



School Privatization Survey: Michigan Rates Increase Again

By Michael LaFaive and Philip Schlosser

Summary

Schools are turning more and more to contracting out custodial, food, and transportation services as a way to save money and relieve management headaches. Though 70 percent of Michigan districts contract out for one of the three major noninstructional services, there are still cost savings to be had.

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The rate at which Michigan schools contract out for noninstructional services increased again last school year, this time to 70.8 percent of all conventional public school districts in the state. This is up from 66.6 percent in 2014. The use of competitive contracting for noninstructional services overall has increased in each of the 12 Michigan-specific surveys conducted by the Mackinac Center since its first survey in 2001.

This year, the Mackinac Center expanded its survey research to include the states of Texas, Ohio, Pennsylvania, and Georgia, the better to watch for national trends in contracting. Done correctly, competitive bidding of noncore services can yield big savings, alleviate management headaches and free up precious time and money for the classroom.

Growth in Michigan districts' use of competitive contracting for the big three noninstructional services has been robust. In 2001, our first survey found that 31 percent of districts were contracting out food, custodial or transportation services. This year, more than 70 percent do — a 128.5 percent increase in just 14 years.

Of Michigan's 542 conventional school districts, 144 or 26.6 percent contract out for transportation services. That is up from 3.9 percent in 2003. Custodial service contracting is also up dramatically since our first survey. Our latest survey indicates that 283 districts — 52.2 percent of the total — contract out for custodial services. This is up from just 6.6 percent in 2003. Food service contracting rang in at 42.8 percent of all districts.

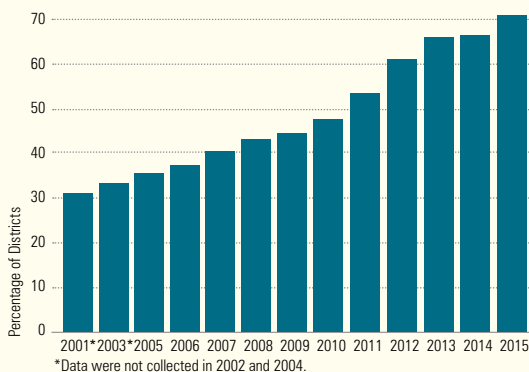
Michigan isn't the only state that embraces this widely accepted practice, though some states seem to embrace contracting out certain services rather than others. To get a handle on what was going on elsewhere in the country, the Mackinac Center surveyed four additional states representing more than 2,300 conventional public school districts.

We surveyed all 614 districts in the state of Ohio. Of these, 16.6 percent contract out for at least one of the three major noninstructional services. Of the total, 6.5 percent contract out for bus services, 4.2 percent contract for custodial services and 10.7 percent contract for food services.

Of the 1,024 districts surveyed in Texas, 233 (22.8 percent) contract out for at least one of the three noninstructional services. Just 3.7 percent contract out for bus transportation services. This is roughly where Michigan was

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Outsourcing by Michigan School Districts



Seven out of 10 Michigan school districts use contracting for at least one of the three major noninstructional services.

in 2003. Almost 10 percent contract out for custodial services and 14.9 percent contract out for food services.

Georgia is a bit of a contracting anomaly. Of the 180 school districts in the state, only 2.2 percent contract out for food services and 1.7 percent contract out for transportation services. This might lead one to assume that Georgia public schools are simply hostile to competitive contracting, but a surprising 36.7 percent contract out for custodial services.

Pennsylvania is also an interesting case study. It leads all five states in overall contracting at 75.2 percent, due in large part to its extensive use of contracting for transportation. A stunning 66.4 percent of conventional public school districts contract out for transportation services — frequently with more than one vendor. Custodial service contracts can be found in 9.0 percent of districts and food service contracts in 44.6 percent.

Although some of these trends are certainly encouraging, our findings suggest a lot of money is being left on the table. In past surveys, the Mackinac Center has found average per pupil savings ranging from \$34 (food) to \$110 (transportation) to as high as \$191 (custodial). That is a lot of money that can be repurposed to the classroom.

As additional districts take notice, we expect to see cost-saving opportunities arise and will ensure that school support data is readily available to administrators along the way.

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