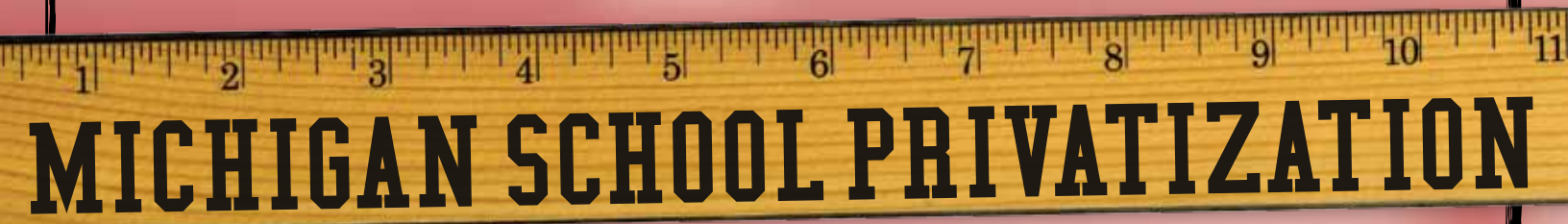


**JAMES M. HOHMAN AND EVAN E. FRYZELKA**

A MACKINAC CENTER REPORT



# **MICHIGAN SCHOOL PRIVATIZATION**

# **SURVEY 2013**



The Mackinac Center for Public Policy is a nonpartisan research and educational institute dedicated to improving the quality of life for all Michigan citizens by promoting sound solutions to state and local policy questions. The Mackinac Center assists policymakers, scholars, businesspeople, the media and the public by providing objective analysis of Michigan issues. The goal of all Center reports, commentaries and educational programs is to equip Michigan citizens and other decision makers to better evaluate policy options. The Mackinac Center for Public Policy is broadening the debate on issues that have for many years been dominated by the belief that government intervention should be the standard solution. Center publications and programs, in contrast, offer an integrated and comprehensive approach that considers:

**All Institutions.** The Center examines the important role of voluntary associations, communities, businesses and families, as well as government.

**All People.** Mackinac Center research recognizes the diversity of Michigan citizens and treats them as individuals with unique backgrounds, circumstances and goals.

**All Disciplines.** Center research incorporates the best understanding of economics, science, law, psychology, history and morality, moving beyond mechanical cost-benefit analysis.

**All Times.** Center research evaluates long-term consequences, not simply short-term impact.

Committed to its independence, the Mackinac Center for Public Policy neither seeks nor accepts any government funding. The Center enjoys the support of foundations, individuals and businesses that share a concern for Michigan's future and recognize the important role of sound ideas. The Center is a nonprofit, tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. For more information on programs and publications of the Mackinac Center for Public Policy, please contact:

Mackinac Center for Public Policy 140 West Main Street P.O. Box 568 Midland, Michigan 48640  
989-631-0900 Fax: 989-631-0964 Mackinac.org mcpp@mackinac.org

The Mackinac Center for Public Policy

# Michigan School Privatization Survey 2013

By James Hohman and Evan Fryzelka

©2014 by the Mackinac Center for Public Policy  
Midland, Michigan



#### **Guarantee of Quality Scholarship**

The Mackinac Center for Public Policy is committed to delivering the highest quality and most reliable research on Michigan issues. The Center guarantees that all original factual data are true and correct and that information attributed to other sources is accurately represented.

The Center encourages rigorous critique of its research. If the accuracy of any material fact or reference to an independent source is questioned and brought to the Center's attention with supporting evidence, the Center will respond in writing. If an error exists, it will be noted in a correction that will accompany all subsequent distribution of the publication. This constitutes the complete and final remedy under this guarantee.

