

Keystone Policy Series:

**Competitive Contracting
For School Support Services:
A Savings for Nevada of
\$52-58 Million Per Year**

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EXECUTIVE SUMMARY

Competitive Contracting for School Support Services: A Savings for Nevada of \$52-\$58 Million Per Year

Saving money without compromising services ought to be a chief concern of school administrators. To help channel more resources into instructional programs, school administrators are increasingly turning to the efficiencies of the private sector for services such as public transportation, facilities maintenance and cafeteria operations.

Competitive contracting can provide public schools with the kind of expertise, flexibility and cost efficiencies not always available with in-house service provision. Experience with contracting has been well-documented in the public schools, where private contractors provide roughly 30 percent of bus service, 10 percent of custodial and maintenance services and operate at least 7 percent of school cafeterias.

Any savings in support services can be used to provide additional resources for the classroom. Properly designed and monitored, contracts between the public schools and private providers can help legislators and school administrators do more with less. The potentials for savings are significant.

In transportation alone Nevada has the potential to save as much as \$12-18 million. This figure was derived by calculating the national average cost per student for transportation services provided by the public sector minus the average cost per student in the private sector. At present, Nevada expends approximately \$50 million for transportation services. This figure could be cut by one-third and applied directly to the classroom. Why is this important? Since 1972, nearly 30 percent of education revenues have been shifted away from the classroom.

According to the Reason Foundation, the national average cost of maintaining a single school building and the grounds surrounding it is \$265,060 per year, accounting for over 9 percent of each school's overall budget. In Nevada, the overall cost of maintenance approaches \$142 million per year. When incentives change, savings occur. In government, a manager's measure of success, whether a janitor or groundskeeper, is highly correlated to the size of his budget and staff. In private industry however the measure of success is found in providing an excellent product, efficiently, and for the lowest possible price. Private contracting, according to Reason Foundation, can save individual schools nearly \$75,000, or 28 percent of their maintenance and operations annual budget. For Nevada the potential savings is at least \$40 million per year.

This report presents a step-by-step guide to the competitive-bidding process—from the make-or-buy analysis to the details of contract proposals. It also describes the scope of

current service provision for food service, busing and maintenance. Case studies explore the actual experiences of several school districts making use of support-services contracting.

In Nevada, doing more with less through competitive contracting is an imperative. The implementation of recent finance reforms means an end to the days of revenues increasing at double the rate of inflation. Nevada public schools are entering an era of cost containment in which more efficient use of scarce resources and innovative strategies that involve the private sector will make or break budgets. The potential savings of \$52-58 million just with these two reforms are compelling enough reason to aggressively pursue.

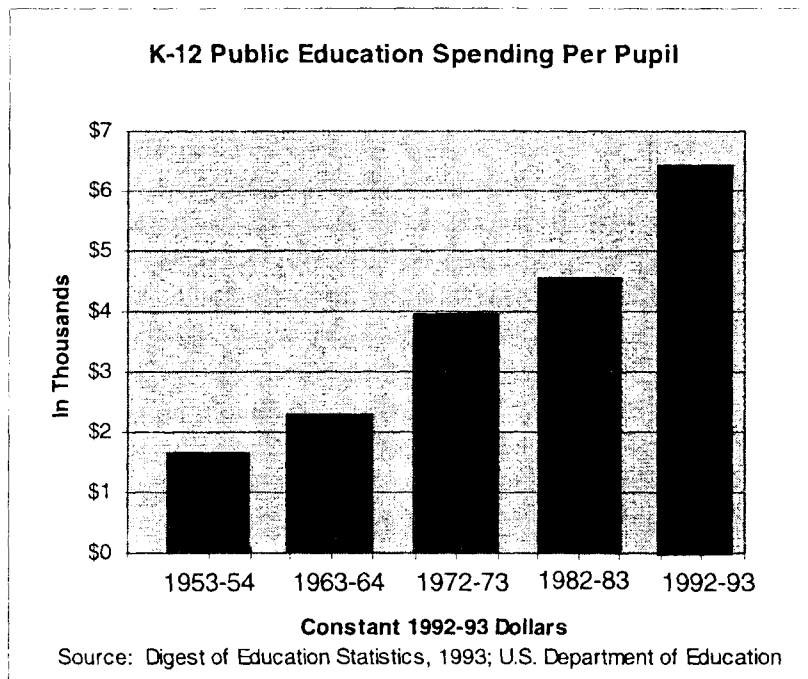
Contracting successfully requires a high degree of care and study. Toward that end, this group of reports should prove useful to legislators and school officials throughout Nevada.

