bank accounts for periods of time before the money is actually spent.³
- In the fall of 2009, the Ministry of Education approached BCPSEA with a view to leveraging the province's integrated payroll system (provided via Telus Sourcing Solutions Incorporated) into the K-12 sector, with the promise of increased efficiencies for IT in general and payroll in particular. The approach would tie BCPSEA's Education Data Analysis System (EBAS) – a provincial public school staff database system currently under development – into a provincial integrated business administration system structured, among other things, to facilitate shared services development within the K-12 sector.
- If this characterization is accurate, much actual payroll work could remain at the district level and consequently within support staff bargaining units, even under a shared services model. This would be necessary to ensure the high degree of accuracy and time sensitivity that characterizes current payroll administration in the K-12 system.
- Responsibility for administering payroll to the point of conducting gross and net pay calculations for employees could remain locally administered. Data generated locally could then be transferred to a common province-level payroll system with pay cheques issued from a centralized source.
- No contract or decision has been made regarding a system vendor for shared services payroll. The Ministry's new release suggests that it may be moving in the direction of a Telus "solution." This is the same contractor used for the provincial payroll transformation, as well as for the controversy-dogged shared services experiment at the Calgary Board of Education.
- Any money "saved" in this manner would accrue directly to the Ministry of Finance and not to the Ministry of Education. As such, it would not be available for redirection back into the support of student learning. The Minister's pledge to "return savings to the classroom" applies only to savings gained from the elimination of overlap and duplication amongst existing board-level systems; it does not apply to savings on financing costs, as described above.

³ With the provincial deficit in 2010-11 projected to be \$1.8 billion, and the cost of borrowing money currently around 3.5%, keeping this sum in provincial coffers for a net period of one month longer than under current arrangements would save the province close to \$6 million in carrying costs.

In summary then, the Ministry's press statements have suggested that efficiencies and cost reductions will be had by eliminating duplication. However, the evidence suggests that the real financial benefit will come with the new funding disbursement system and that is a benefit that will accrue not to boards of education to help ease their funding pressures. Rather it will go directly to provincial coffers to reduce provincial borrowing costs.

It should be remembered, however, that payroll is only the tip of the iceberg. The overall focus of the K-12 shared services initiative is on the entire complex of "backoffice" systems that together help boards to run the business side of district operations. These financial and administrative functions cover areas such as financial accounting, human resources management and dispatch, and as such lie outside boards' core responsibilities for educational service delivery. They are therefore prime candidates for a restructuring cast in the name of refocusing board responsibilities more squarely "on the classroom."

There is also an important political and financial backdrop to consider in assessing the likely course for shared services implementation in the K-12 sector. The BC Ministry of Education and the provincial government in general are facing a mounting backlash of parent and community anger over chronic under-funding, best exemplified in the current Vancouver Board of Education fight with the Ministry of Education over that district's financial shortfall. The Ministry wants to appear to be in control politically in the face of rising political opposition centred on inadequate funding. Initiatives like shared services and neighbourhoods of learning convey an impression of dynamism and innovation. And, in the case of shared services initiatives, there is also the implied promise of future financial relief for financially beleaguered boards of education.

Shared services elsewhere

Shared services outsourcing has an interesting recent history in other parts of the province's public sector as well as in other K-12 education systems. Shared services has been implemented in BC's health services sector as well as in the area of provincial public service payroll in concert with outside service providers. But the most high profile example has to do with a 10-year outsourcing deal involving BC Hydro, signed in 2003 with the private firm Accenture. The deal, worth \$1.45 billion, covered a range of functions including IT, customer care, payroll and human resources. At the time, claimed efficiency gains were advertised as saving BC taxpayers \$250 million in future costs. Since then, evidence suggests the deal and a similar arrangement with Terasen Gas will end up costing the province hundreds of millions in added expenses. In addition, and in what is the most telling indication of project failure, both Hydro and Terasen have without fanfare begun the process of contracting outsourced work back in-house owing to concerns with poor customer service.

For support staff in the BC school system, the most pertinent example of shared services experimentation is that announced in late 2005 by the Calgary Board of Education.⁴ Calgary's \$65 million contract with Telus Sourcing Solutions involved development and implementation of a full-scale human resource management system to deliver "services including payroll, benefits, leave administration and recruitment and administrative activities related to the placement of support and temporary staff." As was the case with the BC Ministry of Education's recently announced pilot, shared services in Calgary carried a similar promise of improvements to business and IT services while allowing the Board to focus on its primary mission of "providing quality education programs for students."

