

JAMES M. HOHMAN AND HANK MINOR

MICHIGAN SCHOOL PRIVATIZATION SURVEY 2020



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Michigan School Privatization Survey 2020

By James Hohman and Hank Minor

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Introduction

School district officials have to figure out how to educate students using limited resources. They often use private sector contractors to provide support services in an attempt to do so. Superintendents and school business managers send out requests to contractors for their services, analyze the bids and decide whether to contract out.

This practice used to be controversial. School employee unions considered outsourcing to be a threat to union membership and would often fight against attempts to contract out services. Before 1994, school union negotiators could add language to contracts to prevent school officials from soliciting bids to contract out services.

It has since become an acceptable and common practice among school district officials. The Mackinac Center has documented this increase with surveys performed in 2001, 2003 and every year since 2005. In 2001, about 30% of school districts contracted out for food, custodial or transportation services. By 2015, nearly 70% of districts did.

Even though contracting out has stayed at this level for the past five years, districts still begin new contracts or brings services back in-house every year. For the 2019-20 school year, districts contracted out 27 services and brought eight services back in-house.

While contractors can save money by bringing experienced and specialized services to districts, Michigan pension-funding policy also creates another avenue to save money. The state government manages a retirement plan for all school employees, and districts are assessed contributions based on their payroll. Districts are responsible for paying up to 28.21% of the costs of payroll, depending on when an employee was hired and the retirement plan options he or she has selected.* By assessing these payments on payroll, the state creates an incentive to contract out services to avoid these costs. It is no surprise that school privatization grew alongside rising school pension costs.

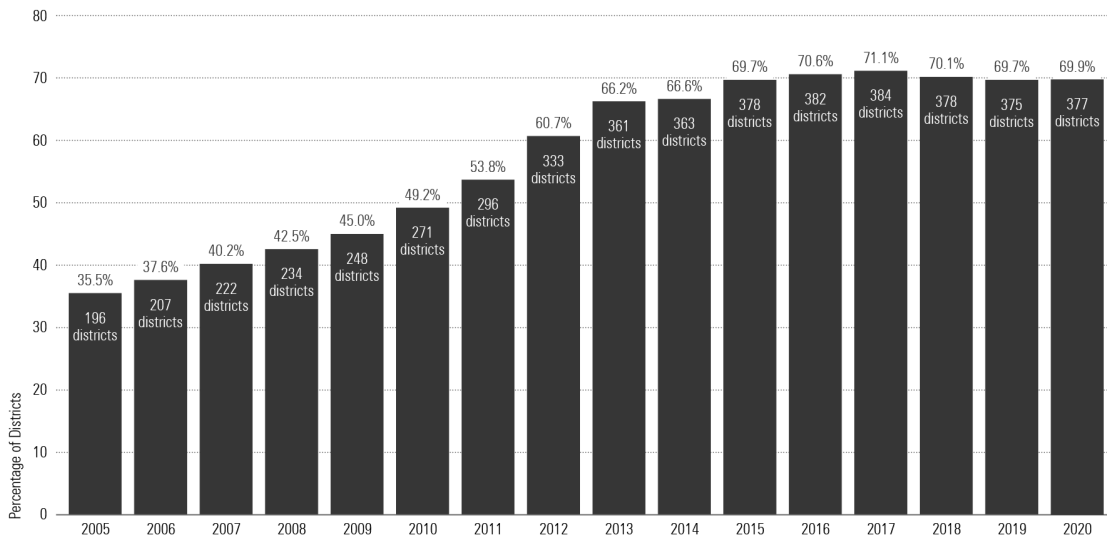
The Mackinac Center received responses from officials in all 539 public school districts between June 2 and Sept. 24 for this year's survey. Districts are marked as contracting out services if they contract out with a private entity for any part of the normal provision of their food, custodial or transportation services.

