

JAMES M. HOHMAN AND CHASE SLASINSKI

MICHIGAN SCHOOL PRIVATIZATION SURVEY 2018



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Michigan School Privatization Survey 2018

By James Hohman and Chase Slasinski

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Introduction

Michigan's public school districts are government entities that occasionally use private contractors to provide them with support services. The 2018 privatization survey found that 70.5 percent of Michigan's school districts — 380 of the 539 districts in the state — contract out for food, custodial or transportation services. This is a slight decline from 2017, when the number was 71.1 percent.

This is the fourth consecutive year in which roughly 70 percent of districts contracted out at least one of these three services. A dozen districts started a contract for one or more services and 15 districts brought a service back in house between our 2017 survey and our 2018 survey.

It is not clear why privatization has been stuck at 70 percent recently. Districts officials reported that finding staff, whether directly or through contracting, has been a challenge. This may be because of the tightening labor market. The state's unemployment rate declined from 14.6 percent at the height of the Great Recession to the current 4.0 percent, according to the U.S. Bureau of Labor Statistics. In a tight labor market, employers have a hard time filling low-wage jobs, such as those in school support services.

While savings tended to drive the districts to contract out services, districts cited quality and staffing concerns as reasons for bringing services back in house. Only one district that insourced services expected to save money from the move. Insourcing may be a sign that a district's financial condition is improving. Total per-pupil revenues at public school districts in Michigan — from all sources, not just state funding — increased from \$11,550 in 2012 to \$12,822 in 2017, an 11 percent increase. The decision by several districts to insource for increased quality may indicate that fewer districts struggle to balance their budgets.

Likewise, the lower number of districts that recently entered into a contract may also be a sign that school finances have improved. Tight fiscal conditions lead districts to seek savings, and contracting out support services was one way districts saved money.

That is more likely the case than an alternative explanation that districts have contracted out when it made sense but now it does not make financial sense. The districts that contracted out continue to expect savings.

Support service privatization increased from a rare practice in 2001 to something commonplace by 2015. The proportion of districts that contracted out food, custodial or transportation services increased from 31.0 percent in 2001 to 69.7 percent in 2015. That was an extraordinary change in the relationship between conventional school districts and the private sector.

Method

We received responses from all 539 public school districts in Michigan between May 7 and August 3. Some districts wanted us to submit FOIA requests, which we did.

The survey asked districts whether they contract out food, custodial or transportation services to private sector vendors. We compared the responses to those of previous years. If the district contracted out for a service, we asked whether it was satisfied with the contractors.

We considered a district to contract out only if a private vendor provided the regular part of a particular service. If, for example, a district cleaned its buildings with its own employees but contracted out for lawn mowing services, we did not include it in the tally. If a district contracted out their food service to another district, it would not be considered as privatizing the service, since the contractor would be another government unit. Due to the unique qualities of special education, we did not include it or transportation for it in the survey.

This is the 16th instance of the survey, which was performed in 2001, 2003 and every year since 2005.

2018 Survey Results

In 2018, 380 of Michigan's 539 school districts contracted out for food, custodial or transportation services. This is a four-district decline from 2017.

