

JAMES M. HOHMAN AND CHASE SLASINSKI

MICHIGAN SCHOOL PRIVATIZATION SURVEY 2019



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Michigan School Privatization Survey 2019

By James Hohman and Chase Slasinski

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Contents

Introduction.....	1
Method.....	2
2019 Survey Results	2
Food Service	3
Custodial Services.....	4
Transportation Services.....	6
Satisfaction With Outsourcing.....	7
Appendix A: Revisions to Previous Publications.....	8
Appendix B: Map of Survey Findings by School District	10

Introduction

Public school districts use private contractors to provide support services in an effort to save money, improve services and better prioritize district resources. The Mackinac Center has surveyed school districts about their use of contractors since 2001. This year's survey revealed that 69.7% of schools contract out for food, custodial or transportation services.

The portion of districts contracting out for support services increased from 31% in 2001 to a high of 71.1% in 2017. This represents a dramatic change in the operations of school districts: hiring private sector support services grew from a somewhat unusual practice to a commonplace occurrence.

The primary reason schools contract out for these services is to save money. There is a large incentive to take advantage of outsourcing if it can provide the same or better quality of service at a lower price than the district can achieve itself.

This year, 375 school districts used contracted services. This was a small decrease from 2018 when 378 districts maintained private contracts, and the second consecutive year that the number of districts that contract out decreased. Districts that brought services back in-house tend to cite cost-effectiveness or service quality concerns as reasons for ending their third-party contracts.

Fewer districts with contracted services might be an indication of improved fiscal stability. In most circumstances, districts seek bids for private services when there is a strong need to save on costs.

The trend of districts with outsourced services has steadily increased since 2001. There has been a slight decline since 2017, however. State-mandated pension costs may have had an impact on these trends. Contracting with a private provider allows districts to avoid paying the state-mandated retirement system contributions, which now equate to 39% of payroll, though the state pays a little less than a third of these costs. Those "stabilization" payments may have decreased the urgency of contracting out to avoid growing retirement contributions. Pension payments charged to school districts have remained around 25% of payroll since 2014, due to these stabilization payments, and contracting out rates have not increased much since 2014.

There are always multiple options that districts can pursue in order to save money and improve services. At the heart of these decisions is a desire to devote more money towards delivering quality education. Contracting out for support services is one of many decisions made on the margins that could contribute to this goal.

Method

We contacted 539 districts by phone, email or fax between May 9 and August 19. We submitted Freedom of Information Act requests to districts that did not respond to our initial requests.

We asked districts if they contract out for food, custodial or transportation services. We also asked them to indicate their satisfaction with their current provider and if they made any changes since our last inquiry in 2018.

Districts are counted as contracting out if they use at least one contracted private sector employee to provide the district's normal food, custodial or transportation services. This includes districts contracting with private employee leasing agencies to supply them with regular workers (not just substitutes). Private employees used for providing special education transportation were not included.