* "MPERS Member, Retiree, and Employer Contribution Rates for K12 Districts, ISDs, Charter Schools/PSAs, Libraries, and Community Colleges" (Michigan Office of Retirement Services, March 2020), <https://perma.cc/E4YF-294P>.

2020 Survey Results

Of Michigan's 539 school districts, 377 contract out for food, custodial or transportation services. The 69.9% of school districts that contract out is a slight increase from 2019's 69.7%.

Graphic 1: Percentage of School Districts Contracting Out for Noninstructional Services, 2005-2020

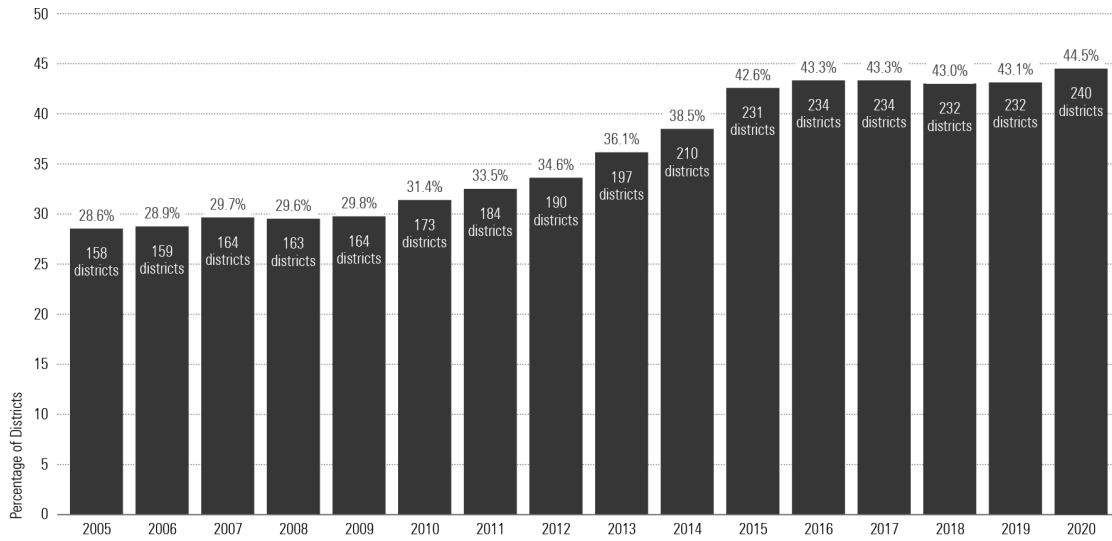


Food Service

- ◆ 240 districts contract out food services — 44.5%.
- ◆ 12 districts signed new contracts for privatized food services in 2020 and four districts brought services back in-house.
- ◆ Contracting grew slightly from 2019, increasing from 43.1%.

Food service contracting used to be the most frequently contracted service. Contracting increased by small amounts from 2003 to 2009, up to nearly 30% of districts. It grew quickly from there to 42.6% in 2015 and slowly increasing to 44.5% in 2020.

Graphic 2: Food Service Contracting, 2005-2020



Districts that contracted for food service in 2020
Centre Public Schools
Clarkston Community Schools
Dearborn Public Schools
Elk Rapids Public Schools
Hesperia Community Schools
Houghton-Portage Township Schools
The N.I.C.E Community School District
Mendon Community Schools
Pottersville Public Schools
Sault Ste. Marie Area Schools
Sparta Area Schools
Waldron Area Schools

Elk Rapids Public Schools remarked that they had been running food services at a loss and it needed to be subsidized by other district revenues. They expect that will not be necessary after contracting out for food service management.

The Mendon Community Schools’ food service director retired, and the district hired a food service management company to manage the district’s food services. The district expects to save money from a lower cost of food. Pottersville Public Schools stated that food revenue had increased after contracting out but closing the schools due to the COVID-19 pandemic had complicated the situation.