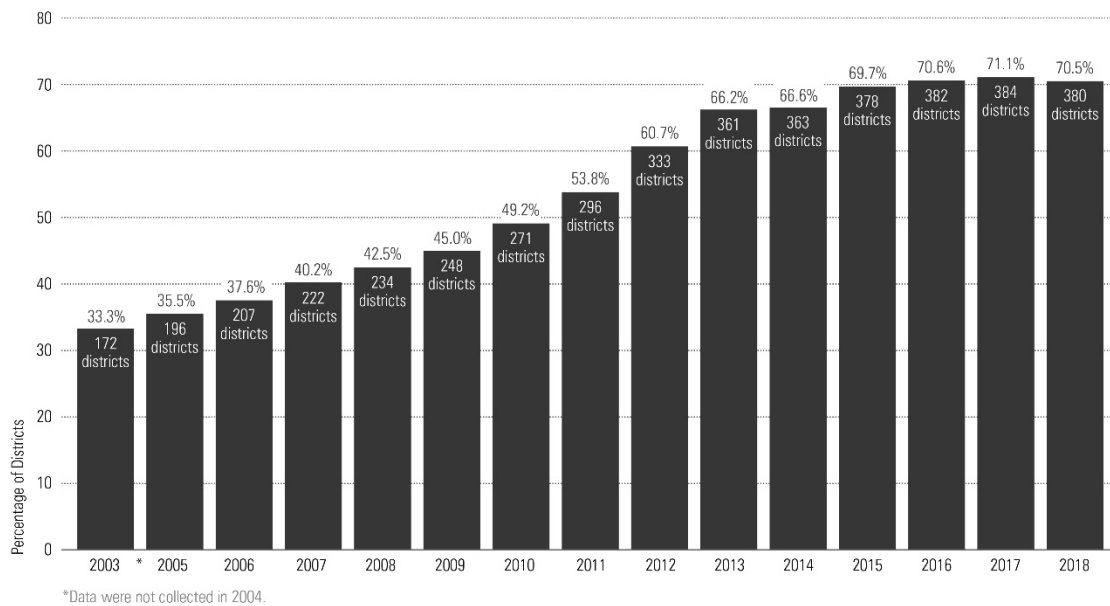
The share of districts contracting out increased from 31.0 percent in 2001 to 69.7 percent in 2015 and has stayed around 70 percent since. From 2005 to 2015, an average of 3.3 percent of districts per year began contracting out. The largest single-year increase came in 2012, when 6.8 percent of districts started a contract.

Custodial service is the most frequently contracted service, with 279 districts using private vendors to clean and maintain their property. Three fewer districts did so in 2018, compared to 2017.

In 2018, 232 districts contract out for food service management or labor, a two-district decline from 2017.

There were 141 districts that contract out for bus services. That number is unchanged from 2017.

Graphic 1: Percentage of School Districts Contracting Out for Noninstructional Services, 2003, 2005-2018



