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# Annual Privatization Report 2010: Education

By Lisa Snell  
Edited by Leonard Gilroy



# Reason Foundation



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# **Annual Privatization Report 2010: Education**

**By Lisa Snell**

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## Part 1

# School Voucher and Tax Credit Programs Expand in 2010

Since the year 2000, targeted school choice programs—whereby states allow students to take their funding to the public or private school of their choice—have steadily increased in enrollment. As state legislatures discover the benefits of such programs, potentially saving taxpayers money and freeing the families to tailor their education to their needs, more states may follow suit as well.

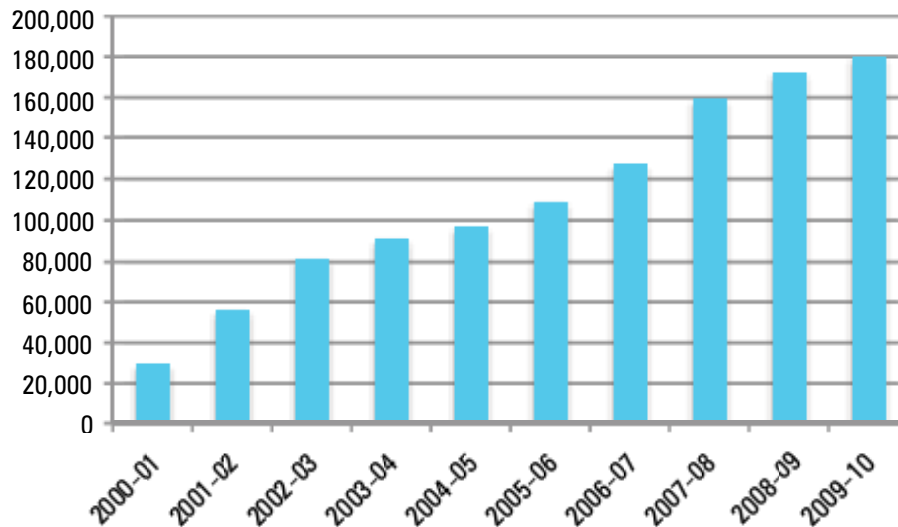
This school year continues the upward trend in enrollment. As of August 2010, 12 states have enacted 20 private school voucher and tax credit programs that serve 200,000 children. The year 2010 saw new programs in Louisiana, Indiana and Oklahoma and an expansion in Florida.

In June 2010, **Oklahoma's** Democrat Gov. Brad Henry signed legislation authorizing scholarships for students with special needs to attend the schools of their families' choice. The Lindsey Nicole Henry Scholarships for Students with Disabilities Act redirects dollars spent on a participating child at his current public school to the public or private school of his family's choice. The scholarship, named after the governor's infant daughter who died of Werdnig-Hoffman Disease, will be equal to state and local dollars that would have been spent to educate the child in his public school or the amount of private school tuition, whichever is less.

After a child enrolls in the program, he or she will continue to receive a scholarship through high school graduation or until such time as the child would return to a public school. Moreover, Oklahoma's law is fiscally neutral and may even provide cost savings to taxpayers, as a student may choose to attend a school that costs less than what the state currently spends on that special needs child.

Also in June 2010, **Louisiana** Governor Bobby Jindal signed legislation that will allow children with special needs to use state-funded scholarships to attend the private schools of their parents' choice. The legislation enacts a two-year pilot program benefiting children in the state's parishes with populations of 190,000 people or more. Children in Caddo, East Baton Rouge, Jefferson, Lafayette, Orleans and St. Tammany parishes will be eligible to participate.

**Figure 1: Recent U.S. Student Enrollment Growth  
in Targeted School Choice Programs**



Source: School Choice Yearbook 2009-2010, Alliance for School Choice,  
[http://www.allianceforschoolchoice.org/UploadedFiles/ResearchResources/ASC\\_Yearbook\\_2010\\_FINAL.pdf](http://www.allianceforschoolchoice.org/UploadedFiles/ResearchResources/ASC_Yearbook_2010_FINAL.pdf)

The scholarships are worth up to half the cost of what the state pays to send participating children to public schools. The new law will assist children in kindergarten through eighth grade who have autism, developmental delay or other specific learning disorders. The School Choice Pilot Program for Certain Students with Exceptionalities Act will place Louisiana in the ranks of six other states (Arizona, Georgia, Florida, Ohio, Utah and Oklahoma) that have enacted school choice programs designed for children with special needs. Across the country there are approximately 24,555 students enrolled in these programs.