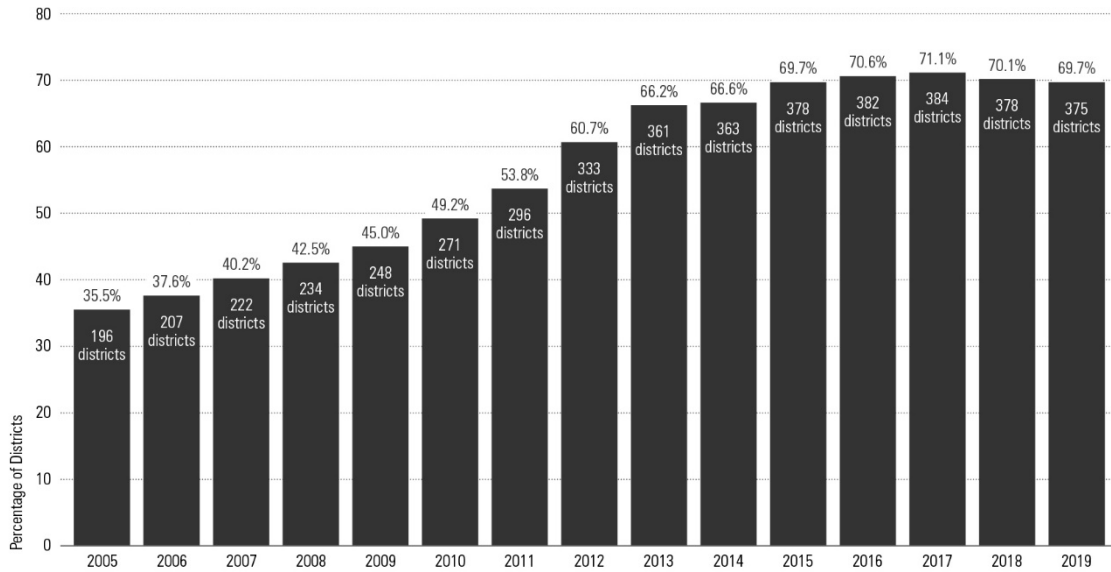
The survey covers only Michigan's public school districts; neither charter schools nor intermediate school districts were surveyed. The Bois Blanc Pines district did not respond to our initial email or our FOIA request.

2019 Survey Results

There was a small decrease in number of districts hiring private food, custodial or transportation services. This year, 69.7% of districts, or 375, used contracted services. This is down from 70.1%, or 378 districts, in 2018. After a consistent annual increase in the percentage of districts contracting out from 2001 to 2017, the trend has leveled out and even decreased slightly over the past two years.

Custodial services were the most frequently outsourced service while transportation was the least outsourced. The rate of contracting for custodial services declined in 2019. However, contracting for food and transportation services both increased slightly.

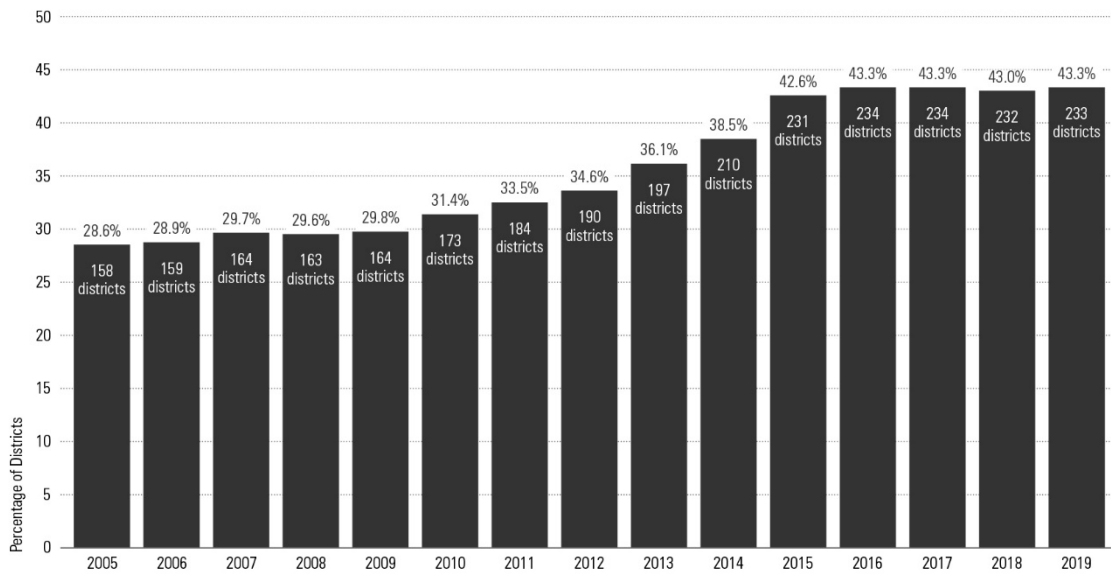
Graphic 1: Percentage of School Districts Contracting Out for Noninstructional Services, 2005-2019



Food Service

Out of the 538 districts that responded to the survey, 43% — 233 schools — contract out for food services. This is a slight increase from 2018. Food service used to be the most common privatized service, but custodial contracting surpassed it in 2012.