Making The Case for Privatization of Support Services

School spending per pupil increased nationally 37 percent during the 1980s and early 1990s, after adjustment for inflation.¹ In Nevada, spending doubled from \$2,400 per student to \$5,100. We would be mistaken to assume that the increase expended per student was used for instructional or classroom programs that directly benefited students academically. In fact, most, if not all of that increase never made it to the classroom but instead went to teachers' benefit programs, administrative costs and support services. Many teachers appropriately question why they must spend their own money to provide their classrooms with the most basic supplies such as books, paper and chalk.

The student-to-staff ratio has declined since 1970 from 13 students for every staff person (including non-teachers) to roughly nine to one in 1992,² yet a common complaint from parents is that their children don't receive enough individual attention in public schools.

Paradoxes like these abound in public education. Despite decades of spending increases (see Figure 1), the perception exists that when it comes to public education, we scrimp on our schools. To a certain extent, the perception is valid. After all, an average of just 51 cents of every education dollar actually makes it to the classroom, leaving local educators with far fewer resources than they might have otherwise had.³



¹ Digest of Education Statistics 1993, U.S. Department of Education, Office of Educational Research and Improvement, 1993, p. 47

² Digest of Education Statistics 1993, U.S. Department of Education, Office of Educational Research and Improvement, 1993, p. 46.

³ Cresanta, Judy, *The Instruction Gap: A Ten Year Study of Education Spending in Nevada*, Nevada Policy Research Institute, 1995.

What hobbles our schools is not a lack of money, but a lack of money management. When resources are used inefficiently, when state and federal mandates hamstring local education budgets, or when onerous collective-bargaining agreements squeeze school finances, even a generous amount of funding evaporates by the time it reaches the classroom.

NON-INSTRUCTIONAL AND SUPPORT ACTIVITIES MAKE UP A SIZABLE PORTION OF PUBLIC-SCHOOL BUDGETS.

CONSIDER:

- Only about half of all public school employees are teachers. Of 4.6 million school staff employed in 1991, just 2.4 million were teachers.
- Between 1960 and 1984; the number of non-classroom instructional personnel in America's public school classrooms grew by 400 percent, nearly seven times the rate of growth of classroom teachers. Public schools operate with five times more non-instructional personnel per student than parochial schools.
- Public Schools operate with five times non-instructional personnel per student than parochial schools.

The key question is not how much money is spent, but how well that money is spent. Across the country, school administrators are asking themselves that question as they look for new ways to channel more dollars into the classroom. In the area of support services, administrators are finding some budgetary relief by turning to the efficiencies of the private sector for help. By contracting with private companies for busing, maintenance and food service, schools can do more with less. Reducing costs, increasing revenues and tapping new reserves of capital investment and expertise can help school administrators focus on their core responsibility: educating children.

Role of the NEA in Privatization Efforts

The National Education Association (NEA), the largest teachers' union in the United States with 2.3 million members, adopted the following resolution at its recent annual conference:

The National Education Association believes that the following programs and practices are detrimental to public education and must be eliminated: privatization, performance contracting, tax credits for tuition to private and parochial schools, voucher plans (or funding formulas that have the same effect as vouchers), planned program budgeting systems (PPBS), and evaluation by private-profit-making groups.

While the NEA adopts these types of provisions and directs resources at the federal, state, and local levels to have its position implemented, school districts and institutions of higher education are turning to contracting in greater numbers, usually for non-educational services.

According to the 1997 American School & University's "Fifth Annual Privatization/Contract Services Survey," outsourcing is prevalent in the nation's school districts.

**PERCENTAGE OF SCHOOL DISTRICTS USING SELECTED
CONTRACTED SERVICES**

Transportation (busing)	40.4	Grounds Maintenance	8.8
Food Service	21.1	Instruct.-equip. Repair	7.0
Computer Services	19.3	Laundry	7.0
HVAC Maintenance	19.3	Payroll Preparation	5.3
Printing	15.8	Administrative Services	3.5
Vending	14.0	Custodial Services	3.5
Security	10.5	Maintenance	1.8

**TOP FIVE REASONS WHY SCHOOL DISTRICTS DO
OR DO NOT PRIVATIZE SERVICES:**

REASON FOR PRIVATIZING:

- | | |
|---------------------------------|------|
| • Save money | 90.1 |
| • Improve operations | 89.0 |
| • They could do a better job | 70.3 |
| • Save management time | 67.3 |
| • Provide better accountability | 59.3 |
-