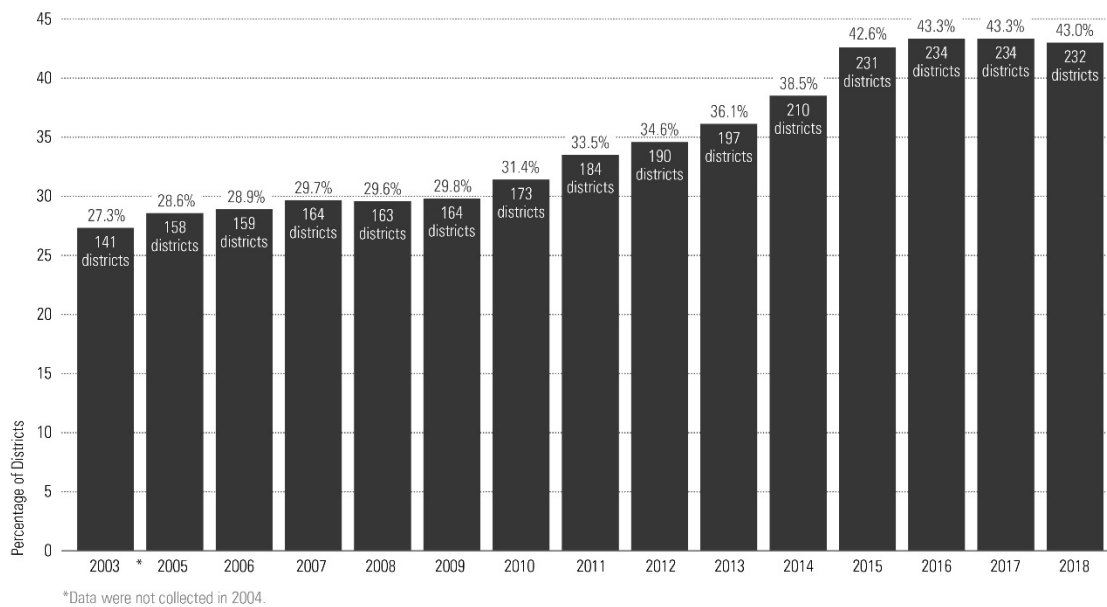
Food Service

Of Michigan's 539 public school districts, 43 percent — 232 districts — contract out for food services.

School food service has unique regulations, such as federal guidelines about nutritional content, and subsidies to pay for the meals of children from poorer families. One regulation says that food service revenue cannot be transferred to other parts of the school budget. In other words, districts can't pay teachers with cafeteria profits. Districts that operate their food services at a loss, however, would need to transfer money from their general fund to food services, giving them a financial incentive to explore privatization.

Food service was the most frequently contracted service in 2003, and its use grew steadily from 2009 to 2015 before leveling off.*

* The initial survey, conducted in 2001, only asked whether the district contracted out food, custodial or transportation services. Starting in 2003, the survey asked whether the district contracted out each service.

Graphic 2: Food Service Contracting, 2003, 2005-2018

Four districts entered into a food service contract between our 2017 survey and our 2018 survey, and five districts brought services back in house.

Center Line Public Schools recently contracted with a leasing company for 30 food service employees, and it reported saving money. Corunna Public Schools recently decided to contract out food service management, replacing the former lunch supervisor. Olivet Community Schools contracted out food services for staffing reasons. Swartz Creek Community Schools also contracted out the service.

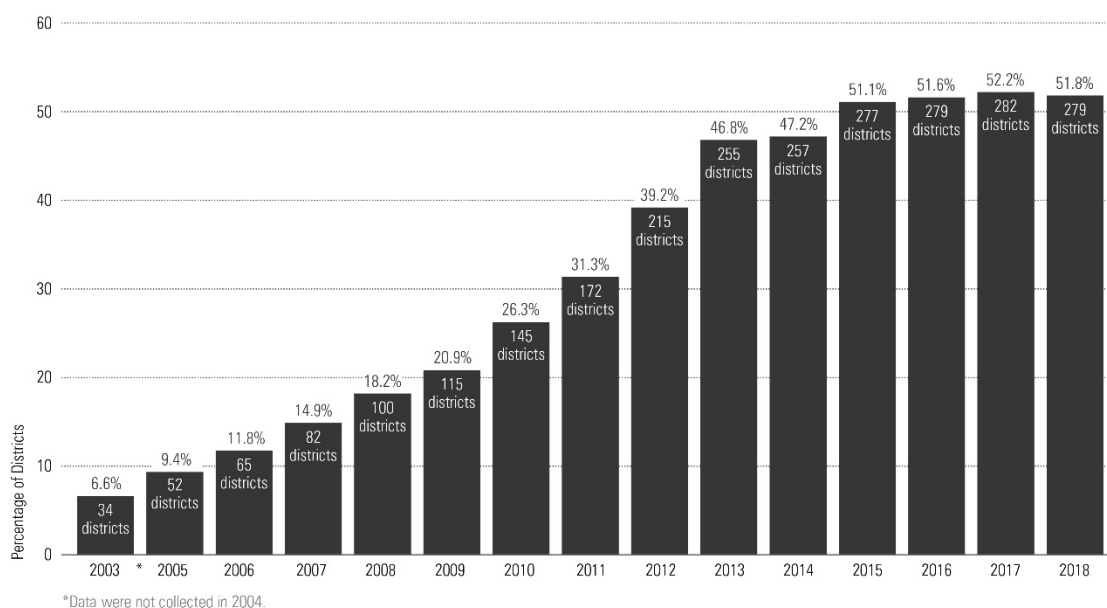
Beaver Island Community School used to get meals from a local restaurant; it now has its own food service. Camden-Frontier Schools decided to bring food service back in-house to retain its food service director; it also reported that insourcing will cost between \$4,000 and \$5,000 per year. Hale Area Schools also switched to in-house service, but reported no savings from doing so. Hopkins Area Schools was dissatisfied with a third-party service and decided to hire a food service director in-house. It reported that there may be a significant cost savings, though that will be unclear until after an audit. Iron Mountain Public Schools took over its food service program, which had been operated by Bishop Baraga Catholic School, after the Catholic school ran into financial difficulties with it.

