

Diverse Business: Privatization In United States Education

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### **Privatization**

In the article “Meaning of Privatization”, Paul Starr (1988) wrote that privatization is a fuzzy concept that evokes sharp political reactions. Starr further wrote that privatization covers varying ranges of topics, domains, political viewpoints and ideas. Starr suggested that with privatization come new opportunities that create conflict between private and public balance. (Starr, 1988) Similarly, Robert W. Poole Jr. and the Library of Economics Liberty, define privatization as an umbrella term covering several distinct types of transactions and the shifting of some or all of the responsibilities of a function from government to the private sector. (Poole, 2008)

The particular type of privatization we may find in education fits Poole’s third definition of the term. Poole’s third definition states that privatization involves government selecting a private entity to deliver a public service that had previously been produced by public employees. (Poole, 2008) Poole’s third definition sets the context and understanding of privatization within this paper. The following sections of this paper present national and local examples of diverse businesses and initiatives that promote privatization in the United States’ education system.

### **ESEA and NCLB**

The No Child Left Behind Act (NCLB) was passed by congress in 2001 and signed into law by former President, George W. Bush in 2002. Author Alyson Klein (2015) suggested that NCLB placed special focus on boosting the performance of certain subgroups of students, such as minority, English-language learner, special education and poor students. Klein further suggested that the NCLB’s focus on performance was simply an updated version of the Elementary and Secondary Education Act (ESEA) of 1965. (Klein, A., 2015) Like ESEA, NCLB grew out of the fear that America’s education was not competitive internationally, needed to

boost its performance, and required deeper focus on equity for all students. (Klein, A., 2015; Education Post, 2015)

Lois Weiner (2012) argued that components of NCLB resembled the blueprints developed by political conservatives' think tanks for replacing locally controlled, state-funded school systems with a collection of privatized services, governed by the market. Additionally, Lois pointed that NCLB brought a proliferation of standardized tests and curricula. (Weiner, 2012) Within the NCLB law, schools became legally required to maintain adequate yearly progress (AYP) based on the standards set by their state. Each year, schools that fail to make AYP are labeled as "did not make AYP" or "in need of improvement". Furthermore, schools that remain on the "in need of improvement" list for more than four years are subject to sanctions that include, loss of federal funding, termination of staff, and dissolution of the school district. (Rose, 2004; Williams 2009) Ultimately, NCLB's AYP enabled privatization, in that, continued failure to meet AYP, opened the doors for schools to be, dissolved, converted to Charter Schools, or turned over to private management companies. (No Child Left Behind, 2015)

### **Charter Schools**

A growing form of educational privatization in the U.S. education system and one that gains great attention is the use of non-profit and for-profit education management organizations in Charter Schools. (Williams, 2009) Charter School management falls into the most common form privatization: contracting. Emanuel Savas (2000) shares that privatization through contracting occurs when the government contracts with a private organization, for-profit or nonprofit, to perform the work. In the context of this paper, the work is educating K-12 students. Government contracting was a direct plan for education reform as President Bush, who signed NCLB into law, referred to contracting as competitive sourcing in his 2001 administration agenda. (Savas, 2000) Additionally, as part of the 2000 educational strategy, President Bush

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proposed the establishment of Charter Schools as a new generation of public schools and the ability for states to contract to operate these schools. (Wohlstetter & Anderson, 1992)

The first law for Charter Schools was passed in Minnesota (1991) and quickly spread across the United States with over 4,000 schools and millions of students by 2005. (Williams, 2009; Wohlstetter & Anderson, 1992) According to the National Alliances for Charter Schools, there are over 6,800 Charter Schools with 2.9 million students enrolled, as of 2015. Additionally, Charter Schools can be organized and operating in multiple forms. For example, Charter Schools can be single or multi-site and operate via the public, a non-profit organization, or a for-profit organization. (NACS, 2015) Leonard Vogt, author of *Radical Teacher*, argues that the impact of NCLB, closing of schools, and other forms of school restructuring intimately connect to Charter Schools and their growing popularity. Vogt also suggests that Charter Schools bring a corporate mentality to ruling education and promotes corporations' efforts to push privatization in education to increase corporate earnings. (Vogt, 2013)

At the end of Bill Clinton's presidency in 2000, The New Market Tax Credit (NMTC) was passed to allow the flow of capital to low-income communities and a 39% tax break to private companies that invested in Charter Schools. (NMTC, 2015) NMTC ultimately opened the doors for private companies to support Charter Schools through, investment in capital project development and advertisement, as these private companies would find lucrative returns. (Dayen, 2010) New York Daily News host, Juan Gonzalez wrote that corporations could double their investment in Charter Schools. (Gonzalez, 2010) To further private investment interests, corporate lobbying of Charter School expansion has increased tremendously since 1991. (Dayen, 2010)