REASON FOR NOT PRIVATIZING:

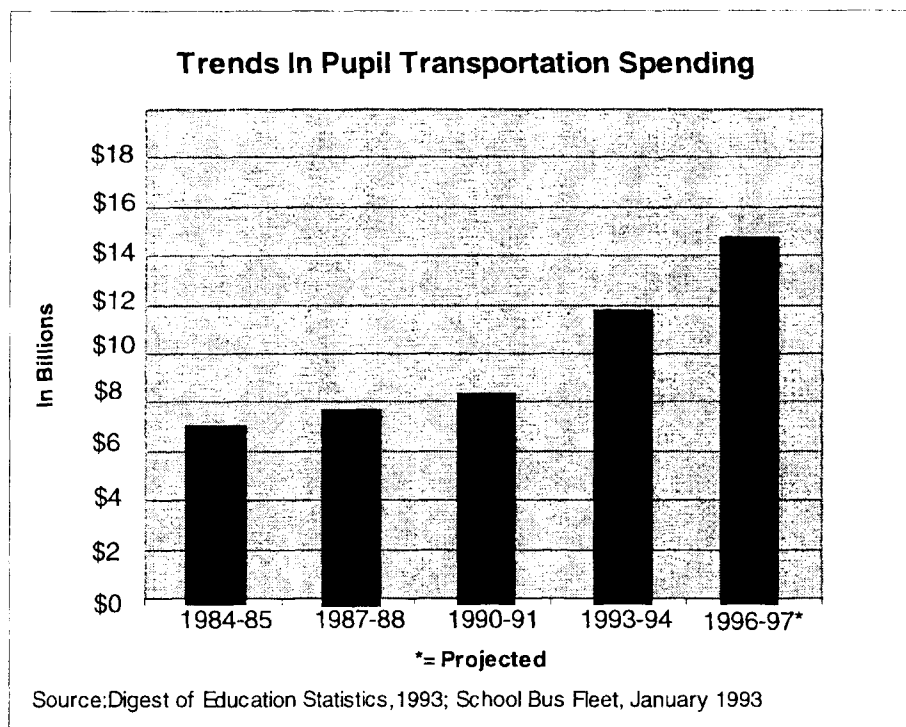
- | | |
|--|------|
| • Threatens jobs of loyal employees | 35.5 |
| • Too expensive | 17.0 |
| • Union contracts make it too difficult | 16.3 |
| • If they can make profit, we can do it for less | 13.2 |
| • Not necessary; we can do it just as well | 10.4 |
-

Privatization of Pupil Transportation

Background

Each day, more than 22 million American students are transported in more than 380,000 yellow school buses at a cost of \$8.6 billion annually, excluding capital outlay. Nevada spends in excess of \$50,000,000 per year, excluding capital outlay. In fact, transportation of students costs 20 percent of the overall education budget for the state, an increase from 1983 to 1993 of 131 percent.⁴ The most common types of school-bus transportation service are: regular home-to-school, special education, extracurricular and desegregation.⁵

The figure below displays the increased cost in transportation from 1983 to 1992.⁶



Pupil transportation is a growth industry. Not only are greater numbers of students taking the bus to school (both as a proportion of total enrollment and in absolute terms), but the cost of transporting each pupil has increased significantly. In 1960, 12.2 million students, or 38 percent of all students, were transported at public expense at a cost of \$181 per

⁴ Nevada State Department of Education, Finance & Statistics Department, 1995

⁵ *Pupil Transportation Guide: Cost Analysis, Service Options, and Contract Administration*, California Department of Education, 1990, p. ix.

⁶ On a district by district basis, the data may vary widely due to the longer travel distances required in rural Nevada.

pupil. Three decades later, in 1990, a majority (58 percent) of students took the bus to school. In total, 22 million students rode the bus in 1990 at a cost of \$394 per pupil—representing an inflation-adjusted cost increase of 117 percent.⁷ Nevada's cost far exceeds that figure.

That growth is likely to continue throughout the 1990s, according to *School Bus Fleet* magazine, which projects expenditure growth between 5.3 and 9.3 percent annually. Figure 2 shows the most conservative projected rate.

In the 1991-2 school year, private contractors owned and operated more than 110,000 buses of the 390,000 school buses serving public schools.⁸ In other words, just under one-third of bus service was contracted out in the United States. By contrast, virtually all school-bus service in England and New Zealand is provided through contractors, as is 80 percent in Canada.⁹

More important than cost, safety should be of paramount concern to the school community. Because of differences in data collection methods and classification procedures, accident statistics for school-bus transportation are often unreliable or may not be comparable across states. However, a number of regional studies find public and private bus providers have very similar—and very good—safety records.