Graphic 2: Food Service Contracting, 2005-2019



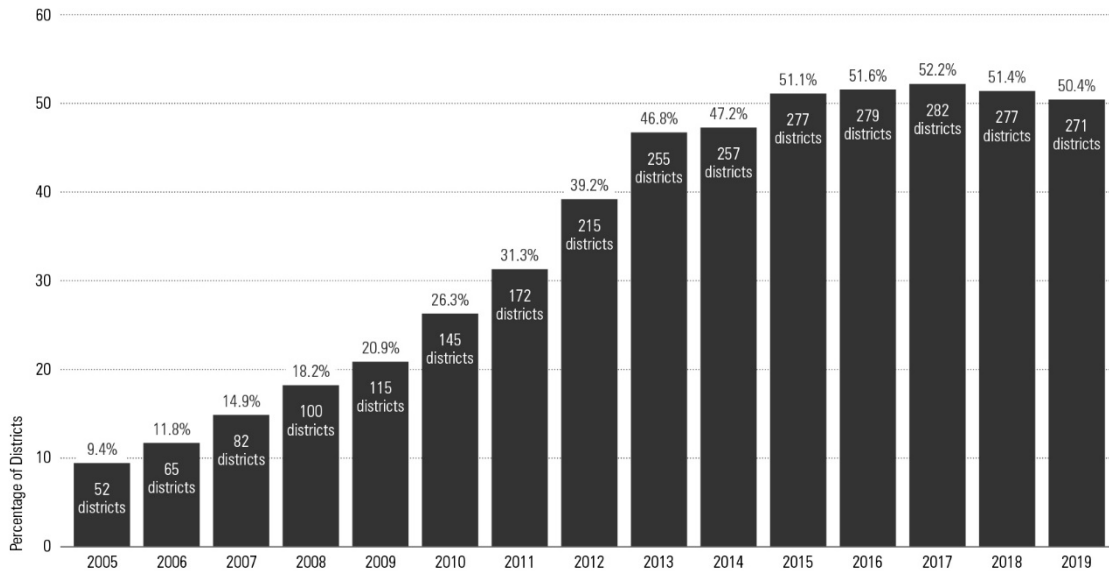
There were four districts that started new food service contracts in 2019 and three that brought the service back in-house.

Beaver Island Community School added a new food service coordinator. Clarenceville School District contracted with Southwest Food to provide food services but did not disclose the reason for the decision. Pentwater Public Schools recently outsourced their food services indirectly: it contracted with Hart Public Schools which itself contracts out to a private provider. This decision was made following the retirement of Pentwater's in-house food director, and the move is expected to save the district money moving forward. Highland Park Schools replaced its charter school management company, and the new private management company provides food service for the district. Its previous charter management company had contracted with Detroit Public Schools Community District to provide school lunches.

Districts that brought services back in-house include Houghton Portage Township Schools, which ended its contract with employee leasing agency Good Marks for Schools and expects to save money from the move. Perry Public Schools brought their food-service director back in-house but declined to provide a reason for the switch. Vanderbilt Area Schools brought its food services back in-house after officials reported that their prior food service provider decided to discontinue providing services to the school.

Custodial Services

A little more than half of all schools — 50.4% — contract out for the cleaning and maintenance of district buildings. The 271 districts choosing to contract out this service is down from the 277 districts that did so in 2018. There had been a steady increase in the overall usage of private custodial services until recently. At least 50% of districts have contracted out custodial services each year since 2015, and it is the most commonly privatized service.

Graphic 3: Custodial Service Contracting, 2005-2019

In 2019, two districts added new private custodial services, while eight decided to switch back to providing the service in-house.

Nottawa Community Schools added new custodial staff through its private employee leasing agency and expect lower costs than in-house service. Adams Township School District contracted out and split the service between two different firms after bidding out for competitively priced providers.