## **Contents**

Introduction.....	1
Methodology .....	2
2013 Survey Results .....	2
Food Service.....	3
Custodial Service .....	4
Transportation Service .....	6
Insourcing.....	7
Satisfaction .....	8
Appendix A: Revisions to Previous Publications .....	9
Appendix B: Map of Survey Findings by School District .....	10

## **Introduction**

Many of Michigan's public school districts are under substantial fiscal pressures from a combination of declining enrollment and increasing costs, particularly related to employee benefits. But most districts are responding to these challenges. One of the ways that districts can stretch their resources further is through competitive contracting for support services. Indeed, this 2013 survey of school districts shows that two-thirds of Michigan school districts contract out to private companies at least one of the three noninstructional services nearly all districts finance — food, custodial and transportation services.

In 2013, 65.5 percent of districts contracted out at least one of these three support services. This is up from 60.7 percent in 2012. In 2001, the first year we started surveying districts, only 31 percent of school districts contracted out one of these services.

Transportation contracting, the least frequently of these services to be contracted out, is increasing rapidly. The proportion of districts using private companies to provide transportation services increased from 16.4 percent to 20.9 percent from 2012 to 2013. Thirty districts began new contracts for transportation services in 2013. In 2008, only 6 percent of districts contracted out the service.

Custodial services are the most frequently contracted service, with 45.5 percent of districts using private contractors in 2013. This is an increase from 39.2 percent in 2012. These figures have grown steadily since 2003 when just 6.6 percent of districts used private contractors to clean and maintain district buildings.

Food service contracting is not growing as quickly as the other two services, but remains quite common. In 2013, 21 districts began new contracts for these services. The rates increased slightly, from 34.6 percent in 2012 to 36.5 percent in 2013.

## **Methodology**

Similar surveys were performed in 2001 and 2003, and have been done annually since 2005.

The Mackinac Center calls every public school district to find out whether it contract out for food, custodial or transportation services. If requested, the survey can be completed via email, fax or through a Freedom of Information Act request.

This survey was conducted between May 28 and Nov. 12, 2013.

Districts are considered as having contracted out services if they use a private vendor for any part of their regular and routine food, custodial or transportation services. Thus, for instance, hiring a contractor to refinish school gymnasium floors would not be considered contracting out for custodial services as this is for a specialized service provided to the district. Likewise, some schools use contractors to provide substitute employees for certain services — this also is not consider contracting out a service per this survey.

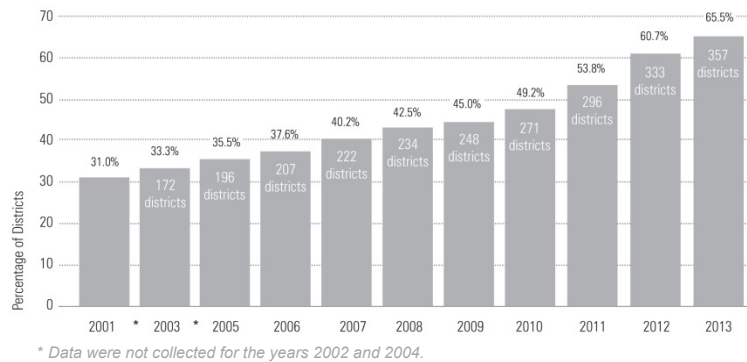
Using an employee-leasing service, where districts hire private companies that provide the district with employees, is considered contracting, since a private sector employer provides employees performing regular and routine services. Districts that use a private food service manager are considered to contract out food services even when the district still employs some of its own food service workers.

There have been some changes to the composition of Michigan school districts since we conducted our 2012 survey. Inkster Public Schools and the Buena Vista School District have been dissolved, and students living in those former districts have been assigned to attend neighboring districts. Ypsilanti Public Schools and Willow Run Public Schools also merged into a single district.

## **2013 Survey Results**

- ♦ 357 of 545 school districts (65.5 percent) contract out for food, custodial or transportation services in 2013.
- ♦ 159 of those districts contract out for at least two of these services, up from 127 districts in 2012.
- ♦ 72 districts began new contracts for food, custodial or transportation services in 2013.
- ♦ 15 districts ended a contract with a private provider and brought a service back in-house.