Another scholarship program is known as the tax credit program. The **Indiana** legislature created a \$2.5 million individual and corporate scholarship tax credit program that began providing scholarships for students for the 2010–2011 school year. Funding for these scholarships will come from private, charitable donations to qualified scholarship granting organizations (SGOs). Donors (individuals or corporations) would be eligible to take advantage of a 50% credit against their state tax liability for contributions made to an SGO. The program is entirely privately funded, with an incentive to charitable giving from the tax credit.

Parents would apply for scholarships from SGOs, which would establish their own application and qualification rules for the scholarships they provide. However, eligible families must have an income at or below 200% of the free or reduced lunch levels' income criteria. Eligible students must have been enrolled in a public school the prior year or must be entering kindergarten.

In **Florida** in March 2010, the Senate voted 27–11 in favor of passing SB 2126, which will expand that state's scholarship tax credit program. The program, called Step Up for Students, is an initiative of the Florida Tax Credit Scholarship Program, which allows companies to allocate part of their tax liability to fund scholarships. The tax credit expansion adds credits for alcoholic beverage, gas and oil severance taxes as well as a form of sales tax paid by some businesses. For example, Southern Wine and Spirits of America, Inc., plans to participate in the Step Up For Students program and offer scholarship support to authorized educational charities in lieu of a share of its Florida state excise taxes. In an August 2010 press release, Wayne Chaplin, president and chief operating officer of Southern Wine and Spirits of America said, "It's our intent to apply \$5 million to this program, focusing on those counties where Southern is active—both in terms of employing residents and serving the trade community."

The expansion would raise a \$118 million cap on the program to \$140 million during the budget year starting July 1, 2010 and will allow for automatic increases after that if the program raises at least 90% of the capped amount in a given year. For 2010, the new expansion would increase the scholarships, currently worth \$3,950, by about \$140 to equal 60% of what it costs to send a student to public school.

The aid is for students in grades K–12 whose household income qualifies them for free or reduced-price lunch, and the grants are made possible by contributions from corporations that, in turn, receive a dollar-for-dollar tax credit from the state. In the 2009 school year, 27,700 students in Florida received money to attend 1,017 different private schools through the tax credit program.

Competition from multiple voucher programs and a robust charter school market has contributed to Florida's improvement on the 2009 NAEP reading scores. In 2009, the average NAEP reading scores of fourth-grade students in Florida was 226. This was higher than the average score of 220 for public school students in the nation. In the last decade, Florida has gained more than twenty points on the NAEP and gone from one of the lowest average reading scores to one of the top ten in the nation.

## Part 2

# 2010 Voucher and Tax Credit Student Outcome Data

Several new studies from 2010 demonstrate that vouchers and tax credits improve outcomes for participating students and for students who remain in the traditional public schools:

- In 2010 the Department of Education released the final report of the evaluation of the DC Opportunity Scholarship Program. The study used a randomized field trial, the gold standard in social scientific and medical research. A lottery decided which applicants had the opportunity to use a voucher to go to private school, and so all the comparisons between voucher students and other students are strict ones that control for family background, parental motivation, child motivation and other factors. The report found that students who were randomly selected to receive vouchers had an 82% graduation rate. That's 12 percentage points higher than the students who didn't receive vouchers. Students who actually *used* their vouchers had graduation rates that were 21% higher.

In addition, the subgroup of students who were selected to receive vouchers and came from designated Schools in Need of Improvement (SINI schools) had graduation rates that were 13 percentage points higher than the same subgroup of students who weren't offered vouchers—and the effect was 20 percentage points higher for the SINI students who *used* their vouchers. If one uses a voucher to go to school, the impact on the percentage of students with a high school diploma increases by 21 percentage points, an effect size of no less than 0.46 standard deviations. Notably, 70% of those who were not offered a school voucher made it through high school. The control group most likely had a high graduation rate because 47% of control group members still exercised school choice such as enrolling in a charter school or a private school without a voucher. However, as compared to that 70% rate among those who wanted a voucher but didn't get one, 91% of those who used vouchers to go to private school eventually received a high school diploma.