- A 1994 study of safety records for public and private school-bus fleets in Connecticut found little difference in accident rates.¹⁰ In that state, just 6 percent of the buses are publicly owned and operated; 94 percent are in private hands. Of the 654 accidents occurring during the time period studied, just over 8 percent involved public buses, and just under 92 percent involved private buses. In other words, private bus drivers have proportionately fewer accidents than do public drivers. Private bus operators may actually have even better safety records than it appears, considering that they operate in more high-density areas and so are more exposed to potential accidents compared to public buses. Public fleets primarily serve rural areas where accidents are more infrequent; they are also less active in the summer months and so limit their risk of accidents.
- The California Highway Patrol reports contractors have a higher incidence of accidents compared to district operators for the larger Type I buses, with 11.8 collisions per million miles versus 7.15 collision for district operators in 1993. However, contractors have a lower accident rate for the mid-size and small Type II buses (6.2 collisions per million miles) than public operators (6.0 collisions).¹¹ It should be noted that proportionately greater numbers of contractors operate in dense urban settings, and thus, under more accident-prone conditions. San Francisco Unified contracts for 100 percent of its bus service; in the Los Angeles Unified School District, 43 percent of bus service is contracted. Contractors serve roughly one-third of the state's public schools.¹²
- School administrators in Washington and Oregon believe contracted bus service to be safer than district operation, according to a 1993 survey by the consulting firm KPMG Peat Marwick. Fifty-

⁷ Digest of Education Statistics, 1993, p. 64.

⁸ *School Bus Fleet*, January 1994, p. 29.

⁹ Jean Love and Wendell Cox, "School Bus Contracting: Freeing Educators to Educate," *The State Factor of the American Legislative Exchange Council*, vol. 16, no. 1, January 1990, p. 304.

¹⁰ Robin Leeds, "Connecticut School Bus Accident Summary," Connecticut Operators of School Transportation Association, 1994.

¹¹ *Summary of 1993 California School Bus Collision Data*, "Information Bulletin, Department of California Highway Patrol, "Commercial and Technical Services Section," Sacramento, California, 1994.

¹² Janet R. Beales and John O'Leary, *Making Schools Work: Contracting Options For Better Management*, Policy Study No. 169, Reason Foundation, 1994, p. 7.

four percent of respondents thought contractors had a better safety record; the remaining 46 percent thought safety records were the same for contract and in-house service.¹³

PRIVATE COMPANIES MAY BE HIRED TO TAKE ON A NUMBER OF RESPONSIBILITIES IN BUS OPERATIONS INCLUDING:¹⁴

- Maintenance.
 - Routing and scheduling.
 - Fleet and terminal facility ownership.
 - Management, operations and dispatch.
 - Driver training.
-

Schools can avoid the high costs of fleet acquisition or can enjoy a one-time capital infusion from sale of an existing fleet, through private contracting. However, selling off a bus fleet is not a decision that should be undertaken lightly. Reacquisition, should the district decide at some later time to resume ownership of bus operations, would likely be costly and difficult.

Case Study

DISTRICT CONTRACTS FOR BUS SERVICE AND PEACE OF MIND

School bus safety is paramount in the Wichita Falls Independent School District in Texas, says school superintendent Dr. Leslie Carmine. Over a decade ago, two separate bus incidents claimed the lives of two children, and the Wichita Falls community has never forgotten it. When the school board considered contracting for bus service for the district's 15,600 students, it looked closely at company safety records before choosing Mayflower Contract Serves in 1988.

Carmine is satisfied with Mayflower, citing the company's "outstanding record of safety," while under contract with the district. With in-house provision, he says, the district faced tricky legal questions over mandatory drug testing—something it wanted to implement after a driver came to work intoxicated. "With a private company, we're on better legal grounds in making sure that drivers are not using drugs or alcohol," says Carmine.

"Safety is the most important. But we also ran the numbers and found that we could save money," says Carmine, who estimates costs would increase by 10 percent if the district were to return to in-house bus transportation. The district spends roughly \$1.9 million on transportation operations and an additional \$260,000 on capital investment.

"As someone who's spending taxpayer money, we want to make sure we provide the best quality at the least cost," says Carmine. He adds that contracting is not always the answer. He encourages administrators to review school operations on a regular basis looking for ways to provide better, more cost-effective services. If the best provider is the district, stick with it he says. If not, contract it out. "These people have more expertise; it makes sense to go to the people for whom that's their business."

