

## Privatization of Public Education, K-12: An Overview

**Background:** What happens to our schools is not an abstract issue with most people; it strikes us personally. Almost all of us are familiar with public schools; and as parents, we are concerned about and seek quality education for our children.

Since the early 1980s, educators, parents and political leaders alike began to question the adequacy of our educational system in a changing world. The publication in 1983 of the federal report, *Nation at Risk: The Imperative for Educational Reform*, opened a national discussion about the need for change; the report challenges the *status quo* by stating, “the educational foundations of our society are presently being eroded by a rising tide of mediocrity that threatens our very future as a Nation and a people.”

In response to this challenge, and in the conservative environment of the ‘80s, solutions were offered which were based on the belief that if free market principles were applied to schools – i.e., if parents were given a *choice* and schools *competed* with each other for students – then “good schools” would grow and “bad schools” would be forced to close. Moreover, liberals, who were concerned about the educational achievement gap between inner-city children and others, supported the idea of choice as a way for poor students to attend better schools.

**Before We Begin:** Privatization of public education can occur on at least three levels: first, there is outsourcing of non-instructional services, such as food services, transportation and janitorial services; then we have outsourcing of instructional/educational as well as administrative services, such as standardized tests and other assessment tools, books, teacher training and assessment, workshops, data collection and analysis; and finally, there is the privatization of schools themselves through development of charter schools which can be either brick-and-mortar or online schools. Vouchers, which were first pushed by President Reagan as a way to shift public funds to private schools, never developed for various reasons. In their place, charter schools became the mechanism for transferring public funds to privately run schools.

**Charter Schools:** Charter schools began to emerge in the early 1990s and now number 4,900 in 40 states and District of Columbia, serving 1.6 million students. On their website, the Colorado Department of Education explains that “Charter schools are means of expanding choices in Colorado public schools. The charter provides an avenue for educators, citizens, businesses, communities and parents to direct their innovative efforts. Charter schools offer teachers a chance to be part of designing and working in a semi-autonomous, creative school under defined philosophical approaches.”

Charter schools are privately run schools funded by taxpayers. It is important to note that charter schools can be managed either by for-profit or non-profit organizations. Per-pupil state aid is transferred from the school district where the pupil resides to the charter school (the school district thus “loses” those funds for use in their regular public schools). Each state determines who is legally entitled to apply for and operate charter schools and provides agencies with legal authority to issue charters (contracts).

In Larimer County, for example, charter schools are governed by their private Board of Directors but are operated under the supervision of the Poudre School District, the Thompson School District or the Department of Education for the State of Colorado. Many charter schools have been started by committed teachers, educators and parents who wanted to see a specific system of education available in their community. Others were started by for-profit companies whose commitment was to the bottom line.

It was assumed by many of the backers of charter schools that, unfettered by regulations about running the school and about who they could hire, the charter schools would do a better job educating their students. But, charter schools have had mixed results when compared with regular public schools.

In 2009, the Center for Research on Education Outcomes (CREDO) at Stanford University published the first broad-based and widely accepted report comparing performance between 70% of charter school students in the United States and comparable public school students. The findings were not exactly a success story for charter schools: 17% of charter school students performed well above their peers in public schools; 37% performed much worse; and 46% were about the same. In other words, 83% of charter school students either did much worse or at best, not much better.

Because of these results, many long time supporters of charter schools, like Diane Ravitch, began to ask the question: Do the results of charter schools justify taking funds away from regular public schools?

**For-profit Educational Management Organizations (EMOs):** The most pressing issue (among others) in the privatization of public education is the introduction of for-profit educational management organizations (EMOs) into the picture. Public schools have always outsourced for certain services, from construction and maintenance to provision of textbooks. But with the coming of charter schools, for-profit education companies saw an opportunity for expansion into the field of public education where in 2009 the United States invested almost \$300 billion of public funds in K-12 education.

About 5 percent of public schools in this country are charter schools, and of these 18 percent are managed by for-profit EMOs. Despite the early prediction that public schools could be run more efficiently by the private sector and generate profits, the history of bricks-and-mortar for-profit charter schools has not been impressive. For example, a for-profit EMO called Edison Schools (now EdisonLearning), founded in 1992, managed 136 schools (both regular and charter public schools) by 2002 with 75,000 students. Despite this growth, it had not shown any profit by 2002. Part of the reason is that for-profit EMOs have to pay costs connected with advertising, and political lobbying as well as offering larger salaries to their administrators – costs not associated with regular public school systems. It is no wonder that they found it difficult to generate profits.

Strategies for cost-containment (in an effort to generate profit) include: reducing labor costs by cuts in employment, salaries and benefits (educator Diane Ravitch estimates that as high as 95 percent of charter schools are not unionized); using economies of scale by offering centrally-produced, standardized curriculum, tests and other educational material as well as centralizing administrative services; and providing fewer student services or asking parents to pay for them.

Teetering on the brink of bankruptcy, Edison was saved when, under questionable circumstances, a private equity firm purchased it in 2004. Edison has now branched out into offering online course work (more about this later) directly to students or through their schools or districts. Edison, like so many other EMOs, is moving from managing brick-and-mortar schools (which proved to be unprofitable) to online schools and online courses.

**Online Public K-12 Education:** As Edison and other EMOs discovered that brick-and-mortar charter schools did not produce the profits they had predicted, they began to look for other ways of providing educational services which might prove to be more fruitful. Online education was the answer: no bricks-and-mortar problems; no provision of non-instructional services, such as transportation; no extra-curricular activities, such as sports, band and orchestra programs, etc.