The N.I.C.E Community School District and Waldron Area Schools began using employee leasing agencies to provide at least some of the district’s food service staff.

Districts that brought food services back in-house in 2020
Bellaire Public Schools
Buckley Community Schools
Harbor Springs Public Schools
Otsego Public Schools

Harbor Springs Public Schools had been sharing a food service director with two other districts and their contractor did not find the arrangement profitable, so they did not renew their contract.

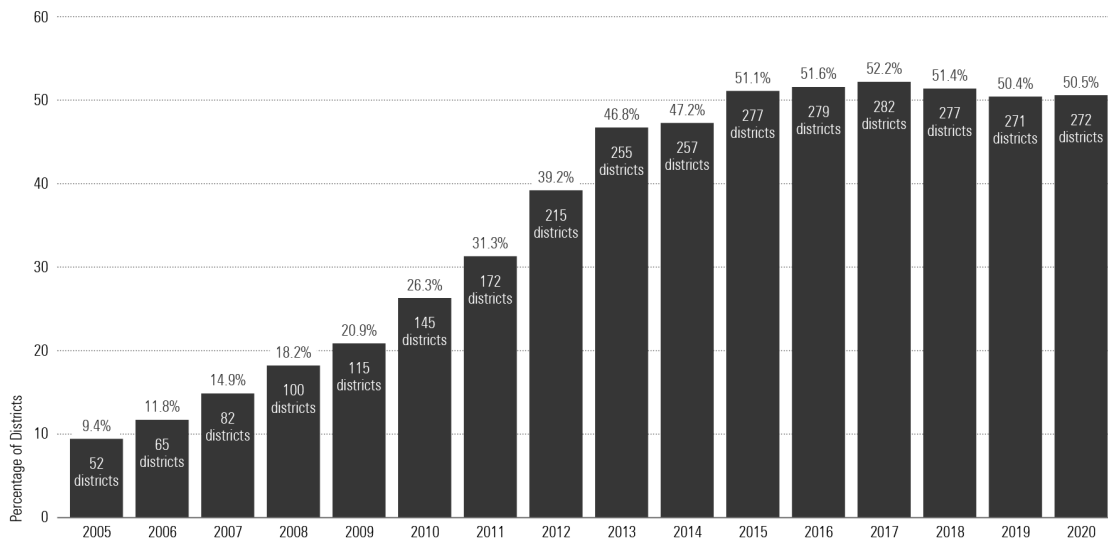
Otsego Public Schools brought services back in-house to improve quality and save money, though officials noted that this year has been too uncertain to give a good estimate of the achieved savings.

Custodial Services

- ◆ 272 districts contract out custodial services — 50.5%.
- ◆ Five districts signed new contracts for services in 2020 and two districts brought services back in-house.
- ◆ Custodial service privatization did not change much from 2019 when 50.4% of districts contracted out.

Only 6.6% of districts contracted out custodial services in 2003, but this grew to 51.1% of districts in 2015. The number of districts that contract out the service has stayed around those levels since.

Graphic 3: Custodial Service Contracting, 2005-2020



Districts that contracted out custodial services in 2020
Beecher Community School District
Bellevue Community Schools
Bois Blanc Pines
Lake City Area Schools
Tahquamenon Area Schools

Lake City Area Schools notes that they only partially contract out custodial services. Tahquamenon Area Schools employs its custodians through employee leasing agencies. The Bois Blanc Pines School district contracted out for its custodian with an employee leasing agency.