**Graphic 1: Outsourcing by Michigan School Districts**

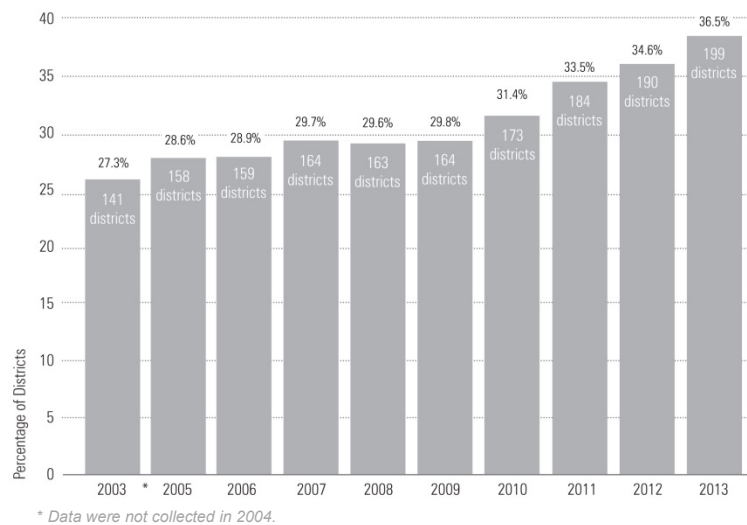


As Graphic 1 shows, the portion of districts privatizing at least one of these three noninstructional services increased from 31 percent in 2001 to 65.5 percent in 2013, a 111 percent increase.

**Food Service**

- 199 of 545 districts (36.5 percent) contract out for food services.
- 21 districts began new contracts for food services in 2013.

**Graphic 2: Districts Contracting Food Service**



**Graphic 3: Districts New to Food Service Contracting**

Atherton Community Schools	Maple Valley Schools
Bellaire Public Schools	Mason County Eastern Schools
Carsonville-Port Sanilac Schools	Montrose Community Schools
Cass City Public Schools	Pewamo-Westphalia Community Schools
Cassopolis Public Schools	Port Hope Community Schools
Chippewa Valley Schools	Riverview Community Schools
Forest Area Community Schools	Saranac Community Schools
Fowler Public Schools	Tekonsha Community Schools
Freeland Community Schools	Vanderbilt Area Schools
Fruitport Community Schools	White Pigeon Community Schools
Holt Public Schools	

School districts that participate in the National School Lunch Program have their operations highly regulated. The food service programs are supposed to be self-sustaining and any surplus from the food program cannot be spent on general school operations.

Because of these regulations, private providers of this service tend to be larger, nationwide firms. Chartwells is perhaps the largest school support service contractor in the state, but Sodexo, Aramark and Taher also provide schools food service.

Of the districts that began food service contracts in 2013, nine were with one of these four firms. Ten of the districts new to contracting were employee-leasing arrangements.

Vanderbilt Area Schools and Port Hope Community Schools began using local vendors for food services in 2013.

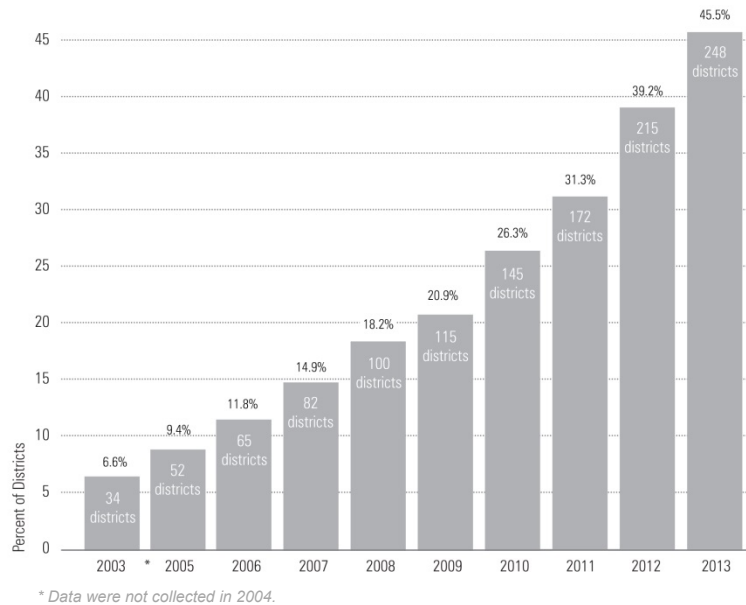
***Custodial Service***

- ◆ 248 of 545 districts (45.5 percent) contract out for custodial services.
- ◆ 39 districts began new contracts for custodial services in 2013.

