



More Schools Than Ever Use Private-Sector Firms to Provide Support Services

By James M. Hohman and Janelle Cammenga

Summary

The latest results of a survey from the Mackinac Center for Public Policy show that school districts continue to increase their use of private contractors for noninstructional services. The result is that more money can be put into classrooms.

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Michigan's constitution says that the Legislature shall provide "free public elementary and secondary schools as defined by law." But our public school districts don't do everything by themselves, nor could they if they tried. The role of the private sector in providing for public education has expanded over the past 15 years.

We surveyed all 540 public school districts in Michigan to figure out whether they use private sector vendors to provide food, custodial or transportation services. It's the latest edition of a survey we have done since 2001. This year, 71.5 percent of school districts contract out for at least one of these support services, a number that has grown from 31 percent in 2001.

More than half of all districts — 52.6 percent — contract out with private vendors to clean and maintain their property. This is an increase from 2003, when only 6.6 percent of districts did. Of the 14 districts with new custodial contracts this year, 11 reported that the change saved them money. Constantine Public Schools projects that it will save \$200,000 a year during its three-year contract. Sault Ste. Marie Area Public Schools estimates savings of \$400,000.

District officials across the state remarked that it is difficult to recruit and retain a quality custodial workforce, regardless of whether they contract out.

Food service was the most frequently contracted-out service in 2003, when 27.3 percent of districts used private companies to run their cafeterias. This practice grew steadily over recent years but has remained at 43.3 percent for the past two. There were some new food service contracts in the 2017 survey, however. Spring Lake Public Schools, which has a new contract, hopes this move will help its food service program break even. But just as many contracts were brought back in house as let for the first time.

In 2005, only 21 districts contracted for transportation services. This year, 141 districts do. Seven districts tried outsourcing transportation for the first time in 2017. Cedar Springs will save between \$350,000 and \$400,000 in the first year of its contract. By outsourcing both transportation and custodial services, Carman-Ainsworth Community Schools reports saving between \$650,000 and \$850,000.

In addition to saving schools money, outsourcing can provide them quality service. Districts that outsource report being satisfied in 94.7 percent of contracts.



By using private contractors to provide noninstructional services, school districts can put more money into classrooms.

Part of the increase in contracting out is due to state-imposed retirement costs. The state mandates that districts send in 37 percent of their payroll to the school retirement system, though it also gives them a supplemental payment to narrow that cost. The money the districts send to the state covers the costs of earned benefits and pays down unfunded liabilities. Full-time workers in the private sector tend to have retirement benefits that cost 5 to 7 percent of payroll, giving contractors an advantage.

Retirement obligations shouldn't be the driver for contracting out, however. Districts should use contractors when they are able to provide better services at lower costs, allowing school officials to put more money in the classroom and better accomplish their mission of educating students.

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