Districts that brought custodial services back in-house in 2020
Buchanan Community Schools
L'Anse Area Schools

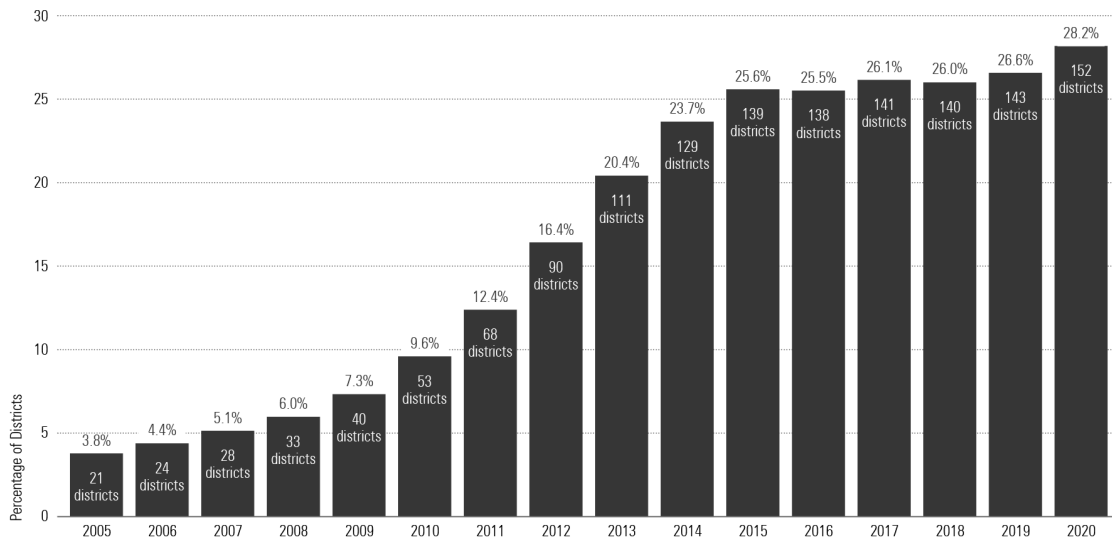
Buchanan Community Schools officials stated that they wanted to manage their own staff and noted that retirement costs may mean that this is a more expensive option. L'Anse Area Schools reported that it was cheaper to provide in-house services.

Transportation Services

- ◆ 152 districts contract out transportation services — 28.2%.
- ◆ Ten districts contracted out for new services in 2020 and two districts brought services back in-house.
- ◆ Transportation service contracting increased from 26.6% in 2019.

Transportation service contracting increased from 3.8% of districts in 2005 to 25.6% in 2015. It has since increased slightly since and is now 28.2% of districts contract out for their bussing services.

Graphic 4: Transportation Service Contracting, 2005-2020



Districts that contracted out transportation services in 2020
Akron-Fairgrove Schools
Clare Public Schools
Clawson Public Schools
Coleman Community Schools
Farwell Area Schools
Holly Area Schools
Martin Public Schools
Meridian Public Schools
Whitefish Township Community Schools
Waterford School District

Clare Public Schools officials noted that they do not expect to save money by contracting out transportation services. Clawson Public Schools began an intergovernmental agreement with the Troy School District for transportation services and Troy contracts this service out. Coleman Community Schools noted that that they had been struggling to find transportation workers.

Holly Area Schools notes that they have begun using a contractor to provide substitute transportation employees and fill positions through attrition. Meridian Public Schools officials said that they had difficulty hiring enough drivers on their own. Whitefish Township Community Schools officials expect to save \$13,500 by contracting out the service.