¹³ "Review of the Experience School Districts in the States of Oregon and Washington that have converted from District-Operated Pupil Transportation Programs Since 1980," prepared on behalf of the Oregon School Transportation Association by KPGM Peat Marwick, Sacramento, California, 1993.

¹⁴ *Pupil Transportation Guide: Cost Analysis, Service Options, and Contract Administration*, California Department of Education, 1990, p. ix.

Some districts choose to retain ownership of their bus fleet and contract out for driving and maintenance only. The Hart Union High School District in California leases its fleet to a private operator which then supplies the district with all other bus operations. The arrangement has saved the district \$250,000 annually since it began contracting in 1984. A decade later, "We're still experiencing reductions in costs," says Gary Smith, director of transportation.¹⁵ "If we got rid of our contractor today and had to go back to running our own operations, I have no doubt our costs would increase."

Smith notes, "The biggest cost savings is in labor. Contractors do not have to pay their drivers what a district does." Contracting does not mean abdicating all responsibility for school-bus operations, says Smith. "It's incumbent on the school district to monitor and make sure the carrier is in compliance with all regulations, because the liability is horrendous."

PERFORMANCE MEASURES FOR BUS TRANSPORTATION

GENERAL:

- EARLY OR LATE RUNS
- STOPS OR RUNS MISSED
- COMPLAINTS OR COMPLIMENTS

SAFETY:

- MOTOR VEHICLE ACCIDENTS, BUS ACCIDENTS, INJURIES
- OTHER INCIDENTS

PERSONNEL:

- EMPLOYEE MORALE
- ABSENTEEISM
- DRIVER PERFORMANCE EVALUATION
- DRIVER'S CREDENTIALS
- TRAINING CERTIFICATION RATE
- WORKERS COMPENSATION CLAIMS

EQUIPMENT:

- CONDITION OF BUS
- VEHICLE DOWNTIME
- BREAKDOWN RATE

COST MEASURES:

- SPECIAL-EDUCATION TRANSPORTATION COST
 - COST-PER-MILE
 - OVERHEAD, INCLUDING SUPPORT, COST-PER-STUDENT
 - FUEL COST-PER-MILE
 - INSURANCE COSTS-PER-MILE
-

¹⁵ Interview with Gary Smith, Director of Transportation, Hart Union High School District, California, April 27, 1994.

Privatization of Maintenance, Grounds and Custodial Services

The level of satisfaction has gone up significantly. [With private management], we have leaner buildings, better equipment, better training, and it's costing us less. We're working smarter now, not harder. It's a win-win all the way around.

—Glenn Capps, Senior Director of School Plant and Facilities, Norfolk City School District, Virginia

Background

There are roughly 83,000 K-12 public school buildings in the United States; 375 in Nevada.¹⁶ All require cleaning, maintenance and repair. The national market for such services is estimated to be \$22 billion annually. In Nevada the cost exceeds \$100 million. Approximately 10 percent of this work in the country is currently contracted; none in Nevada.¹⁷

The cost of school upkeep is a major one. In 1993-4, roughly 9.2 percent of school-district expenditures were allocated for maintenance and operations, representing a cost of \$515 per student, or \$3.64 per square foot of building, according to a nationwide survey by *American School & University* magazine.¹⁸ (Note: The above figures encompass the total cost of maintenance and operations including energy retrofits, controls, and equipment. The cost just for routine maintenance, custodial and grounds services totals \$13 billion annually, or approximately \$3,000 per student.)¹⁹

What's more, maintenance and operations budgets appear to be on the rise. National median salaries for custodians, responsible for building upkeep and cleaning, rose 6.6 percent between 1993 and 1994 to \$19,311. By 1997, the median salary was over \$24,000 per year, not including benefits and retirement. For maintenance personnel who are skilled in areas such as electrical or plumbing repair, salaries increased 1.5 percent to \$24,799 on average. Overall, total costs per pupil rose 7.8 percent between 1993 and 1994.²⁰

Contracting for maintenance services can help schools reduce the cost of cleaning and maintaining schools. According to the Association of School Business Officials International (ASBO):

¹⁶ Nevada has approximately 375 schools statewide. Schools under construction or in the planning stages are not counted.

¹⁷ Paul Abramson, *American School & University*, June, 1994.

¹⁸ Joe Agron, "A Clean Sweep," *American School and University*, April, 1994, p. 33.