Custodial service is the most frequently contracted service. It has grown from 6.6 percent of school districts in 2003 to 45.5 percent of school districts in 2013.



**Graphic 4: Districts Contracting Custodial Service**



**Graphic 5: Districts New to Custodial Service Contracting**

Beaver Island Community School	Montrose Community Schools
Bellevue Community Schools	Orchard View Schools
Carsonville-Port Sanilac Schools	Peck Community Schools
Charlotte Public Schools	Pine River Area Schools
Chippewa Valley Schools	Pontiac School District
Clio Area Schools	Redford Union Schools
East Detroit Public Schools	Rochester Community Schools
Erie-Mason Consolidated Schools	Roscommon Area Public Schools
Flint Community Schools	Saranac Community Schools
Galesburg-Augusta Community Schools	Springport Public Schools
Genesee School District	Sturgis Public Schools
Godwin Heights Public Schools	Tahquamenon Area Schools
Hagar Township School District 6	Tekonsha Community Schools
Johannesburg-Lewiston Schools	Tri County Area Schools
Kingsley Area Schools	Van Dyke Public Schools
Lake Fenton Community Schools	Westwood Heights Schools
Lincoln Park Public Schools	Whitefish Township Community School
Mason County Eastern Schools	Whiteford Agricultural Schools
Memphis Community Schools	Whitmore Lake Public Schools
Monroe Public Schools	

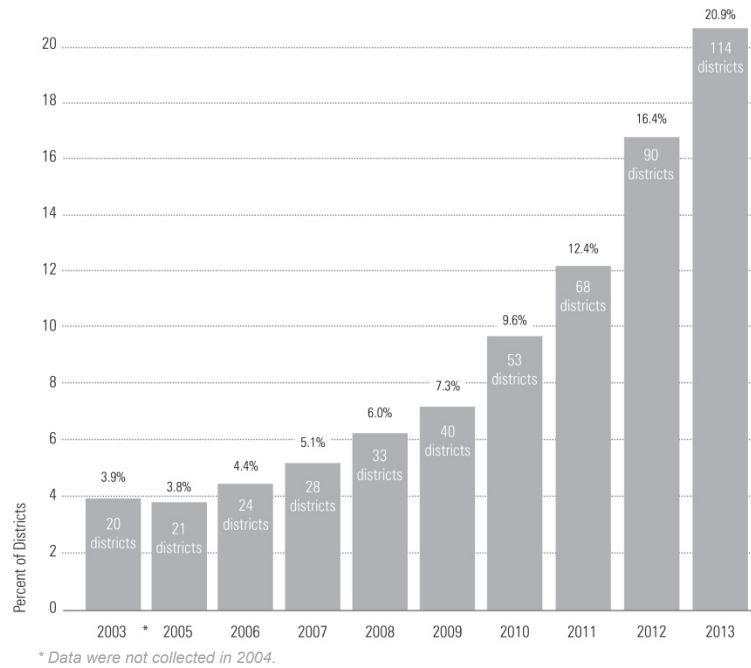
There was both an increase in full-service custodial contracting and employee-leasing contracting in 2013. Of the 39 districts that began contracting out these services, 10 were with employee-leasing agencies and the others were with full-service contractors. Some districts chose to contract out these

attrition, whereby they gradually replace employees who terminate their employment with new contracted, private employees.

**Transportation Service**

- ◆ 114 of 545 districts (20.9 percent) contract out for transportation services.
- ◆ 30 districts began new contracts for transportation services in 2013.