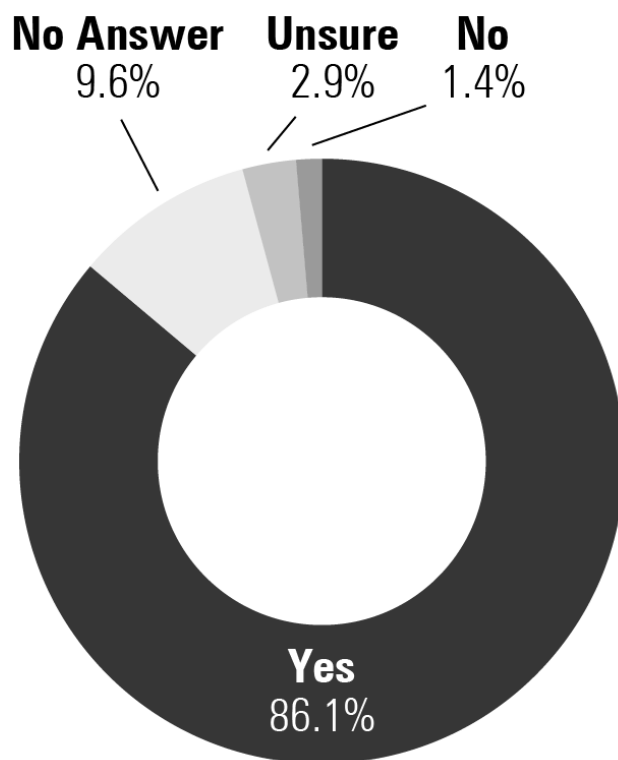
Districts that brought transportation services back in-house in 2020
Huron Valley Schools
Unionville-Sebewaing Area Schools

Huron Valley Schools reported that bringing transportation management in-house and reorganizing the service saved the district an estimated \$50,000. Unionville-Sebewaing Area Schools had used a contractor to fill a single position and hired the person afterwards.

Satisfaction With Outsourcing

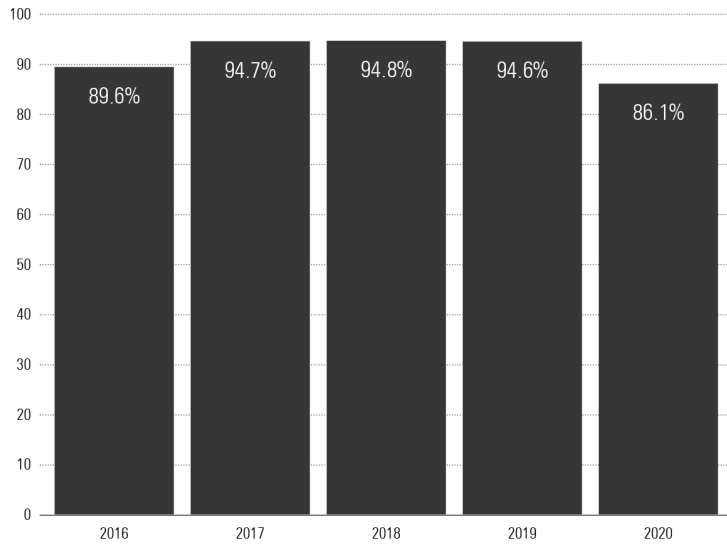
Districts remain overwhelmingly positive about their contractors, though the reported satisfaction is down slightly from previous years. In 2020, district officials reported that they were satisfied with 86.1% of their service providers. The next highest response was to provide no answer.

Graphic 5: Reported Satisfaction With Outsourcing, 2020



This is down from 94.6% satisfaction in 2019. Perhaps the mandated district closures from the spring have left officials more uncomfortable with reporting satisfaction when services are not being provided.