### **Management Organizations**

Federal education acts, such as NCLB and tax laws, such as NMTC have increased private interest and opened new avenues for privatization in education. (Weiner, 2012; Dayen, 2010) In addition to growing private interests in education, Charter Schools and management organizations, continue to grow at a steady pace to further privatization in U.S. education (Barshay, 2014; NACS, 2014) The National Alliances for Charter Schools reported that 41% of all Charter Schools are operated by some form of education management organizations (EMO) or charter management organizations (CMO). (NACS, 2015) There are many similarities between EMO's and CMO's. Both EMO's and CMO's carry out back office duties, such as payroll, hiring, governance and operations, to support Charter Schools at a larger scale. However, as it related to privatization, there are clear distinctions between EMOs and CMOs. Unlike CMOs, EMOs operate much like a public corporation on a for-profit basis. (NACS, 2014) Generally, an EMO contracts its services with schools for a profit, while a CMO does not. (Woodworth, 2013)

The market for privatization of Charter School services is considerably lucrative, as for-profit education management services are valued at over \$300 billion. (Furtwengler, 1998) Furthermore, there is a steady expansion of private initiatives and corporate interests in Charter Schools. From 1995 to 2015, the percent of EMOs have increased by 50%, while the amount of Charter Schools have increased as well. (NACS, 2015; Furtwengler, 1998) The three leading EMOs are Tesseract Group, Edison Project and SABIS Educational Systems. (Furtwengler, 1998) Proponents of the Charter School movement favor the autonomy management organizations and Charter Schools have to make decisions about educating students in challenging socio-economic environments. (Klein, R., 2015) While States dictate what Charter Schools are allowed to do, some charters are allowed to operate by the local policies created by

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its management organizations. (Woodworth, 2013) The autonomy that management organizations have with Charter Schools provides States with alternatives to improving failing schools through restructuring by shifting the responsibility of improving schools to education management companies. (Smith, 2007)

### **PARCC Contracts Pearson**

Similar to the back-office and management services provided by management organizations, privatization can also be found in the form of services in the classroom. Among a plethora of classroom services, various providers contract to fulfill a wide variety of educational functions, such as software development, curriculum development, data analysis, material development, content development, and professional development. (Burch, Donovan & Steinberg, 2006) A most recent form of privatization is the design and development of online standardized state assessments. For example, New Jersey and Colorado are among eleven states that have adopted The Partnership for Assessment of Readiness for College and Careers (PARCC) state assessments. (PARCC States, 2016)

According to the PARCC website, PARCC is a consortium of states that work together and utilize federal funds to develop modern assessments that replace previous state standardized tests. (Strauss, 2014; About PARCC, 2016) The PARCC assessment is comprised of computer-based Mathematics and English Language Arts tests given to students in grades three through eleven once a year. (The PARCC Tests, 2016) As a product of NCLB's initiative to improve student performance and better measure student growth, PARCC's computer-based format was designed to introduce new technical operations that students must be familiar with and proficient in to succeed in college and career. (Slover, 2015)

Pearson is the world's largest publicly traded education company with over 8.2 billion dollars in revenue, 40,000 employee across 70 countries, and a wide variety of education

products and services. (Reingold, 2015; Pearson, 2016) In 2014, Pearson was awarded a lucrative contract by the PARCC consortium to develop, items, forms, platforms, materials, and guidelines for testing. (Strauss, 2014) This contract was seen as another example of privatization in education, as federal funds were used to finance this multi-million dollar PARCC contract with the publicly traded company to carry out test services that could otherwise be carried out by public employees. (Simon, 2015) PARCC's contract with Pearson is regarded as unprecedented in terms of scale, as it brings many states together and in terms of expense, as it reduces the cost of assessment per student by nearly 20%. (Cavanagh, 2014) The initial estimated value of contract with Pearson was 138 million dollars. However, it estimated that the current value is considerable higher. (Simon, 2015)

### **Conclusion**

Au and Hollar (2016) estimated that the K-12 education market is valued at over \$700 billion dollars. Furthermore, Au and Hollar suggests that privatization in education shapes school systems, dictates what children learn, affect how students learn, cultivates private partnerships, and promotes the increased involvement of corporations and for-profit companies in education. Privatization is considered a fuzzy concept with many different meanings. (Starr, 1988; Poole, 2008) However, this paper shows that privatization in education can be seen through various initiatives created by federal laws, increased investments in Charter School by private companies, monetization of education by management organizations, and contracted services by publicly traded companies. Similar to the banking and health care industries, education is seen as a profit-making sector for private companies. (Buchheit, 2014) As profitable in education remain consistent, we can expect privatization in education to also remain a topic of conversation.

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