



2012 NASPO George Cronin Nomination

K12Indiana



State of Indiana

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Executive Summary

Budget cuts and financial belt tightening have been all too common over the past several years. States are facing severe funding shortages and are looking for new and creative ways of cutting costs while maintaining the same level of service for their taxpayers. Indiana faces these same harsh realities, and two years ago decided to take action with the K12Indiana program.

K12Indiana is a creative and common sense extension of the Indiana Strategic Sourcing Initiative, known as OneIndiana. Launched in 2005 with a spend analysis to identify opportunities to leverage volume and create savings, OneIndiana applied sourcing principles to over two dozen contracts, resulting in an estimated \$190 Million in executive agency savings over the total length of these contracts.

With declining tax revenues local government funding has been reduced. This includes elementary and secondary public education statewide. School administrators in Indiana, as elsewhere, are desperate to avoid staff reductions. K12Indiana was designed so that school districts will have to make fewer of the painful choices on where and what to cut, leveraging our lessons learned and results generated from the OneIndiana Initiative toward creating savings and purchasing efficiencies for K12 entities.

IDOA Procurement started with OneIndiana.net, an online procurement system created for local public and governmental entities to give them access to view Statewide purchasing agreements that were already in place. While most locals had been aware of these Statewide agreements for years and their ability to access the pricing, prior to the implementation of OneIndiana.net it was extremely difficult for them to find the detailed product information to determine if the agreements met their specifications and represented a deeper discount for the particular items they were buying.

In cooperation with our Educational Service Center(ESC) partners, IDOA Procurement expanded the functionality of OneIndiana.net to provide simple e-procurement tools which are in line with school needs. The system provides a forum to showcase both State and ESC-sourced products and prices in an easy to use portal that ultimately creates savings for schools and generates volume leverage in a virtuous cycle going forward. Understanding the efficiencies that can be created to the benefit of both the State and schools, IDOA Procurement funded the development of K12Indiana.com and offers access to the portal free of charge to any interested school entity (including charter schools).

We completed the program with a strategic marketing approach to school districts to emphasize the collaborative opportunities and insure the rapid adoption of the program going forward.

The Innovative Approach of K12Indiana

Efforts to leverage local government purchasing have been tried in the past with limited success. The common mandatory use approach that can work within State government is off the table. Moreover school districts have to balance discounts available through large Statewide or consortium agreements with buying locally from “Main Street.”

To achieve a high rate of adoption from the schools, one of our key innovations through this initiative was the structured, collaborative approach we took in working with school entities. From the beginning, IDOA Procurement knew that a state offered purchasing solution would be met with skepticism from school administrators, with a primary concern that they would lose autonomy and decision-making power when it came to procurement for their schools. Therefore a focused area was to assure school administrators that they would remain in charge when it came to procurement decisions. Far from a mandate, this was an opportunity to cooperate toward savings for common items (e.g., office supplies or copy paper) and preserve funds for the classroom.

To overcome the perception hurdle, we began a partnership with Indiana Education Service Centers (ESC’s). Most schools in Indiana look to their regional ESC for student programs (e.g., driver education), professional development, advanced technological resources and cooperative purchasing. This partnership gave the State well-respected partners with whom to approach K12 entities, and the ESC’s were able to offer their client schools a State-funded online e-procurement system at no cost. Within a few weeks our existing view-only site, OneIndiana.net, was leveraged to create include a new site – K12Indiana.com – a free system which provides contract browsing (both State and ESC agreements), pricing comparison, purchase order execution, demand aggregation, and reporting. Customization is available based on the needs of each school (e.g., approval workflow down to the building or grade level), and schools are able to even load their own contracts into the system, providing flexibility and addressing the “Main Street” issue. Indiana K12 entities now also have access to the State’s demand aggregation tool, which allows significant savings creation for periodic, large volume purchases such as copy paper.

To establish the value of this offering, we sought buy-in from seven school districts to participate in a savings validation case study. Utilizing their purchasing data, we performed a detailed spend analysis on Office Supplies and MRO (as two expenditure categories the State and schools have in common), proving to the schools that participation in the program could save them approximately 20% in these areas, even before leveraging combined volume. At the 2011 Indiana Association of School Business Officials Annual Meeting, our K12Indiana team presented the case study findings, savings opportunity and K12Indiana.com purchasing portal to school Treasurers and finance professionals across the State. We followed up that meeting with a

series of personal meetings across the State between IDOA Commissioner Wynkoop, ESC Executive Directors, the K12Indiana team and school executives to further carry the message.

Thanks to the State's collaborative approach, participation in the K12Indiana system continues to grow. Software licenses have grown to 2,558 across 265 school entities, and average monthly dollar spend has increased to more than \$380,000. Based on our initial success, additional initiatives have been launched. In October, the Indiana State Library will present their own version of K12Indiana to public and academic libraries across the State.