Custodial Services

A slight majority of districts — 51.8 percent — contract with private firms to clean and maintain district buildings. This is a three-district decline from 2017, when 282 school districts did so.

Over time, more and more districts have used private vendors for their custodial needs, and it is now the most frequently contracted service. In 2003, only 6.6 percent of districts contracted out for custodial services. By 2015, 51.1 percent of districts did, and the number has stayed above 50 percent since then.

Graphic 3: Custodial Service Contracting, 2003, 2005-2018



Six districts entered into new contracts for custodial services this year, and eight districts brought the service back in-house.

St. Louis Public Schools expects to save \$200,000 during a three-year contract, including \$72,000 in the first year. Breckenridge Community Schools added one part-time janitorial worker who is employed by a leasing agency. Coloma Community School District contracted out to clean some district buildings. Center Line Public Schools added several leased contractors and Ecorse Public Schools contracted out the service to lower its costs. Bay City Public Schools recently added full-time custodial staff through a contractor, as well as substitutes through the same service.

Several districts reported having difficulties with their contractor's ability to recruit and retain employees. This was especially true with custodial services. Boyne Falls Public School reported that it brought custodial services in house because of deteriorating service, while Chippewa Valley Schools ended its contract because the vendor could not supply enough qualified employees to

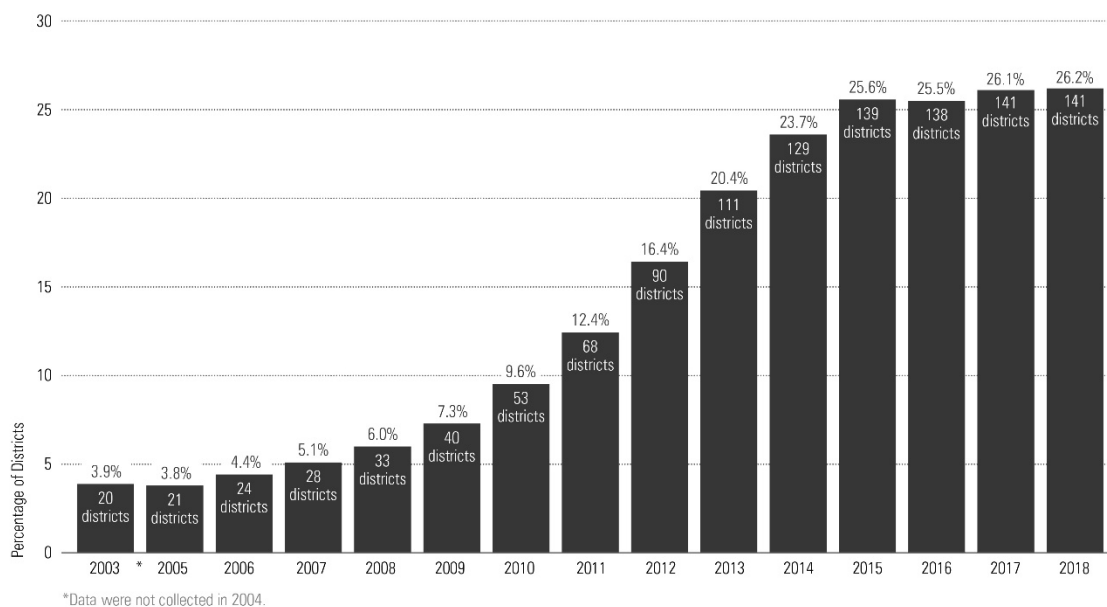
meet its needs. Both districts reported that the change would increase their expenses. Concord Community School District had leased out a joint maintenance and transportation manager, but the leasing agency went out of business. East Grand Rapids Public School District brought two custodial positions back in house, hoping that its own would provide better service. Elk Rapids School's custodian, contracted through a leasing agency, retired. Westwood Heights Schools ended its contract after facing quality-of-service issues. Tahquamenon Area Schools insourced custodial services because of quality and customer service issues. Wells Township School District used a contractor last year on a trial basis when it couldn't find an individual to fill a position. The contract has since ended and district returned to an in-house arrangement. None of the districts that reported insourcing their custodial service reported direct savings.