¹⁹ Paul Abramson, *American School & University*, June, 1994.

²⁰ Custodial Methods and Procedures Manual, Association of School Business Officials International, Reston, Va., 1986, p. 97.

A professional organization will probably use fewer staff-hours and more sophisticated equipment and materials to perform required tasks. Furthermore, such a firm will usually work on a fixed price contract which provides a known cost for the operation and often provides a savings over current costs. Most contractors work on a predetermined schedule to ensure that all required tasks are performed. Generally, new equipment, training, better materials, and better supervision are also viewed as advantages of contractor's service agreements.²¹

CASE STUDY

By contracting of maintenance and custodial management, the school district in Tulsa, Oklahoma, trimmed an average of \$75,000 a year from its upkeep costs for each school building in the District. The School Board turned to ServiceMaster in 1992 hoping to improve service quality and employee training. ServiceMaster trained district employees to work efficiently and cost effectively. Before private management, mowing the lawn—all 300 acres of it—required 10 district employees and 14 days. With better equipment and improved labor techniques, the process takes just eight people and five days, says Timothy Raymer, Chief Financial Officer of the Union Public Schools.

The financial backing of the private company proved essential when a heat-generating boiler shut down in mid-winter. With just one replacement boiler in town, the school district had to move fast to get the vendor to hold it. "But we couldn't issue a purchase order because the school board didn't meet until the following Monday," says Raymer. Without the purchase order, the vendor would not hold the boiler.

That's when ServiceMaster stepped in, guaranteeing payment for the heating equipment so that the district could take delivery immediately.

Raymer likes the accountability contracting with a private management company brings. "ServiceMaster requires people to be accountable, no matter what. With marginal [underachieving] employees, it's a problem, but with our employees, it's worked out really well." He shrewdly notes that accountability applies to management as well. "If we have a problem with ServiceMaster, we call up and say, 'Hey, this just isn't working.' If they don't do something about it, they're going to lose a multi-thousand dollar contract."

The public schools in Tulsa operate a \$6 million maintenance and capital improvement budget. Of that, they pay ServiceMaster a flat \$350,000 management fee which includes the cost of training, supervision, supplies and some equipment.

In addition, contractors can also draw upon a range of back-up support personnel, including electricians, plumbers and other experts to handle non-routine problems.²²

Because of the advantages that it offers, maintenance and custodial contracting is being seriously considered by the Chicago public schools. A 1994 audit found the district spends 55 percent above the nationwide norm on school maintenance, yet conditions at many of the district's 552 schools are deplorable. Leaking ceilings, bathrooms with no

²¹ Custodial Methods and Procedures Manual, Association of School Business Officials International, Reston, Va., 1986, p. 97.

²² Jacquelyn Heard, "School Repairs May Need Big Fix," *Chicago Tribune*, April 1994.

doors, crumbling walls with exposed asbestos and loose wires and other unsanitary conditions, along with gross mismanagement were some of the examples cited. The audit, conducted by KPMG Peat Marwick and Washington, Pittman & McKeever management consultants, recommended completely revamping the district's \$2.4 billion facilities department, which it described as "broken."

Martin Koldyke, chairman of the Chicago School Finance Authority, which commissioned the audit, said, "Your report indicates the need for the Board to examine privatization. There's little doubt in my mind that the Board would save money and have a far better work product."²³

One big-city school district that did switch to private contracting for facilities maintenance is the Memphis City Schools. A 1994 survey conducted by the district found that services quality increased significantly at each of its schools after contracting with a private company for custodial, maintenance and ground services. The 130 school principals surveyed rated the private company, ServiceMaster, higher in all areas assessed by the survey—including leadership, training, equipment quality and general cleanliness and appearance of the schools—compared to the services received one year earlier with in-house operations.

**SUGGESTED PERFORMANCE MEASURES FOR
MAINTENANCE, CUSTODIAL AND GROUNDS**

GENERAL:

- Teacher and principal interviews
- Weekly inspection of school facilities
- Overall appearance of school facilities
- Capital improvements

GROUNDS:

- Quality of grounds work
- Frequency of mowing, edging and trimming
- Employee training

CUSTODIAL:

- General cleanliness
- Quality of cleaning equipment
- Quality of supplies used in cleaning
- Employee training

PERSONNEL:

- Employee morale
- Absenteeism
- Turnover
- Employee training

MAINTENANCE:

- Equipment breakdowns
- Response to emergency maintenance needs
- Quality of preventive maintenance
- Adequacy of information regarding status of maintenance work orders
- Employee training

COST MEASURES:

- On, over, or under budget
 - Overtime expended
 - Cleaning/Maintenance cost per square foot
 - Cleaning by one custodian per square foot
 - Administrative time taken by upkeep
-

²³ Rosalind Rossi, "Schools' Big Cash Drain," *Chicago Sun-Times*, April 1, 1997.