Au Gres-Sims School District brought their custodial services back in-house in hopes that they would lower employee turnover. Big Bay de Noc Schools brought custodial services back in-house as well but declined to explain its reasons. Carney Nadeau Public Schools ended a custodial contract with a single private employee after the contract expired. They decided to maintain in-house services instead of contracting out in 2019.

Cassopolis Schools explained that they no longer contract out custodial services, not as a cost-savings decision, but because officials reported it as the best thing for the district. Beecher Community Schools plans on switching private custodial service providers and were in the process of bidding out the service. In the meantime, custodial services are done in-house. Lake Linden-Hubbell Schools brought services back in-house after its private contractor closed, though officials reported that they plan to rebid for contracted custodial services in the future.

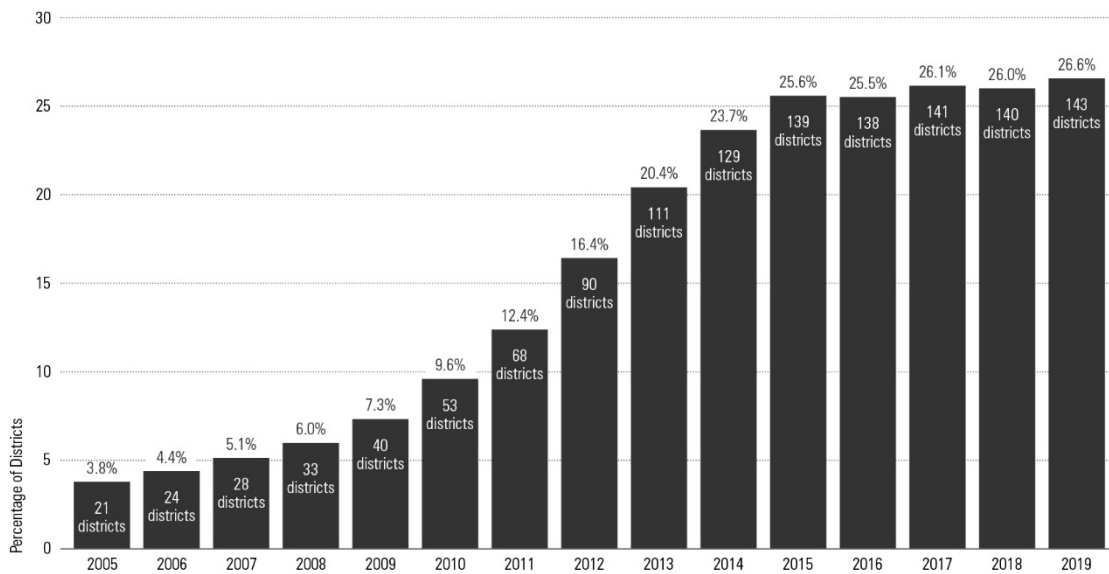
South Haven Public Schools' custodial vendor went out of business and district officials brought the service back in-house. District officials expect the decision to slightly increase costs. St. Charles Community Schools brought its one custodian contracted through Professional

Contract Management Incorporated back in-house. The school did not elaborate on the reason for this decision.

Transportation Services

One out of four districts use contracted transportation services — 26.6% — through private busing companies and employee leasing agencies. There were three districts more than the previous year, with a total of 143 districts privatizing transportation.

Graphic 4: Transportation Service Contracting, 2005-2019



In 2019, six districts added new private transportation services and three brought the service back in-house.

Almont Community Schools hired Dean Transportation to provide school bus services after projecting they would save half a million dollars over a five-year period. Bridgeport-Spaulding Community Schools added transportation services through First Student, but they did not provide a reason for the switch. Capac Community Schools added new transportation staff through Michigan Educational Transportation Services and expect to save money from the change.

Davison Community Schools also hired METS to fill its need for bus drivers. The district does not expect savings from its new vendor, however. Brandon School District added First Student for transportation services and expects to save approximately \$350,000 per year. Western School District added METS for transportation services but did not specify the motivation for doing so.