The five-year evaluation of the DC voucher program has shown that low-income students who received scholarships had higher graduation rates, higher student achievement, increased parental views of safety and increased parent satisfaction. There was not one single negative finding over the entire course of the five-year evaluation for the DC voucher participants.



- A February 2010 analysis by School Choice Wisconsin found that students who receive vouchers from the Milwaukee Parental Choice Program (MPCP) graduate at a 12% higher rate than students in the Milwaukee public schools. Overall, had the Milwaukee district graduation rates equaled those for MPCP students in the classes of 2003 through 2008, the number of MPS graduates would have been about 18% higher. That higher rate would have resulted in 3,352 more MPS graduates during the 2003–2008 years. A recent analysis of the economic impact of high school dropouts suggests that the annual impact from an additional 3,352 MPS graduates would include an additional \$21.2 million in personal income and about \$3.6 million in extra tax revenue.
- Low-income students who moved from chronically failing New Orleans public schools to private schools as a result of the Louisiana Student Scholarships for Educational Excellence (SSEE) program demonstrated academic growth on state tests despite their recent school transitions, according to new data released in May 2010. Results from the state's LEAP tests indicate modest year-to-year growth for scholarship students in core subject areas, on par with what students in the first or second year of scholarship programs typically achieve, experts say. “The typical findings from rigorous studies of school choice programs is that academic growth is flat or modest in the early years, but often builds to significant growth in the out years,” said Dr. Patrick Wolf, a professor and the Twenty-First Century Chair in School Choice at the University of Arkansas Department of Education Reform.
- A 2010 study from Northwestern University finds that competition from private school vouchers has led to academic improvements in Florida's public schools. After the state began offering tax-credit scholarships to low-income students in 2001, students in public schools with a greater and more diverse array of private schools around them showed greater gains in standardized test scores than students in other public schools, as found by David Figlio and Cassandra Hart at Northwestern University.

Figlio and Hart analyzed FCAT scores from 2000 to 2007. To estimate the competitive pressure on public schools, the researchers looked at how many private schools were nearby and what types of schools they were. The more schools and the more variety, the more pressure the schools had to improve. According to the study, the gains were modest, but clear: schools nearest to private campuses and those likely to lose federal funding if the enrollments of poor children fell too low made the most gains.

## Part 3

# Special Education Vouchers Improve Outcomes for Special Needs Students

An August 2009 Manhattan Institute study by senior fellows Marcus A. Winters and Jay P. Greene, *How Special Ed Vouchers Keep Kids From Being Mislabeled as Disabled*, finds that special education vouchers discourage school districts from over-identifying disabled students, because any student identified as disabled becomes a potential choice student who might leave the district for a private school, reducing district revenue received from the state. Obviously, we don't want states under-identifying special needs children. However, according to Winters and Greene there has been recent rapid growth and over-identification of students with the mildest form of learning disabilities. Under a voucher program, schools still receive extra money for disabled students but may show more restraint in over-identification because they also risk losing the student to a competing program. The special needs voucher appears to balance the tendencies for over- or under-identification of students.