Step-By-Step Guide for Assessing the Need for Competitive Contracting

If everything in the budget is a zero-sum game, the only way you can provide new programs for kids is to run things more efficiently. Private enterprise can help us do that.

—Dr. Robert Winter, Superintendent Wayne Township Public Schools, Wayne, New Jersey

Make or buy? That is the question school administrators must first answer. Cost is not the only consideration when thinking about contracting for services; factors such as service quality, managerial flexibility and community support should be weighed as well. School administrators contemplating alternative methods of service provisions should begin by assessing the following:

Step One: Identify Costs

The reason most often cited by government agencies for contracting is cost saving. For administrators to make informed judgments, valid comparisons must be made between the costs of in-house and contracted service provision. It is not an easy task. Few school districts have formal accounting methods for making cost comparisons. Frequently, cost estimates fail to fully allocate overhead costs such as payroll processing time, accounting, purchasing, supervisory management, and utilities. Pension costs, benefits, and facility and equipment costs are often overlooked as well. In fact, in-house costs are routinely underestimated by 30 percent, according to public finance expert Lawrence Martin.

A guidebook by the consulting firm KPGM Peat Marwick encourages administrators to ask the following: *If the district stops providing its own support services and relies on a private provider, will a given cost continue?*

In addition to identifying the fully allocated cost of current services, districts must also ask themselves what additional costs might be incurred by contracting out. Additional costs could include the cost of bidding, monitoring and administering the contract. Once the total costs of both in-house and contract services have been identified, appropriate cost comparisons can be made.²⁴

Step Two: Determine Availability

While there are many companies supplying schools services, they may not be available in every geographic area and in the same number. Districts situated in areas with large

²⁴ For assistance in comparing cost, consult Mackinac Center for Public Policy/Reason Foundation's Guide #4, How to Compare Costs Between In-House and Contracted Services.

number of providers will have greater choices in the type of service provided, the level of service provided and the quality of that service.

In addition, some states heavily regulate the use of school contracting. Such restrictions may prohibit contracting for certain kinds of support services or allow it only in certain circumstances. Legal council can advise school administrators about local restrictions.

Step Three: Assess Quality

School officials should also examine the quality of available services, for both in-house and private-sector providers. Are the schools getting the most value for their dollar with in-house provision? Or are services costly and unreliable? What is the level of customer satisfaction? Similarly, when looking to outside providers, school administrators must not neglect quality in the quest for efficiency and cost savings. School administrators should make site visits to other schools using the contractor under consideration. Bid proposals specifying the level of service to be delivered should be scrutinized and carefully selected. Once the contract has been awarded, to verify that quality services are actually being delivered, the contractor's performance should be measured and monitored on a regular basis.

Says Dr. Robert Winter, superintendent of the Wayne Township Public schools in New Jersey, "It's a tradeoff. You don't always want the lowest bid. You want to make sure that you achieve your goals and still have services that provide quality for children. You need to be very careful about guidelines, and be selective."

Step Four: Communicate with Employee and the Community

Despite evidence of considerable benefits, school boards and school administrators often face strong opposition to competitive contracting. Public employees and their unions may view it as a threat to their jobs; the local community may not be receptive to a change in a familiar routine.

Those wishing to introduce school contracting should consider its appropriateness within their own local communities. If the decision is made to collect bids, strong leadership will be essential for success. "It's very threatening to people to have an outside management company come in," says Dr. Richard Schilling, Assistant Superintendent of the New Rochelle City School District in New York. "You have to have commitment from the very top, from the Board of Education and the Superintendent, because you're going to take a lot of flak," he says.

The most effective strategy in dealing with these concerns is to communicate. Be open and honest about any potential changes. Often, objections to school contracting are the result of dis-information or a lack of information. If the contracting arrangement will involve unionized employees, school administrators should meet with union leadership

to discuss how it will affect staffing levels, compensation, and current union agreements. Many districts require the contractor to offer employment to any public employee displaced by the transition.

Remember, however, that schools exist to serve students, not school employees. If schools can obtain quality services at a lower cost by contracting with the private sector, they should be allowed to do so.