Implementation of the Telus system began in 2007. Almost immediately staff started reporting problems with payroll reporting, with pay cheques not being received by employees, with overpayments having to be clawed back from employees and with incorrect calculations of vacation and sick leave. Staff in the bargaining unit that represents trades workers reported workers resigning to seek alternate employment after not being paid through four successive payroll runs. Central office staff at the Board cited ongoing problems with the administration of leave provisions within collective agreements. They also reported significant levels of frustration in dealing with the outsourcing supplier in efforts resolve these issues.

Implications of payroll & business system shared services for CUPE & boards

Evidence presented in this note points to a number of implications for the plan to implement K-12 shared services in BC. To summarize,

1. Continued hollowing out of school district capacity

This is a significant threat, especially once the expanded focus on backoffice and other administrative systems is taken into account. If Boards of Education lose the ability to run these systems, it will represent another significant step in the overall undermining of school district capacity. The latter is a process with a long history, dating back close to three decades and including the loss of school district taxing authority and the ability to negotiate collective agreements freely with staff. In addition to a gradual elimination of board capacity in key areas, what we are witnessing is a steady undermining of the rationale for having school districts with elected boards of trustees running our public school system.

⁴ Information is paraphrased from Calgary Board of Education, Minutes of the meeting of the Board of Trustees, January 6, 2009. Available at www.cbe.ab.ca/trustees/minutes/mins9jan06.pdf.

2. Loss of access to the investment income at the district level

The advent of “just-in-time” financing arrangements will have significant revenue impacts at the school district level. Interest income gained from short-term deposits of provincial grants is often used as a financial cushion to assist boards in dealing with unanticipated events or developments that carry costs not funded from other sources. In some districts, these funds are used less for contingencies and more for the support of regular educational programs. In the past two years, with interest rates at historically low levels, revenues from these kinds of deposits have been comparatively low. Despite this, in the 2008-09 year, the last for which audited financial statement information is available, BC school districts supplemented their budgets with interest and investment income totaling just under \$20 million.⁵ Revenues from this source stand to rise in the coming year as the Bank of Canada takes widely anticipated steps to raise interest rates.

3. A structural funding shortfall made worse

If shared services is driven by a cost-cutting logic centring on just-in-time financing, its future implementation will place another financial hit on public school education. The \$20 million in investment income currently accruing to boards will be largely lost if shared payroll services plans come to fruition. As such, shared services will add to the burden of a structural funding shortfall already estimated at over \$300 million by BC’s secretary-treasurers.

4. Possible future job impacts

Shared services carries with it the distinct threat of a loss of employment within support staff bargaining units and the threat of contracting out of bargaining unit positions. That being said, the threats are tempered somewhat by the reality that payroll systems, wherever located, will still require extensive on-ground support staff involvement – gathering relevant information, inputting data, readying systems for cheque runs, and dealing with inevitable errors and corrections. Much of this work does not lend itself readily to either regional organization or a provincially-based system. Consequently, direct employment-related impacts in these areas may be reduced, at least in the short-term.

⁵ BC Ministry of Education, Revenue and Expenditure Information, audited financial statement data for 2008-09 (available at www.bced.gov.bc.ca/accountability/district/revenue/0910/pdf/table21.pdf)

Conclusions

The logic driving shared services in public education is not what is advertised. The real objective, while financial in nature, is driven by provincial efforts to reduce its carrying costs on borrowed money. Money saved from this initiative lies outside the pledge of the Minister to return efficiency-based cost savings to the classroom.

Implications for school districts are many: loss of direct control over payroll functions, future erosion of control over other “back office” systems, significant reductions in interest income to which historically boards have had access, and possible future job losses.

Together, these developments point to a fundamental erosion of board capacity to administer the public school system. And by closing off access to short-term interest revenue, they also herald a significant worsening of the current structural funding shortfall brought on by chronic underfunding. By moving to implement shared services arrangements of this type, the Ministry is setting in place conditions for a continued undermining of the viability of school districts and their elected boards of education. In effect, this process furthers a slow stealth-based transformation of the co-governance model characterizing our public school system.