Graphic 6: Satisfaction With Outsourcing Over Time, 2016-2020



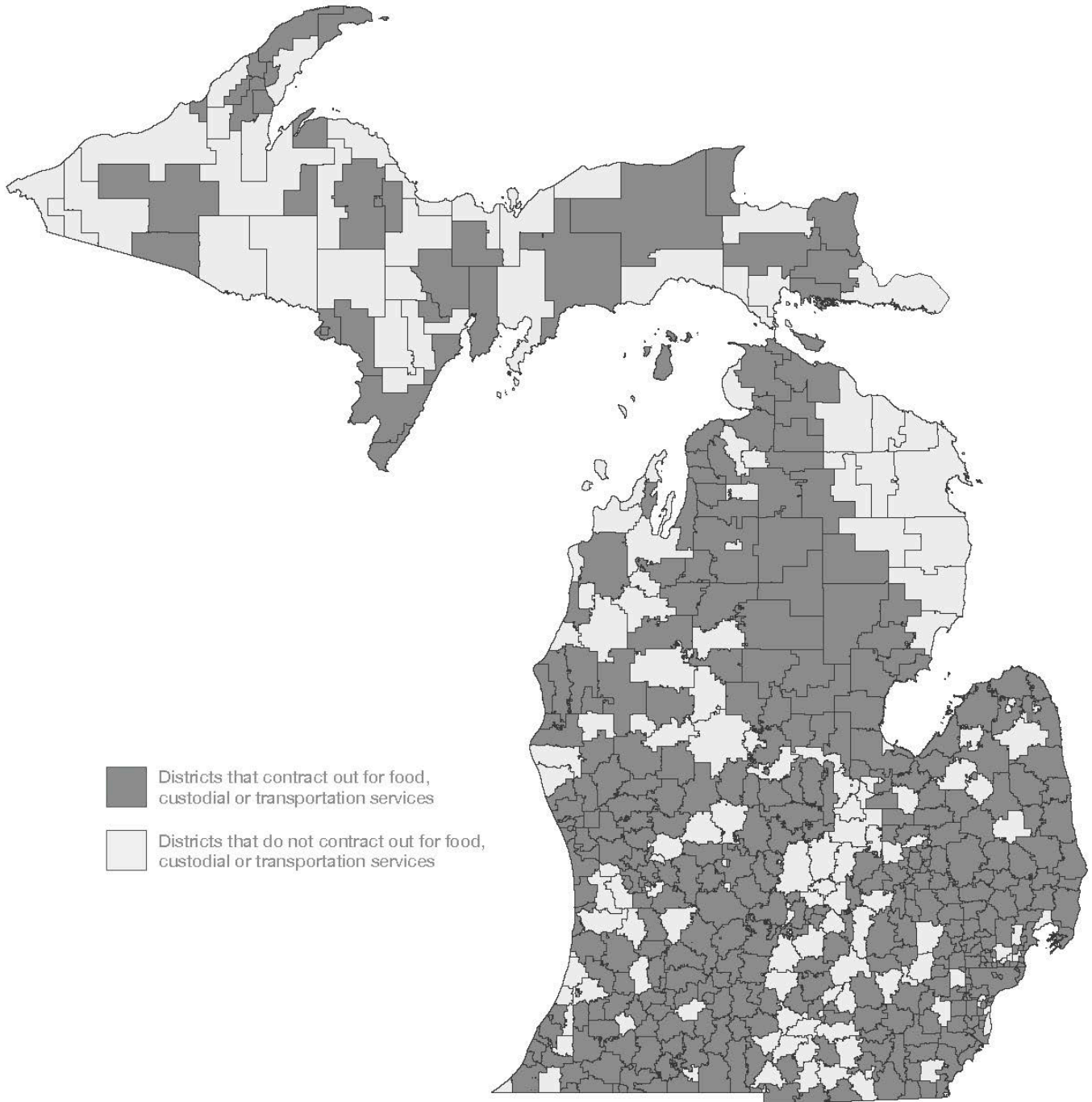
Still, high positive rates make sense for a reason: If districts are unsatisfied with their contractors, they can find another company to provide service or bring the work back in-house.

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.

- ♦ The Webberville Community Schools had been using an employee leasing agency to provide some regular part-time food service employees.
- ♦ Sodus Township School District #5 has been using their ISD to provide food services.
- ♦ Perry Public Schools noted that it contracted out for only substitute transportation employees.
- ♦ Benzie County Central Schools and Detour Area Schools reported that its custodial contract was only for substitute employees.
- ♦ Clio Area Schools and Dryden Community Schools had been contracting out transportation services and this had not been recorded in previous surveys.
- ♦ Caseville Public Schools clarified that it contracts out for substitute food service workers.

Appendix B: Map of Survey Findings by School District



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