TO PUT MARKET TO WORK FOR SCHOOLS, CONTRACTS

MUST BE:

- Carefully designed with well-thought out specifications.
 - Competitively bid on a periodic basis.
 - Carefully monitored to make sure that the provider adheres to contract provisions.
-

Step Five: Contracting for Services

If the “make or buy analysis” leads school administrators to consider hiring an outside provider, the next step is to prepare a Request For Proposal (RFP). The RFP invites contractors to submit bids, or proposals, for performance of the service under consideration. The RFP describes the service need of the school district and any unique circumstances it wishes the respondent to accommodate. In order for respondents to have the best chance at drafting a proposal that meets the needs of the schools, school administrators must be open and up front about their needs, resources, and capabilities. The RFP should strive to be informational, not exclusive. It should be specific enough to elicit useful proposals, but not so narrowly focused that it eliminates creative service options or leads to the potentially corrupt practice of benefiting a single, predetermined vendor.

“A good RFP will detail what is wanted in the proposal. Otherwise the public agency will get a myriad of different proposals from everyone,” advises John Donlevy, of Donlevy Administrative Services.²⁵ Not only that, specificity in the RFP will make the evaluation process easier later on. Donlevy describes one poorly designed RFP which resulted in a contractor submitting a proposal that was 600 pages long.

Space does not allow for a complete description of model RFPs, but in general, an RFP should include the components on the following pages, identified by John Donlevy. Legal counsel should be consulted before entering into any legally binding agreement.

²⁵ John Donlevy, Donlevy Administrative Services, June 6, 1996.

KEY COMPONENTS OF THE REQUEST FOR PROPOSAL

- **INTRODUCTION AND OVERVIEW.**

This section briefly describes the services to be contracted. It also includes the following:

1. Background (the reasons why the contracts are being solicited).
2. Definitions commonly used within the text of the RFP.
3. Program Objectives describing what the school district wants to accomplish.

- **SERVICES DESCRIPTION.**

This section tells the contractor exactly what services are wanted. Descriptive elements are often included as appendices when a lot of detail is related to the service. In addition, this section includes:

1. Term of the contract and renewal provisions.
2. Location where the service will be performed.
3. Participation, or who can participate in the bidding process.
4. Exclusivity, which often refers to whether the company awarded the contract will become the exclusive provider of a service.
5. Procedures which must be followed by the contractor.
6. Statistical data related to the service such as current utilization of the service, square footage of building and grounds and student enrollment.

- **SCOPE OF SERVICES.**

This section should define the services to be provided and the school district's expectations of the service provider. Included are:

1. Service parameters that provide a detailed description of the specific services requested. For example, a contract for custodial services might specify that the contractor provide cleaning equipment and supplies, a certain number of employee-training hours, and supervisory personnel.
2. Quality standards that describe the level of quality which must be met by the provider. For example, a contract for food service would specify requirements such as minimum nutritional requirements for meals, sanitary conditions and menu variety.
3. Quantitative ways of measuring compliance with the contract. For example: Food service surveys, random tire and brake checks for school buses, etc.
4. Backup or substitute requirements if the contractor is unable to provide a service.
5. Insurance and bonding requirements. Performance bonding is a type of financial insurance for schools should the contractor fail to perform and the school be forced to obtain replacement services.
6. Permits and licenses.
7. Reporting data requirements.
8. Personnel requirements.
9. Quality assurances. This is often expressed as a guarantee to the school district by the contractor that certain expectations will be met. For example, a food service contract may specify that the contractor will absorb any losses related to the operation of the school's cafeterias.

- **SUBMISSION OF PROPOSAL.**

This section describes the conditions under which proposals must be submitted and describes their form. Provisions might include statements on:

1. Acceptance and terms of conditions.
2. Rights of rejection for the agency.

3. Financial responsibility or a statement explaining that the school district will not pay for costs of developing the proposal.
4. Award of contract or who will pay, how it will be awarded. When and how many will be awarded the contract.
5. Proposal limitations.
6. Execution of proposals (typically the president or principals of the company are required to sign the proposal).
7. Non-collusion statements.
8. Discrimination.
9. Terms of withdrawal or cancellation (90 days from submitted date is typical).

- **CONTENT OF PROPOSAL.**

The RFP also directs contractors what to include in the proposal itself.

- **BIDDERS CONFERENCE.**

Early in the bidding process, the school district should bring prospective contractors to the school site to discuss the services described in the RFP. The purpose of such a meeting is to give bidders as much information as possible about the particular needs of the school district so appropriate proposals may be drafted. Prospective contractors should have open access to relevant school records equipment and facilities.