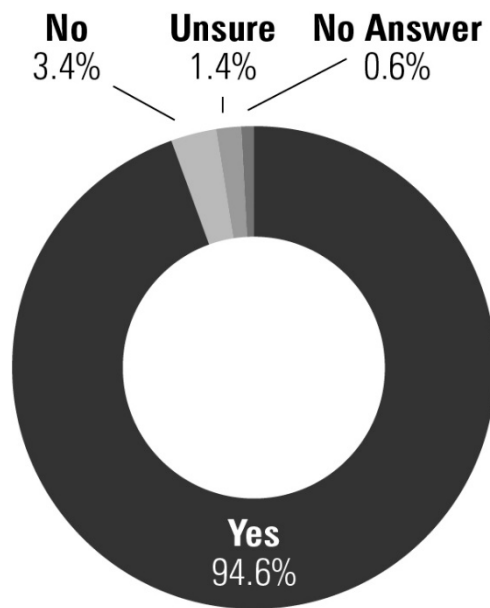
Ypsilanti Community Schools brought transportation services back in-house and expects to save money from the change. Dearborn Heights School District 7 decided it was no longer necessary to use contracted transportation services after reconfiguring its elementary schools.

Schoolcraft Community Schools brought a privatized transportation employee back in-house for reasons related to its insurance.

Satisfaction With Outsourcing

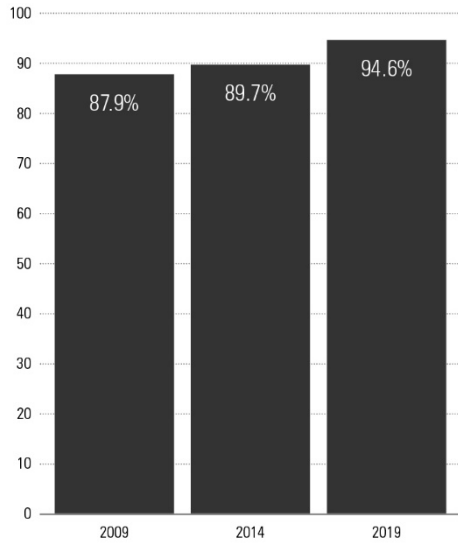
There were higher rates of satisfaction among districts that responded to our inquiry than any previous year. In total, 94.6% of districts were satisfied with their current service provider and only 3.4% were dissatisfied. The rest were either unsure or declined to answer. Some schools were unsure given their recent addition of service providers.

Graphic 5: Reported Satisfaction With Outsourcing, 2019



Many districts enjoy the benefits of cost savings along with a level of service quality that satisfies the district's needs. It is not a shock that districts are mostly happy with their outsourced services, given they can always return to using in-house employees should the relationship with their vendor not be to their liking. School officials have overwhelmingly and consistently reported being satisfied with their private contractors over the last decade.

