



School Privatization Survey Shows Gains in Support Service Contracting

By James M. Hohman and Eric R. Imhoff

Summary

More than 44 percent of public school districts in Michigan contract out for one of the three main noninstructional services — food, busing or transportation — with savings that can stretch into the millions of dollars.

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More Michigan public school districts contracted out in 2009 for at least one of the three main support services — food, custodial or transportation — according to the Mackinac Center for Public Policy’s annual privatization survey. Some 246 of the state’s 551 districts, or 44.6 percent, contract with private companies for one or more of those support services, up from 42.4 percent a year ago. The Mackinac Center has surveyed Michigan school districts since 2001, when 31 percent of districts contracted out for one of the “big three” noninstructional services.

The survey found that 20.2 percent of districts contract for custodial service. That is more than double the 2005 total of 9.1 percent. Custodial service gained the most in 2009, with 16 more districts contracting out for this service.

Districts saved substantial amounts of money by contracting out for custodial services. Richmond Public Schools expects to save \$823,545, which is an effective per-pupil funding increase of \$435. Dewitt Public Schools expects to save \$255,591 this year, which is roughly equivalent to saving \$86 per pupil, and its contractor expects to add six more jobs to provide this service.

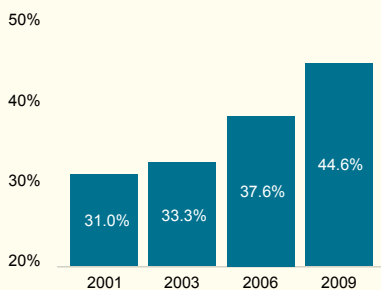
Per-pupil savings estimates from privatization are significant as the state Legislature discusses reducing the state aid foundation grant by \$110 per pupil.

There was a significant increase in transportation contracting as well. There are now 38 districts that have hired private contractors for regular transportation services, up from 32 districts last year. Benton Harbor Area Schools is privatizing the service and estimates it could save \$2 million over the next five years, an average of \$113 per pupil annually.

Districts are not mandated to provide transportation services, and some districts have stopped providing it completely to save on costs. River School in Berrien County is one, while other districts, like Grosse Pointe Public Schools, have never offered them.

While the Mackinac Center’s 2008 survey showed a decrease in food service contracting, it increased in 2009 with a net gain of one district. Contracting for personnel and/or management in food services remains the most frequently used money-saving option with 29.4 percent of districts

Outsourcing by Michigan School Districts



This graph shows the continued increase in privatization of support services among Michigan school districts.

Source: Mackinac Center 2009 School Privatization Survey.

participating. Glenn, Troy, Charlevoix, Sims, Okemos, Peck and Godwin Heights districts all began new food service management agreements.

District officials also commented on other ways they save on food services. Blissfield and Adrian expect to save \$18,000 each by sharing a food manager. While there are new districts consolidating their food service programs, other districts have done so for a while. Swan Valley and Saginaw have shared food service for over nine years.

The district that saved the most from privatization this year was the Troy School District, which contracted out for food, custodial and transportation services. Troy expects to save \$3.8 million in the first year alone, or \$316 per pupil. The largest savings come from custodial services, at \$2.7 million. While custodial contracting sometimes involves layoffs, Troy's contractor expects to hire the equivalent of 22.5 more workers to serve the district. Troy also expects its food service provider to run the program at a surplus of \$414,625. Under last year's in-house staff and management, the district spent \$100,000 more than revenues when indirect costs were considered. The district also privatized its transportation services and expects to save \$7.4 million over the next six years.

A small number of districts brought services back in house this year. Two districts brought custodial services in-house and five brought back food services. No district brought back transportation services, although Montabella Community Schools decided to buy back buses from its contractor.

The Mackinac Center was able to receive and confirm responses from every district in the state this year, marking the third time that 100 percent of school districts cooperated with the survey.

Despite obstacles, especially from unions afraid of losing dues-paying members, privatization continues to increase in popularity for school districts trying to save money.

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