**Graphic 6: Districts Contracting Transportation Service**



**Graphic 7: Districts New to Transportation Service Contracting**

Addison Community Schools	Monroe Public Schools
Airport Community Schools	Montrose Community Schools
Buckley Community Schools	Perry Public Schools
Clintondale Community Schools	Portland Public Schools
East Lansing Public Schools	Rapid River Public Schools
Flint Community Schools	Redford Union Schools
Frankenmuth School District	Richmond Community Schools
Frankfort-Elberta Area Schools	Riverview Community Schools
Galesburg-Augusta Community Schools	Rochester Community Schools
Godwin Heights Public Schools	Saranac Community Schools
Goodrich Area Schools	Trenton Public Schools
Grosse Pointe Public Schools	Van Dyke Public Schools
Kenowa Hills Public Schools	Walled Lake Consolidated Schools
Lake City Area Schools	Whitefish Township Community School
Mason County Eastern Schools	Wyandotte Public Schools

Transportation is the least frequently contracted service. The rate of contracting is rapidly growing, however. There was only slight growth in the number of districts that contracted out for these services from 2003 to 2009, but a substantial increase since then — nearly a tripling in the number of districts.

### *Insourcing*

A total of 15 districts ended their contracts with private-providers for either food, custodial or transportation services and brought those services back in-house in 2013.

**Graphic 8: Districts That Brought Services Back In-house**

District	Noninstructional Service
Bloomington Public Schools	Food, Custodial
Bridgman Public School District	Food
Capac Community Schools	Transportation
Coloma Community Schools	Custodial
Constantine Public Schools	Custodial
Glenn Public Schools	Food
Grand Ledge Public Schools	Transportation
Hemlock Public Schools	Food
Houghton Lake Community Schools	Transportation
Mayville Community Schools	Food
Pottersville Public Schools	Food
Richmond Community Schools	Food
Swartz Creek Community Schools	Food
Ubyly Community Schools	Food, Custodial, Transportation
White Pigeon Community Schools	Transportation

Bridgman contracted through an employee-leasing agency to hire new employees in its food services and ended this arrangement.

Capac had been contracting for a transportation director and now shares a director with another district instead.

Constantine Public Schools reported being dissatisfied with its custodial service contractor and brought the service back in-house.

The Glenn school district had bought a hot meal for its students once a month from a local restaurant. It stopped purchasing these meals in 2013.

Houghton Lake Community Schools had been using a leased transportation director and now uses an in-house employee.

The Richmond district had used a leased food service director and this position is now in-house.

Swartz Creek had used a contracted food service manager but now shares a manager with the Durand school district.

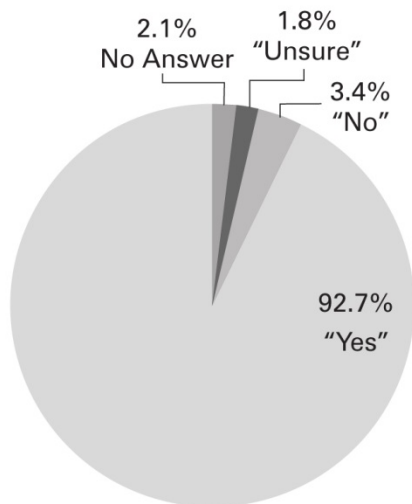
Ugly Community Schools had been dissatisfied with its employee-leasing agency and the positions for food, custodial and transportation services are now all done in-house.

White Pigeon Community Schools had leased a transportation manager and now shares one with Centerville Public Schools.

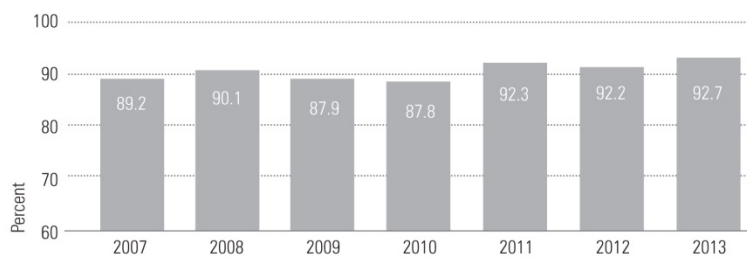
**Satisfaction**

Satisfaction remains high among districts that contract out for services, with districts reporting a satisfaction rate of 93 percent — the highest recorded level in all of our surveys. Two percent of districts reported being unsure about their satisfaction with their contracted services (some of these contracts had just begun), and another 2 percent did not respond to this question. Just over 3 percent reported being dissatisfied with their contracted service provision.