Online services are provided in one of two ways: either as complete virtual online charter schools or online courses beamed directly to students in charter or regular schools. The *New York Times* published on December 12, 2011, a detailed article based on months-long investigation of online charter schools. For a full report, we suggest you go to the article itself. It is an eye-opening exposé about profit-making in public education.

The article focuses on Pennsylvania's state-wide Agora Cyber Charter School, run by a for-profit company called K-12, Inc., which in 2010 managed 24 online charter schools with 39,069 students, making it the largest enrollment of any for-profit EMO. In Pennsylvania alone, K-12, Inc. is expecting

income of \$72 million this school year. The NYT reports that “with K-12 estimating the market for its schools as high as \$15 billion, the company’s manifest destiny is to expand across the United States.”

Cyber pupils, including Agora students, work from their homes, in some cases hundreds of miles from their teachers, who communicate with them by phone or in simulated classrooms on the web. A myriad of problems result from such an arrangement. In a short paper, one can mention only a few. (1) Parents’ willingness or ability to monitor their children’s online school work. (2) The NYT investigation revealed that the student to teacher ratio as being anywhere from 70 to 100 students per teacher (although K-12, Inc. advertises a ratio of 49 students per teacher). Some high school teachers interviewed by NYT said they were managing as many as 270 students! (3) Since the company is paid per student enrolled, despite the constant cycle of student enrollment and withdrawal, there is no way of actually checking to see who is actually attending “class.” As one observer noted, “the kids enroll. You (i.e., the company) get the money. The kids disappear.” What is clearly lacking is oversight of what is actually going on, either with students and their learning experience or of possible fraud on the part of the company.

Another market being developed by many educational companies is to provide specific online courses directly to students, either through the school or the school district. As described later in this report, EMOs may lobby state legislators and/or state boards of education to make it mandatory that high school students take some online courses as a requirement for graduation.

As is evident, there is a great deal of politics involved. The NYT reported that K-12, Inc., the parent company of the state-wide Agora Cyber Charter School in Pennsylvania, spent \$681,000 on lobbying state officials since 2007 (in addition to their very profitable current school year). And the state’s budget secretary had been senior VP of education and policy for K-12, Inc. And to top the cake, K-12, Inc. was founded by former Secretary of Education under Pres. Reagan, William Bennett, in partnership with (as Gail Collins, NYT columnist, calls him) “former disgraced junk-bond king, Michael Milken.”

As for results: according to the National Education Policy Center at the University of Colorado (as reported in NYT, Jan. 6, 2012), “The number of students in virtual (i.e., online) schools run by EMOs rose sharply last year....and far fewer of them are proving proficient on standardized tests compared with their peers in ....traditional public schools.” Further, “about 27 percent of [EMO-managed virtual] schools achieved “adequate yearly progress,” the key federal standard set forth under the No Child Left Behind act to measure academic progress.” By comparison, 52 percent of all public schools nationally achieved adequate yearly progress.

Why then, despite one study after another showing the poor performance of EMO-managed charter schools, online or brick-and-mortar, do state legislators and schools boards continue to contract with for-profit companies to manage schools or provide educational services?

**Politics of Privatization:** Since the 1980s, the belief that government can’t do anything as well as the private sector has been growing in the United States, encouraged by groups which espouse this philosophy. They have come up with a very powerful strategy: to work through state legislators to achieve their goals, whether by (among other issues) privatizing public education, passing anti-union legislation or working for voter suppression.

Elisabeth MacNamara, president of LWVUS, has written strongly and pointedly about one of these organizations, American Legislative Exchange Council (ALEC); her interest was ALEC’s role in voter suppression regulation (see December League Lines). But ALEC and like-minded organizations, which are well funded (Koch brothers) and supported by major corporate figures, work with businesses in persuading state legislators either to suppress legislation unfriendly to their interests or pass ones that are more friendly (and profitable).

Pearson, a leading educational company, has been under investigation by New York State's attorney general for acting improperly to influence state education officials by paying for overseas trips and other perks. Pearson had recently won a five-year \$32 million contract with New York state to administer state tests and maintain testing services.

And last year, the Idaho state legislature overwhelmingly passed a law that requires all high school students to take some online classes to graduate and that students and their teachers be given laptops or tablets. To help pay for these programs, the state may have to shift tens of millions of dollars away from salaries for teachers. The NYT (Jan. 3, 2012) reports that teachers have been in open revolt. The teachers complain that lawmakers listened less to them than to heavy lobbying by technology companies, including Intel and Apple. Is this the way to improve education?

**In Conclusion:** We might ask what role, if any, for-profit enterprise should play in the privatization of public schools. Are the goals of for-profit EMOs compatible with those of public education? Should tax dollars intended for public school education be permitted to generate private profit?

The push for privatizing public education began with the *Nation at Risk* report in 1983. The charge that the public education system was failing was born out of the fact that American students' test scores had fallen from the number one spot when compared to those of students in other industrialized nations. It has been twenty-eight years and the public education system in the United States has changed into a movement towards choice (charter schools) and testing (accountability). During this period, our students have fallen even further behind in international comparisons, and, even more stunning, the costs per student have increased significantly. From 1989-1990 through 2007-2008 the total expenditures per student have increased 39% in constant dollars.

The grand experiment in privatizing public education seems to have largely failed in both producing results and using tax dollars more efficiently.

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