Transportation Services

Over one-quarter of Michigan school districts contract out with private companies to bus students to and from school. Of the state's 539 districts, 141 of them — 26.2 percent — do so. In 2005, only 21 districts contracted out, a number that grew to 139 in 2015 and has stayed around that level since.

In 2018, five districts started a contract for the service and four districts brought it back in house.

Graphic 4: Transportation Service Contracting, 2003, 2005-2018



Potterville Public Schools had relied on another district for transportation services but then contracted with a private vendor. Deerfield Community School District contracted out transportation in the fall of 2017 to save money. Bay City Public Schools moved to a contractor in June 2018, and Center Line Public Schools added several new leased transportation workers.

Schoolcraft Community School District began to contract out transportation services through attrition.

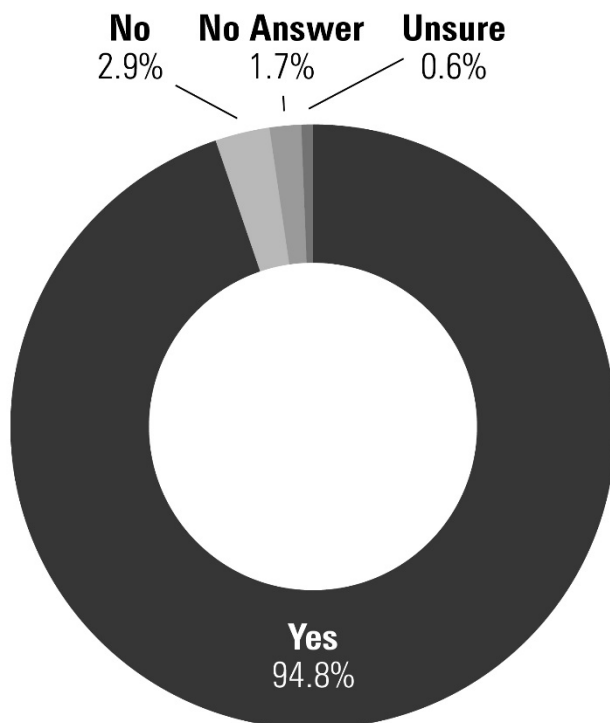
Hale Area Schools decided to bring transportation services back in house, despite a cost increase. Lawton Community School's transportation director was contracted through a leasing agency, but that person retired, and the position is being shared between in-district employees. Unionville Sebawaing Area Schools had used a leasing agency to provide bus drivers but is not using any now. Concord Community School District had leased out a joint maintenance and transportation manager, but the leasing agency went out of business. No district that brought transportation services in house reported savings.

Regular student transportation is an optional service under state law, and 21 districts do not bus students to and from school.

