

Testimony to the House Education Committee for HB 4306

By Rick Olson, State Representative, 55th District
For March 9, 2011

The intent of the proposed bill is to help local school districts and intermediate school districts to control their costs for support services. The goal is to maximize the dollars that can be allocated towards services to students in the classroom to maximize student achievement.

I have been a Michigan public school business manager for over 7 years. My wife has been and is a public school superintendent, having worked as a district school administrator since 1999. I have completed all but the dissertation for a Ph.D. in Education Administration at Michigan State University. I also have been a presenter at three Annual Conferences for the Michigan School Business Officials.

In the fall of 2005, I investigated contracting out for the custodial work for Adrian Public Schools. The district was desperate to find cost savings, as we had been losing about 100 students per year, and after cutting over a million dollars year after year, we were out of good options. We had already gone from 6 elementary buildings to four, not purchased new textbooks for many years, slashed staff in all areas, etc. We were even out of bad options. Our projections showed us going into a negative General Fund Balance.

My analysis indicated that the district could save \$839,000 per year if we contracted with an outside custodial service company as compared with our existing custodial costs. This was for about 32 of the 42 employees in the collective bargaining unit for our custodial, maintenance and grounds staff. With Adrian having about 4000 students, this is in line with the savings testified to on March 2 by the Grand Blanc district.

The mere fact that I had investigated the potential of privatizing our custodial service significantly undercut my standing in the district, and I left Adrian on June 30, 2006, voluntarily, but under pressure. Most public school business managers and superintendents are extremely

reluctant to even explore privatizing these services, as any consideration brings out the protectionism tendencies of the unions, creates havoc in the district and school boards eventually throwing out the idea because they can't stand the heat. You will hear, "The kids will not be safe if we have private company bus drivers, etc." I don't believe that is true, after all, when we lived in Minnesota, all school bus transportation was privatized in the state, In fact, just down the street from us lived a couple who owned a small school transportation company. The emotional objections are aroused by the unions to protect the union employees' jobs, and are not based in fact.

Incidentally, Adrian Public Schools partially privatized its custodial services about a year after I left, but only after I had been a casualty for attempting good stewardship of the district dollars.

The requirement that all districts put these services out to bid relieves the school administrators from the hazard of initiating such requests for proposals. This protection is needed. Some districts, such as Grand Blanc, have had strong boards and administrators who were willing to take the heat and keep their focus on what is best for kids. Most other administrators and boards have not had this testicular fortitude. The posting of the summaries of the proposals received lets the community know if the school board is favoring employee associations at the expense of the students and reinforces the resolve of the school board members.

I have supervised food service staff in both privatized and non-privatized configurations. Both can work. In fact, at Adrian Public Schools, I supervised a fantastic group of women who had a profit sharing arrangement which had been set up prior to my arrival in 2000. They took ownership of the results of their unit, seeking to maximize the number of meals served, and satisfying the students and their parents. One year, we distributed over \$42,000 in profit sharing checks, with some employees receiving over \$2000 - after the district had retained \$100,000 of the "profits" which went to cover indirect costs. So, privatizing is not needed in all cases.

However, at Harper Woods School where I served as business manager while supervising a construction project, food service was contracted out to Chartwells, and that worked very well. There we had a great Food Service Director who ran a tight ship.

As much as I support the current bill, I would suggest the following improvements:

- Rather than saying "SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT" many times, I would put in a new subsection (1) "'DISTRICT' SHALL MEAN 'SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT' FOR THE PURPOSES OF THIS SECTION." It is a stylistic change that makes the bill easier to read for the practitioners who will need to follow the new law.
- There should be a requirement for periodic issuing RFP's to make this a continuing obligation, rather than a one-time event. So, I would word the bidding requirement to be: "NOT LATER THAN JANUARY 1, 2012, AND AT LEAST ONCE EVERY THREE YEARS THEREAFTER"
- In some cases, it does not make sense to contract with outside parties, due to experience of staff, other duties performed in small districts by individual employees, availability of qualified bidders (especially true early after the enactment of this new law when so many districts will be seeking the services currently provided by few qualified vendors,) etc. The proposal would take away local control, from those people who have the most intimate knowledge of the district and its peculiarities which might be critical to make an informed decision of what is best. Therefore I would require the bidding to take place, but add: "THE DISTRICT SHALL NOT BE REQUIRED TO CONTRACT WITH A PARTY OTHER THAN AN ASSOCIATION OF THE DISTRICT EMPLOYEES FOR THOSE SERVICES."