Graphic 6: Satisfaction With Outsourcing Over Time, 2009, 2014, 2019

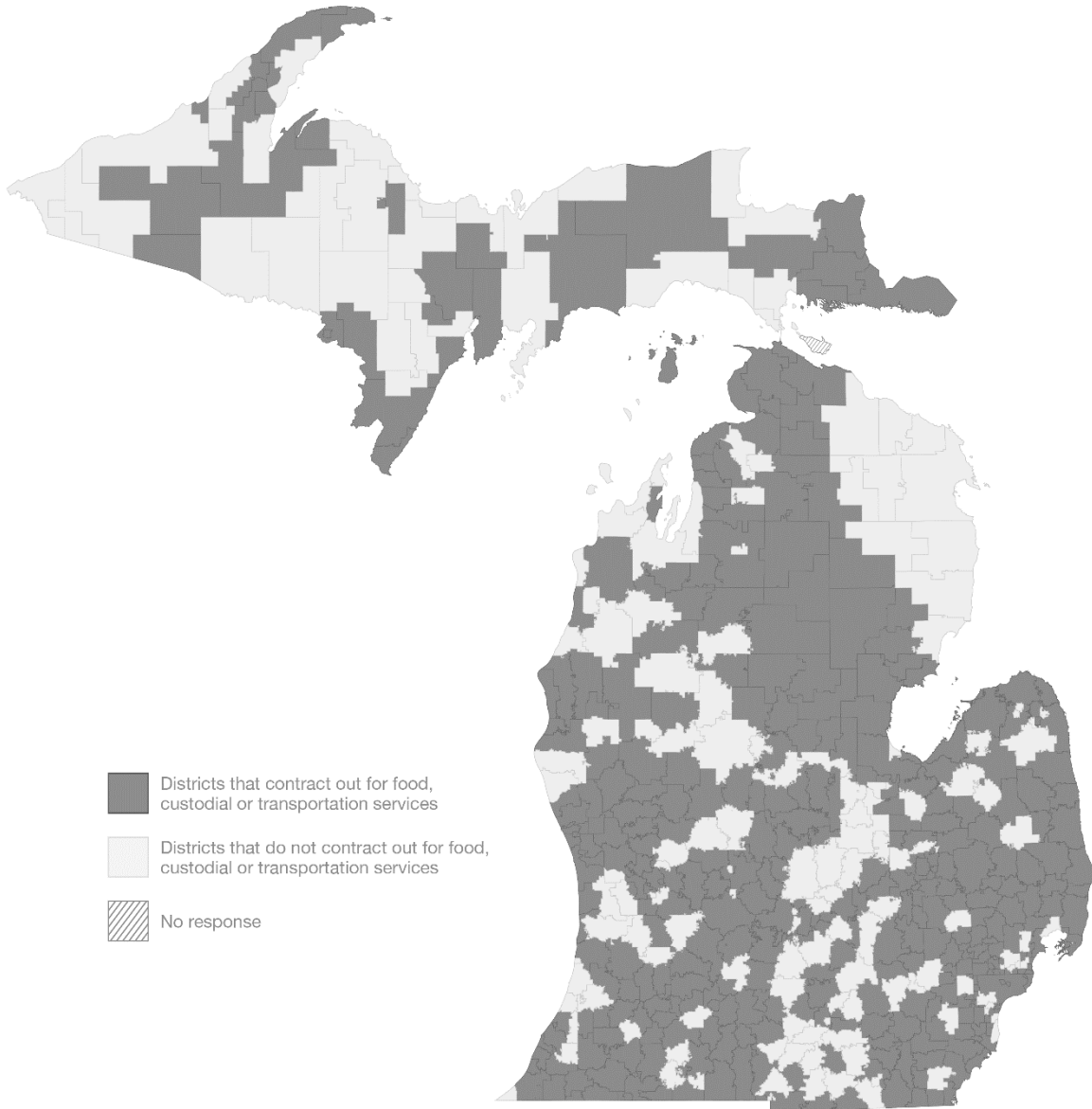


Appendix A: Revisions to Previous Publications

We made the following changes to our database based on recent information provided by the school districts named below.

- ◆ Center Line Public Schools clarified that it used private leased employees only for substitute workers for some noninstructional services, and therefore, should not have been marked as privatizing these services for this survey.
- ◆ Fulton Schools corrected that it had used PCMI only to provide substitute custodial employees and should have not been counted as contracting out the service.
- ◆ Wyandotte Schools used Trinity Transportation only for special education and athletic busing. These do not qualify as contracted transportation services under the definition of our survey, and our data has been adjusted to reflect this fact.
- ◆ Cass City Public Schools had been using an employee leasing agency to provide some of the district's food services and so was marked as contracting out the service in previous years.
- ◆ Unionville Sebawaing Area Schools reported that it had stopped using one service provider for some of its transportation services in 2018, but revealed that it was still using another private contractor for some busing needs. It was added to the list of districts contracting out the service in previous years.

Appendix B: Map of Survey Findings by School District



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ISBN: 978-1-942502-38-8 S2019-08

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