Satisfaction With Outsourcing

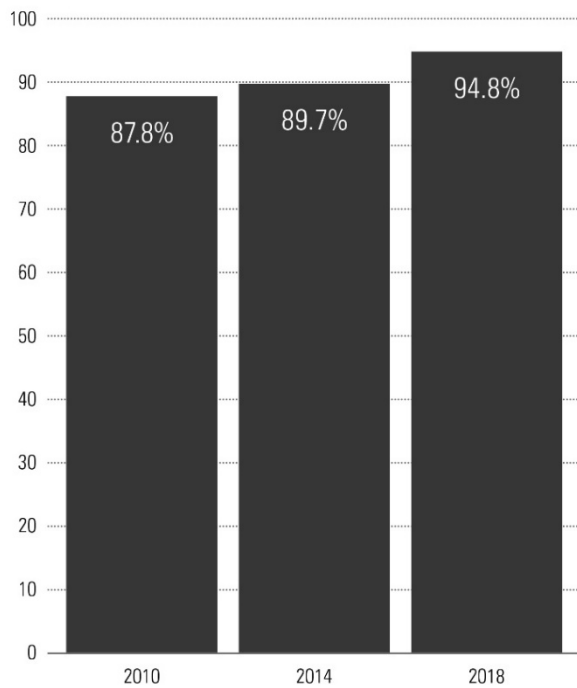
Districts continue to have high rates of satisfaction with their contractors, and they responded that they were satisfied with 95 percent of their contractors. Only 3 percent of districts responded that they were dissatisfied with their contractors. The rest either refused to answer or were unsure whether they were satisfied — often because contractors had just begun to provide services.

Graphic 5: Reported Satisfaction With Outsourcing, 2018



It is not surprising that districts are happy contracting out. The choice of whether to do so is up to them, and they can always bring services back in house or find a different contractor if they are unhappy. Overall, satisfaction has remained consistently high over time, as seen in Graphic 6.

Graphic 6: Satisfaction With Outsourcing Over Time, 2010, 2014, 2018



Appendix A: Revisions to Previous Publications

Some school districts answered survey questions in ways that made it necessary to recategorize their responses from 2017. These districts and the accompanying revisions are listed below:

- ♦ Williamston Community Schools clarified that in 2017, its school used contract custodians only to serve on an occasional and temporary (substitute) basis. As such, it should not have been tallied in the survey.
- ♦ Bois Blanc Pines School corrected that it did not contract out custodial services.

Appendix B: Map of Survey Findings by School District



ADDITIONAL RESEARCH

Reports and Studies

Michigan School Privatization Survey 2017

\$10.00 ↗ mackinac.org/S2017-05

Michigan School Privatization Survey 2016

\$10.00 ↗ mackinac.org/S2016-04

Michigan School Privatization Survey 2015

\$10.00 ↗ mackinac.org/S2015-06

Michigan School Privatization Survey 2014

\$10.00 ↗ mackinac.org/S2014-05

Michigan School Privatization Survey 2013

\$10.00 ↗ mackinac.org/S2014-01

Michigan School Privatization Survey 2012

\$10.00 ↗ mackinac.org/S2013-01

Michigan School Privatization Survey 2011

\$10.00 ↗ mackinac.org/S2011-06

Michigan School Privatization Survey 2010

\$10.00 ↗ mackinac.org/S2010-06

Michigan School Privatization Survey 2009

\$10.00 ↗ mackinac.org/S2009-10

Michigan School Privatization Survey 2008

\$10.00 ↗ mackinac.org/S2008-13

Michigan School Privatization Survey 2007

\$10.00 ↗ mackinac.org/S2007-10

Survey 2006: School Outsourcing Continues to Grow

\$10.00 ↗ mackinac.org/8130

Survey 2005: School Outsourcing Grows

\$10.00 ↗ mackinac.org/7395

Privatization Survey Shows Outsourcing is a Popular Management Tool

\$10.00 ↗ mackinac.org/6913

Survey Says: Privatization Works in Michigan Schools

\$10.00 ↗ mackinac.org/3721

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.

↗ **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.

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