Due to the cost disadvantage to continuing as employees of the district imposed by the over

20% MPSERS contribution rate, it will be rare that it will not be in the best interest to contract out, but there will be exceptions.

- I would require posting the results of the bids on the district website to hold the school board member's feet to the fire when voters see the alternatives to cutting services to students.

Therefore, I would suggest the following language :

“THE SUMMARIES OF THE PROPOSALS RECEIVED SHALL BE POSTED ON THE DISTRICT WEBSITE, TOGETHER WITH THE IDENTIFICATION OF THE PROPOSAL SELECTED, THE COST DIFFERENCE FOR EACH PROPOSAL FROM THE PROPOSAL SELECTED AND THE RATIONALE FOR SELECTING THE PROPOSAL IF OTHER THAN THE LOWEST COST PROPOSAL.”

I understand that there may be some resistance to making clear the reason for the choice, but if the board selects something other than the low bid and does not give an explanation, that will raise more questions and unhappiness in the district than being transparent.

- There now is some uncertainty regarding the ability of a bargaining unit to participate in both the preparation of the RFP and responsively bid for the work. An Attorney General's Opinion has been issued. I would clarify the issue in statute by substituting the following paragraph:

“THIS SECTION SHALL NOT PREVENT AN ASSOCIATION OF EMPLOYEES OF THE DISTRICT FROM SUBMITTING A COMPETITIVE BID FOR THE PROVISION OF FOOD SERVICE, CUSTODIAL OR TRANSPORTATION SERVICES, HOWEVER, (1) THE ASSOCIATION OF EMPLOYEES MAY NOT SUBMIT A COMPETITIVE BID IF IT PARTICIPATES IN THE DEVELOPMENT OF THE REQUEST FOR PROPOSAL AND (2) THE DISTRICT SHALL NOT DISCRIMINATE EITHER FOR OR AGAINST A COMPETITIVE BID SUBMITTED BY AN ASSOCIATION OF EMPLOYEES.”

The preparation of the RFP would actually involve two steps. The first is the development of

a model or form RFP by the SPI as provided in the bill. Then, the district will need to add the specific requirements that pertain to the particular district. So, merely having the SPI develop the form does not completely clarify this issue.

This proposed change would also make it clear that the act is not intended to be against the dedicated existing employees of any district, and seeks to create neither a preference for nor discrimination against such employees.

- The base over which bidding is required is already set annually by the SPI under an existing law. The fiscal year 2010-2011 base for Section 1267, pertaining to construction, renovation, repair, or remodeling and the new base for Sections 623a and 1274, pertaining to procurement of supplies, materials, and equipment, is \$21,308. Current law prohibits work from being broken down into smaller pieces to avoid the application of this provision.

Adding the normal boilerplate in the currently proposed subsection 5 would require the SPI to do an additional calculation, which would result in very little dollar difference. Creating additional work in the face of the goal of reducing the size and cost of government does not make sense. Therefore, I would substitute for section 5 the following:

“(5) SUBSECTION (2) DOES NOT APPLY TO CONTRACTS OF LESS THAN THE BASE ESTABLISHED EACH YEAR BY THE SUPERINTENDENT OF PUBLIC INSTRUCTION PURSUANT TO MCL 380.1274.”

Conclusion: We must do what we can to help our struggling school districts control their costs.

We need to keep our focus on student achievement and not on retaining adult employment. I support the bill and recommend you report it to the floor with recommendation. I also respectfully request that you carefully consider my suggested friendly amendments designed to improve the bill.