**Graphic 9: Satisfaction From Outsourcing**



**Graphic 10: Satisfaction Over The Years**



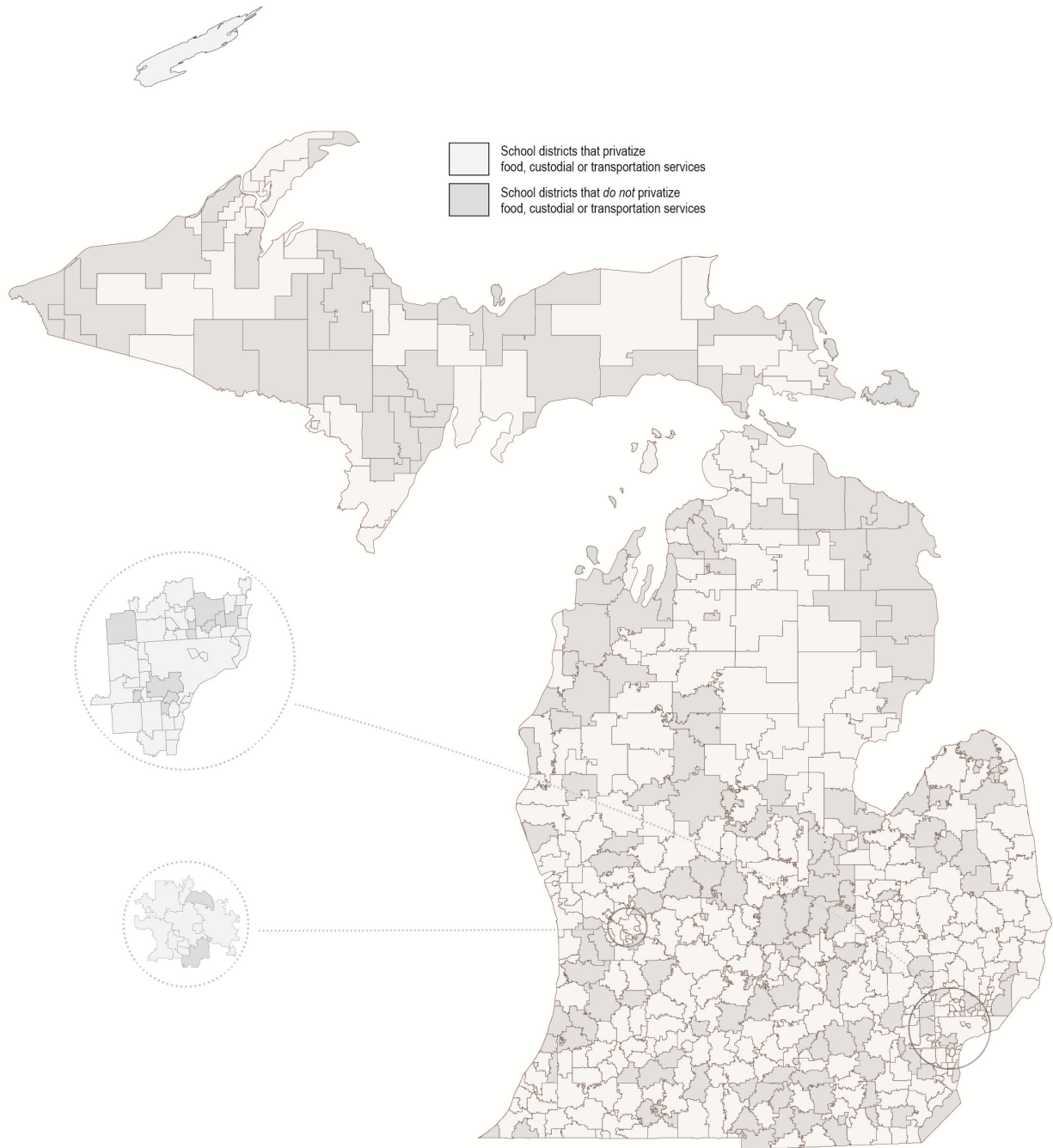
Since districts can end their contracts with private providers and bring services back in-house, it only makes sense that there is a high level of satisfaction with their decision to contract out.

