



GREAT LAKES CENTER
FOR EDUCATION RESEARCH & PRACTICE

**A Guide to Contracting Out
School Support Services:
Good for the School?
Good for the Community?**

EXECUTIVE SUMMARY

William J. Mathis, Ph.D.
Rutland Northeast Supervisory Union

Lorna Jimerson, Ed. D.
Champlain Valley Union High School

The Great Lakes Center for Education Research & Practice

PO Box 1263

East Lansing, MI 48826

Phone: (517) 203-2940

Email: greatlakescenter@greatlakescenter.org

Web Site: <http://www.greatlakescenter.org>

March 2008

Guide to Contracting Out School Support Services: Good for the School? Good for the Community?

William J. Mathis, Superintendent of Schools,
Rutland Northeast Supervisory Union
Lorna Jimerson, Champlain Valley Union High School,
Board of School Directors

Executive Summary

Contracting out—using private contractors to provide support services—has received increasing attention in the nation’s public schools. In a climate promoting market models and privatization, the increasing popularity of school choice and education management organizations has encouraged countless vendors to attempt privatizing a wide array of public school services. The largest and most visible efforts have targeted food, transportation and custodial services. International and national mega-corporations are increasingly consolidating the food services and transportation industries, in particular.

Virtually all school systems have historically used and continue to use private vendors to some degree. In many cases, contracting out is simply the most efficient, practical and prudent path. Yet, the appealing promises of commercial vendors to provide higher quality services at cheaper prices while relieving administrative headaches are not always realized.

This paper reviews critical considerations for school officials considering contracting out. These include hidden costs, quality control, impact on administrative time, social costs, and loss of control and restricted flexibility.

When deciding whether to contract out, it is recommended that school leaders first:

- Analyze the reasons for considering a private vendor and determine whether underlying administrative and cost issues might be more efficiently and economically resolved internally. Often, a consultant can expedite this review.
- Conduct a careful cost analysis of contractor proposals, including hidden, indirect, and administrative costs to the district. Such an analysis is essential to determine if contracting out is cost-effective.

Guide to Contracting Out School Support Services

- Weigh the social costs of privatization, such as possible economic harm to employees and to the community and potential disruption of school-community relations.
- Determine if there are enough qualified potential bidders to provide the effective competition and substantial cost reduction that the market model promises.

When a decision to contract out has been made, school leaders should:

- Develop requests for proposals (RFPs) using independent resources and advice rather than a vendor's model contract or specification materials.
- Have an outside expert in the service area as well as legal counsel review the RFP and the proposals.
- Assure that sufficient quality control measures are in the contract. For example, effective monitoring, dispute resolution procedures, cost penalties and provisions for contract cancellation must be explicit, clear and free of excessive conditions.
- Check the contractor's performance with other districts and the appropriate state agency. It is important to look beyond the references on the vendor's list.
- Examine the contractor's plans and guarantees regarding the district's existing, new, and future employees. Determine whether a cost reduction will come at the expense of employees and the social well-being of the community.
- In the district's cost analysis, determine what new costs the district may incur as a result of contracting out. For example, will the district have to hire a program monitor, buy supplies, or provide maintenance?
- To avoid unanticipated and unbudgeted bills, check the vendor's cost estimates on staffing, wages, inflation, energy costs and the like for reasonableness. Assure that such costs are appropriately capped. Ascertain if the thresholds for additional billed services are realistic and fairly priced.
- Check cancellation provisions to prevent the district from being held captive to a contractor. Districts should avoid selling assets like kitchen equipment and bus fleets, which would effectively prevent their return to the district's own operation.