



## Survey 2008: School Service Privatization Grows Again

By Michael D. LaFaive and William Freeland

### Summary

The Mackinac Center's sixth school service privatization survey shows a nearly 5 percent rate of increase among public schools taking advantage of contracting out to save money.

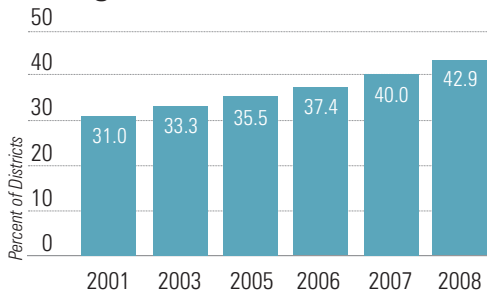
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The number of Michigan school districts turning to privatization as a way of saving money continues to grow, according to the Mackinac Center for Public Policy's sixth privatization survey of the state's 552 conventional public school districts. The survey found that the percentage of districts contracting for the management or operation of at least one of the "big three" support services — food, janitorial or busing — increased for the fifth survey in a row to 42.2 percent, up from 40.2 percent in 2007. That is a rate increase of almost 5 percent.

According to this year's survey respondents:

- Custodial services made relatively large gains over the last year, increasing from a revised 14.7 percent of districts surveyed to 17.6 percent of districts surveyed — a 20.2 percent rate increase over last year. In 2003 only 6.6 percent of districts were contracting for custodial services.
- Food services remain a favorite area for contracting out. We found that 160 of 550 districts (29.1 percent) currently contract for management or operation of food services in their districts. This represents a year-over-year decline in the food service contracting rate of 2.1 percent from 2007, the first year-over-year decline in food service contracting since the survey began in 2001.
- Contracting for school busing management or operation grew from a revised 4.7 percent to 5.5 percent between the 2007 and 2008 surveys. That represents a year-over-year rate increase of nearly 15.8 percent, a significant leap in percentage terms, but still a relatively small amount compared to the number of school districts in the state. We exclude from our tally all special education-related busing and those contracts solely for field trips.

### Outsourcing by Conventional Michigan School Districts



School support service privatization increased again, according to research by Mackinac Center scholars.

*Source: Mackinac Center 2008 school support service privatization survey.*

We received a great deal of feedback from literally hundreds of superintendents and business managers, dozens of whom volunteered that the mere discussion of privatization allowed them to wrest significant cost-saving concessions from different bargaining units. Some districts, on the other hand, said they were too small to privatize because they could not attract vendors. But we have seen privatization take place in districts that have only 14 students. It is possible.

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No single story from this year's survey stands out like that of the Southfield Public Schools. Since our last survey, Southfield has privatized food, janitorial and busing services and estimates three-year savings of between \$14.7 million and \$21.5 million. Dividing the 2008-2009 expected enrollment of 8,800 students in the district into expected savings, these figures translate into projected annual average savings of \$557 to \$814 per student per year. These are huge savings for any school district.

The district tried to avoid privatizing these large services, but its back was against the proverbial wall. Ken Siver, deputy superintendent, reports that the district attempted to obtain sufficient concessions to keep the work in house, but was rebuffed each time, leaving the district no choice but to privatize.

Despite the apparent usefulness of privatization to district officials — or perhaps because of it — the state Legislature is poised to meddle in the contracting affairs of schools statewide. House Bill 6342 would raise the hassle factor for district leadership by mandating that which is already in a district's self-interest. The bill actually mandates cost-benefit analysis of the privatization alternative of both economic and non-economic costs. Districts already have an incentive to do the former, while the latter promises to muddy every privatization debate over potentially unquantifiable variables. Even when using strict economic factors, a district's accountants can torture numbers until they tell you what you want to hear. One district that outsourced food services this year, for instance, made cost assumptions for future district cafeteria services that we believe strain the bounds of credulity.

This year's survey includes 550 of the 552 conventional public school districts in Michigan. Despite aggressive attempts to get answers from Detroit Public Schools by phone this summer, and despite invoking the Freedom of Information Act, we were unable to find someone in the district willing to respond to the survey. This was also the case with DPS in 2006. We also chose to exclude the Upper Peninsula district of White Pine because, as in 2006, it has no students.

Done right, school support service privatization can save money and improve services — even if the privatization option is used solely to persuade public employee bargaining units to sharpen their pencils. This year's survey findings indicate that contracting out not only remains a widely accepted practice, but one that will likely grow in the future.

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