## **Appendix A: Revisions to Previous Publications**

Some districts provided information about their contracts with private providers of food, custodial and transportation services that require us to make some corrections to the way these districts' responses were categorized in previous publications. These are listed below.

- ♦ Ionia Public Schools and Rogers City Area Schools have been using an employee-leasing agency for food service substitute workers and not for regular food service workers.
- ♦ East Jackson Community Schools, Newaygo Public Schools and Rogers City Area Schools have been using an employee-leasing agency for custodial service substitute workers and not for regular custodial employees.
- ♦ The East China School District has been using a transportation contractor for substitute workers and not for regular bus drivers.
- ♦ Webberville Community Schools has only been partially contracting custodial services.
- ♦ Kalkaska Public Schools has been using its local intermediate school district to provide transportation services, but the ISD does contracts out these services.
- ♦ Lawton Community Schools has been contracting out for its transportation manager.

## Appendix B: Map of Survey Findings by School District



## ADDITIONAL RESEARCH


### *Reports and Studies*

---


#### **Michigan School Privatization Survey 2012**

\$10.00       S2013-01      [www.mackinac.org/S2013-01](http://www.mackinac.org/S2013-01)

#### **Michigan School Privatization Survey 2011**

\$10.00       S2011-06      [www.mackinac.org/S2011-06](http://www.mackinac.org/S2011-06)

#### **Michigan School Privatization Survey 2010**

\$10.00       S2010-06      [www.mackinac.org/S2010-06](http://www.mackinac.org/S2010-06)

#### **Michigan School Privatization Survey 2009**

\$10.00       S2009-10      [www.mackinac.org/S2009-10](http://www.mackinac.org/S2009-10)

#### **Michigan School Privatization Survey 2008**

\$10.00       S2008-13      [www.mackinac.org/S2008-13](http://www.mackinac.org/S2008-13)

#### **A Teacher Quality Primer**

\$10.00       S2008-05      [www.mackinac.org/S2008-05](http://www.mackinac.org/S2008-05)

#### **Survey 2007: More Growth in School Support Service Privatization**

\$10.00       S2007-10      [www.mackinac.org/S2007-10](http://www.mackinac.org/S2007-10)

#### **A School Privatization Primer**

\$10.00       S2007-07      [www.mackinac.org/S2007-07](http://www.mackinac.org/S2007-07)

### *Other Analysis*

---

**MichiganVotes.org**, a free public service of the Mackinac Center for Public Policy, is a continuously updated Web database in objective, concise, plain-English descriptions of every bill and amendment in the Michigan Legislature. Complete voting records are instantly accessible for every legislator on every bill and amendment. Users may search the database by bill number, legislator, keyword or any of nearly 100 policy areas.

↳ [www.MichiganVotes.org](http://www.MichiganVotes.org).

**MichiganCapitolConfidential.com** spotlights the votes and proposals of the Michigan Legislature. It contains a review and analysis of important state and local public policy issues that do not always receive attention from the general media. This site makes it easier to keep tabs on local government and your elected representatives in Lansing. It is updated daily with current events from around the state.

↳ [www.MichiganCapitolConfidential.com](http://www.MichiganCapitolConfidential.com).

These and other publications are available at no charge via the Internet. To order copies of Mackinac Center studies by telephone, please call the Mackinac Center at 989-631-0900. You may also order print copies via the Internet. For your convenience, the Center accepts Visa, MasterCard and Discover/NOVUS.

