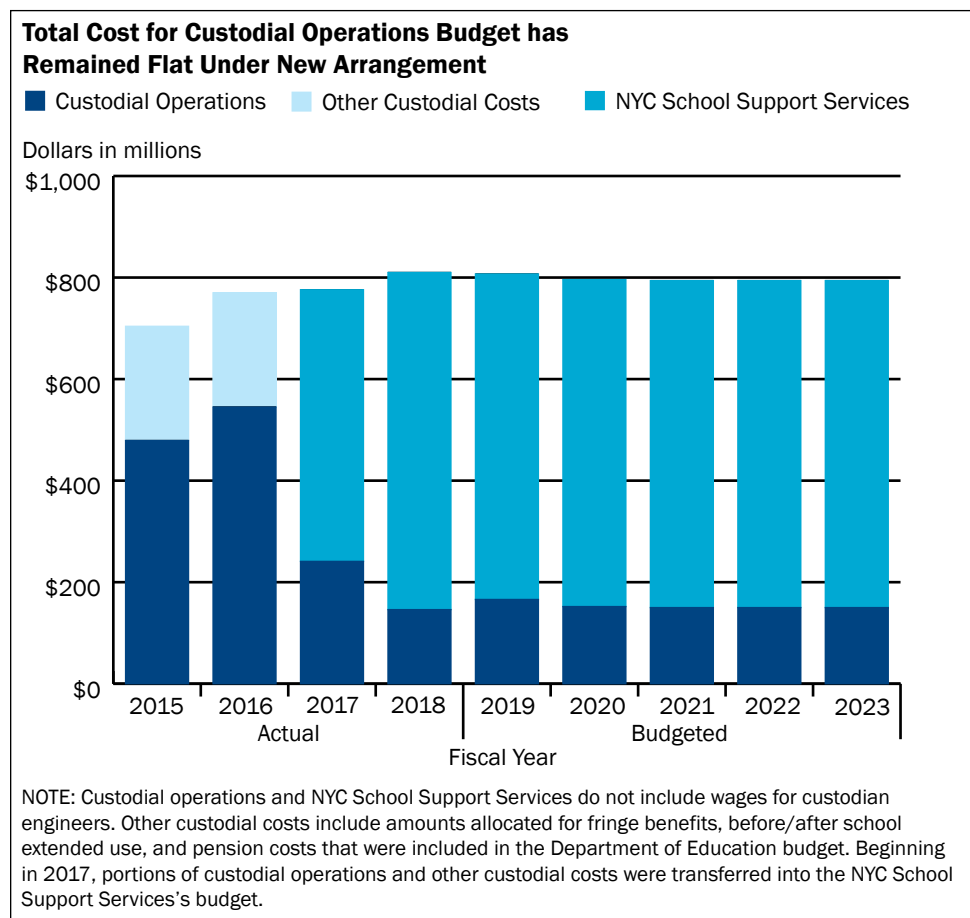


Is the Overhaul of Custodial Services in City Schools Delivering Savings?

For years, janitorial services in the city’s public schools spurred concerns ranging from mismanagement to bid rigging and were the subject of probes, including a joint investigation by the state’s Attorney General and the Special Commissioner of Investigation for the New York City School District. In May 2016 the de Blasio Administration and the unions representing custodian engineers, cleaners, and other janitorial staff agreed to an overhaul of the system for cleaning and maintaining the schools. Custodian engineers would remain the janitorial supervisors but no longer be able to hire staff or buy supplies and services. Instead, a new nonprofit, NYC School Support Services, would handle staffing and purchasing. In exchange, janitorial staff received raises.

Although the de Blasio Administration estimated the nonprofit’s start-up costs and initial round of wage increases would cost \$40 million in the first year and \$23 million in the second, the changeover was anticipated to “break even” in 2019 as procurement savings offset the wage increases. In 2020 and beyond, city officials projected a potential net reduction in spending. Is the new approach on track for the expected savings?



- In fiscal year 2016 spending on maintenance staff (excluding the custodian engineers) plus supplies—identified as “custodial operations” in the education department’s Division of School Facilities budget—totaled \$545 million. An additional \$225 million was allocated elsewhere in the Department of Education budget to cover fringe benefits, extended school hours, and pension costs.
- When NYC School Support Services was created in 2017, in addition to the \$40 million in start-up funds, amounts allocated for fringe benefits (\$160 million), extended school hours (\$60 million), pension costs (\$5 million), and portions of custodial operations were transferred the budget for NYC School Support Services.
- By 2019, the portion that remained in custodial operations fell to \$166 million. The new nonprofit spent an additional \$641 million for custodial services and supplies. This additional outlay brings total spending for custodial-related operations to \$807 million in 2019, an increase since 2016 roughly equal to the nonprofit’s start-up costs and prevailing wage increases.
- The Mayor’s financial plan for fiscal years 2020-2023 now includes \$644 million annually for the nonprofit and \$150 million a year for custodial operations, for a combined yearly total of \$794 million—showing that the arrangement has essentially broken even with what was spent in 2016.
- Less clear is whether the use of the nonprofit structure will yield any savings over the long term. Although the de Blasio Administration has maintained the same \$160 million in fringe costs from 2016 through the end of the financial plan, in reality, fringe costs have likely grown and will continue to grow, increasing total spending for NYC School Support Services. This will make it more challenging in the future to achieve savings from this new arrangement.