



# MICHIGAN REPORT

## MACKINAC CENTER: MORE SCHOOLS OUTSOURCING

A growing proportion of the state's school districts are replacing non-instructional staff with private contractors, the Mackinac Center for Public Policy said in releasing a survey of districts.

The group found that 35.5 percent of the state's 552 school districts have privatized some services, up from 34 percent in 2003 and 31 percent in 2001. In most cases, the districts are hiring an outside company to provide food service, but the survey showed growing interest in outsourcing janitorial and transportation services as well.

But release of the report also served to inflame the battle between private enterprise proponents, such as the Mackinac Center, and school employee unions.

"Done correctly, privatization can and does save money and often improves the quality of services for school districts willing to implement this cutting-edge management technique," said the report, written by Michael LaFaive, fiscal policy director for the Midland-based think tank.

But Karen Schultz with the Michigan Education Association said many districts end up spending more on the contracted services in the end than they would have by retaining school district employees. "What we have found in many instances of privatizing that the idea of

subcontracting is going to save money is often more a ruse," Ms. Schultz said.

Marshall Grate, an attorney who works with school districts considering privatizing services, said contractors can provide not only savings, but also more stable costs. "The subcontractor commits to a 3-year contract," he said. "With the MEA, you have escalator factors in health care costs and pension costs."

While any actual savings depend on the pay and benefits provided to the district employees, Mr. Grate said contracted services can cut costs by between 30 percent and 50 percent.

While the survey showed 28 percent of school districts contract for food service, Mr. Grate said the most potential savings is in contracting for janitorial services. Some 8.7 percent of districts now have a private janitorial service, up from 6.6 percent two years ago, the survey showed.

Ms. Schultz said the contracts open up other issues beyond money. "There are lots of problems that arise when employees are no longer employees of the district," she said.

Among those problems is security when school district employees are not familiar with the contractor's staff, she said.

Mr. LaFaive said some districts

have had bad enough experiences with contracting that they have returned to providing the services with district employees, though he said the survey did not show exactly what issues drove the return. Since 2001, 27 districts that had been contracting for services ended those contracts, he said.

"It was still net plus, but there was turnover," he said.

Linda Wacyk with the Michigan Association of School Administrators expected a growing number of districts to look at privatizing services as long as there is a chance of savings. "We have school districts that are on the verge of closing their doors," she said. "As long as they're not reducing services to kids, it seems like a reasonable approach."

The MASA has not, Ms. Wacyk said, taken any official position on the wisdom of contacting, nor has it provided services to its members on the issue.

Ms. Schultz said the MEA has been working with its members to be sure they at least know the questions that should be asked about a proposed contract. While school officials often bring proposals showing cost savings, she said many school board members do not question the figures or claims that the contractor will provide better service or will be more flexible.