Transferability of the K12Indiana Program

A system like K12Indiana is highly transferable. Our K12Indiana.com can be readily adapted to other States. Many States already have all of the pieces in place for a system like K12Indiana to be successful. Our software investment can be easily leveraged by States with virtually no development cost or new systems similar to ours can be created with minimal cost and staff resource commitment. This leaves only the challenge of approaching and marketing to schools to secure acceptance by the system's ultimate end-users.

A strong and collaborative message to end-users will bring these pieces together, allowing schools to see the benefit from increased savings without a great deal of upfront investment or time commitment. Schools and purchasing entities don't have to invest in additional hardware, as systems such as K12Indiana.com rely on a cloud-based application to connect vendors with buyers. For other states to adopt a similar procurement program, all that is needed is to sign up and register users, establish the contracted vendors into the system, and any school entity that has access to the Internet can begin realizing the benefits of an integrated system and volume discounts in purchasing.

In order to market our system and gain acceptance, we attended trade shows put on by education organizations around the State. We also published newsletters and electronic updates to keep educators around the State abreast of the enhancements we made to our system. All of these marketing efforts were funded via sponsorship money provided by vendors. Sponsoring these efforts supported vendors marketing by establishing their association with the K12Indiana program. Lastly, service and professional organizations already exist in many other states and are natural candidates to convey the benefits of a system like K12Indiana.

Service Improvement Achieved Through the K12 Indiana Program

For a shrinking business office staff in many schools across the country, procuring supplies is a tedious and time consuming task. The K12Indiana program offers schools a way to cut down on the time spent looking for specific items, making multiple orders and entries into the school's accounting system, and making sure that budgets are met by integrating the process into a single, online system. This is a major "convenience factor" for educators and our experience so far has been that educators are overwhelmingly delighted that this aspect of their job has been

simplified. When you combine this benefit with the fact that schools are also saving money in the process, you can see why Indiana is so proud of the results we've been able to achieve. Finally, we were able to fund the entire portal with rebates received on State contracts from executive agency spend.

From the perspective of suppliers, K12Indiana puts them in a better position to increase discounts due to the State's efforts to increase order sizes, and also to aggregate them to specific time periods for certain commodities.

Cost Reduction and Efficiencies Resulting from the K12Indiana Program

Beyond the savings opportunity demonstrated in our case study (and being achieved through increased purchases in the system), one of the early successes of K12Indiana savings was the purchase of copy paper through our demand aggregation tool.

Copy paper is a widely used, simple commodity product, therefore a good demand aggregation candidate. Schools buy large amounts of copy paper, and many are able to focus their purchases to specific times of the year, making it easy to combine these orders and "aggregate" them for both savings and administrative efficiency. By taking advantage of the additional scale the K12Indiana program provides, we recently saved 3.5% for schools in our inaugural copy paper purchase. With this success we expect that future quarterly demand aggregation events will increase volume, savings, and efficiencies for a greater number of participating schools. We are particularly proud of the fact that some of the smaller schools in our program have achieved up to 15% in savings on copy paper (see Appendix A).

These results have led to an expanded coordinated sourcing program among Indiana schools. We are sourcing Office Supplies and Toner products through one combined State and K12 entity contract. In recognition of the unique needs of schools versus the State, we have included separate market baskets that address each group's needs in depth. Additional categories, such as MRO, Information Technology Hardware & Software, and Electronic Book Systems and Collections will also be sourced collaboratively.

Appendix A – Copy Paper Statistics

K12Indiana Demand Aggregation – Inaugural Quarterly Copy Paper Demand Aggregation Event Savings Summary & Statistics

Total Savings (\$)	\$8,563.98
Total Savings (%)	3.1%
Average Savings (\$)	\$356.83
Average Savings (%)	3.4%
Median Savings (\$)	\$112.42
Median Savings (%)	1.9%
Low Range Savings (\$)	\$592.30
Low Range Savings (%)	3.0%
High Range Savings (\$)	\$2,671.09
High Range Savings (%)	15.0%

School Entity	Total Savings (\$)	Total Savings (%)
School District A	\$ 512.45	15.0%
School District B	\$ 2,671.09	14.5%
School District C	\$ 114.30	8.1%
School District D	\$ 1,749.71	7.7%
School District E	\$ 734.42	5.3%
School District F	\$ 56.21	5.0%
School District G	\$ 1,046.28	4.8%
School District H	\$ 446.51	3.8%
School District I	\$ 254.34	3.0%
School District J	\$ 595.29	2.8%
School District K	\$ 534.11	2.5%
School District L	\$ 11.62	2.2%
School District M	\$ 326.90	1.7%
School District N	\$ 104.49	1.5%
School District O	\$ 78.96	1.5%
School District P	\$ 8.44	1.5%
School District Q	\$ 15.79	1.5%
School District R	\$ 110.54	1.5%

School District S	\$ 94.75	1.5%
School District T	\$ 12.50	1.4%
School District U	\$ 186.85	0.9%
School District V	\$ (300.61)	-1.5%
School District W	\$ (592.30)	-2.0%
School District X	\$ (208.66)	-3.0%