## BOARD OF DIRECTORS

Hon. Clifford W. Taylor, Chairman  
*Retired Chief Justice,  
Michigan Supreme Court*

Joseph G. Lehman, President  
*Mackinac Center for Public Policy*

Joseph J. Fitzsimmons  
*Retired President,  
University Microfilms*

Dulce M. Fuller  
*Owner, Woodward and Maple*

Richard G. Haworth  
*Chairman Emeritus,  
Haworth, Inc.*

Kent B. Herrick  
*President and CEO, Thermogy*

J.C. Huizenga  
*President, Westwater Group*

Phil F. Jenkins  
*Chairman, Sweepster Inc.*

R. Douglas Kinnan  
*Senior Vice President and CFO,  
Amerisure Insurance*

Edward C. Levy Jr.  
*President, Edw. C. Levy Co.*

Rodney M. Lockwood Jr.  
*President, Lockwood  
Construction Company, Inc.*

Joseph P. Maguire  
*President, Wolverine  
Development Corporation*

Richard D. McLellan  
*Attorney, McLellan Law Offices*

D. Joseph Olson  
*Retired Senior Vice President  
and General Counsel,  
Amerisure Companies*

## BOARD OF SCHOLARS

Dr. Donald Alexander  
*Western Michigan University*

Dr. William Allen  
*Michigan State University*

Dr. Thomas Bertonneau  
*SUNY - Oswego*

Dr. Brad Birzer  
*Hillsdale College*

Dr. Peter Boettke  
*George Mason University*

Dr. Theodore Bolema  
*Mercatus Center*

Dr. Stephen Colarelli  
*Central Michigan University*

Andrew Coulson  
*Cato Institute*

Robert Crowner  
*Eastern Michigan University (ret.)*

Dr. Richard Cutler  
*University of Michigan (ret.)*

Dr. Jefferson Edgens  
*East Georgia College - Statesboro*

Dr. David Felbeck  
*University of Michigan (ret.)*

Dr. Burton Folsom  
*Hillsdale College*

John Grether  
*Northwood University*

Dr. Michael Heberling  
*Baker College*

Dr. Ormand Hook  
*Mecosta-Osceola ISD*

Robert Hunter  
*Mackinac Center for Public Policy*

Prof. Harry Hutchison  
*George Mason University School of Law*

Dr. David Janda  
*Institute for Preventative  
Sports Medicine*

Annette Kirk  
*Russell Kirk Center for  
Cultural Renewal*

David Littmann  
*Mackinac Center for Public Policy*

Dr. Dale Matcheck  
*Northwood University*

Charles Meiser  
*Lake Superior  
State University (ret.)*

Glenn Moots  
*Northwood University*

Dr. George Nastas III  
*Marketing Consultants*

Dr. John Pafford  
*Northwood University*

Dr. Mark Perry  
*University of Michigan - Flint*

Lawrence W. Reed  
*Foundation for  
Economic Education*

Gregory Rehmke  
*Economic Thinking/  
E Pluribus Unum Films*

Dr. Steve Safranek  
*Private Sector  
General Counsel*

Dr. Howard Schwartz  
*Oakland University*

Dr. Martha Seger  
*Federal Reserve Board (ret.)*

James Sheehan  
*Deutsche Bank Securities*

Rev. Robert Sirico  
*Acton Institute for the  
Study of Religion and Liberty*

Dr. Bradley Smith  
*Capital University Law School*

Dr. John Taylor  
*Wayne State University*

Dr. Richard K. Vedder  
*Ohio University*

Prof. Harry Veryser Jr.  
*University of Detroit Mercy*

John Walter Jr.  
*Dow Corning Corporation (ret.)*

Dr. William Wilson  
*Economic Consultant*

Mike Winther  
*Institute for Principle Studies*

Dr. Gary Wolfram  
*Hillsdale College*





## About the Authors



**James M. Hohman** is assistant director of fiscal policy at the Mackinac Center for Public Policy. He holds a degree in economics from Northwood University in Midland, Mich.



**Evan Fryzelka** is an economics student at Northwood University.



© 2014 by the Mackinac Center for Public Policy, Midland, Michigan

ISBN: 978-1-890624-02-6 S2014-01

140 West Main Street PO. Box 568 Midland, Michigan 48640

989-631-0900 Fax 989-631-0964 Mackinac.org mcpp@mackinac.org