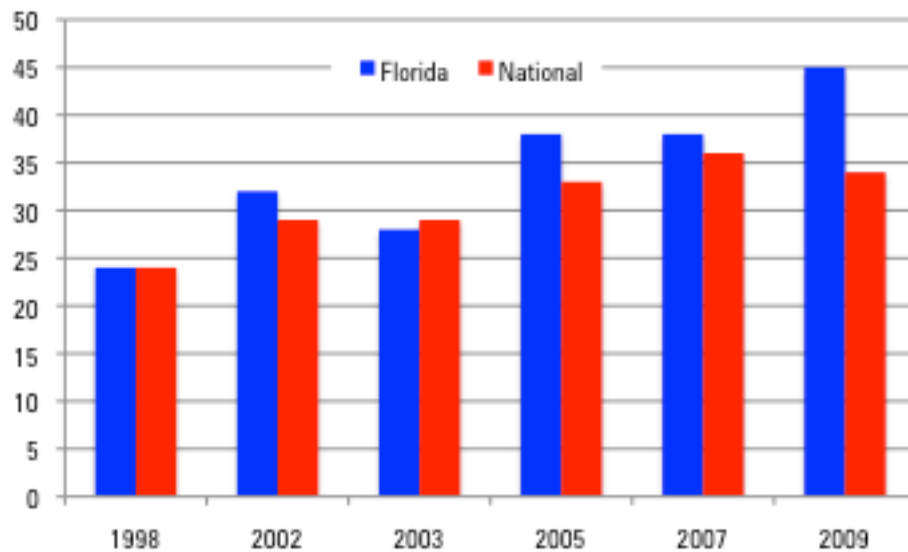
The Manhattan Institute scholars looked at whether the probability that a student would be identified as having a specific learning disability in Florida changed as more private schools that accepted McKay scholarships (a voucher program in Florida for special needs children) opened near the student's public school. With more such schools nearby, students would have greater opportunities to leave if they were classified as disabled and therefore became eligible for a voucher. The willingness of public schools to put students into special education might be constrained if those schools feared that students would walk out the door with a voucher and all of their funding.

They found that the addition of 7.6 private schools that accept McKay funding within five miles of a public school, which is the average, reduces the probability that a student will be identified as having a specific learning disability by 15%. The evidence suggests that, rather than expanding special education, introducing special education vouchers places some constraint on the rapid growth in students placed in special education.

In addition, an analysis of 2009 National Assessment of Education Progress (NAEP) reading scores by the Goldwater Institute's Mathew Ladner found that the Florida McKay scholarship program for special education kids improved special education outcomes for all special needs students in the state of Florida.

In 1998, both Florida and the nation had only 24% of children with disabilities reading at Basic or Better (see Figure 2). In the most recent 2009 test, the national average had improved to 34%, but the Florida average for children in special education had improved to 45%. That means that a child in Florida with a disability is approximately 26% more likely to be reading by 4th grade than the national average.

**Figure 2: Percentage of Florida and American Children with Disabilities Scoring Basic or Better on 4<sup>th</sup> Grade Reading NAEP, 1998-2009**



Source: Jay P. Greene, July 1, 2010, <http://jaypgreene.com/2010/07/01/next/>

The improvements in Florida's NAEP scores are supported by a 2008 Manhattan Institute study that found that as more private schools that accept McKay funding opened near each public school, the standardized test scores of disabled students in Florida who remained in public schools significantly increased. The addition of about seven public schools with McKay funding within five miles of a public school improved the academic achievement of special education students by about .05 of a standard deviation. The improvement in test results suggests that schools were serving those students better when they faced more competition from the McKay program. Vouchers do not drain public schools of their ability to serve disabled students; instead, schools are pushed to serve those students better.

## Part 4

# School Choice Saves Tax Dollars

With the United States recovering from a recession, and with education as the largest state budget item in most states, school choice programs can help states provide quality education and save tax dollars. As reported in the *School Choice Yearbook 2009–2010*, a significant body of research finds that school choice programs save millions of dollars for taxpayers each year, as student tuition at private schools is often less than the voucher due to public schools' higher costs:

- **Arizona.** The state is saving \$11.4 million annually because of the corporate tax credit scholarship program, according to a study sponsored by the Institute for Justice. The report was based on an analysis by the state's Joint Legislative Budget Committee and showed that every student who would transfer from a public school to a private school because of the program would save the state's general fund an average of \$5,000 in one year because the cost of the school voucher is much less than the state's per pupil education allocation.
- **Florida.** The Corporate Tax Credit Scholarship Program saved \$1.49 in state education spending for every \$1.00 of tax credits awarded to businesses that donated funds to Scholarship Funding Organizations in 2007–08, according to a legislatively required fiscal analysis of the program. This latest analysis of the program is the third showing that it saves money.
- **Georgia and Indiana.** The two-year-old Georgia Scholarship Tax Credit Program is estimated to save taxpayers approximately \$5.9 million a year, and the Indiana Scholarship Tax Credit Program is slated to save the state anywhere from \$6.4 million to \$17.6 million per year after five years of operation, according to studies by the Indiana-based Foundation for Educational Choice.
- **Pennsylvania.** Taxpayers directly saved \$144 million over six years because of the Educational Improvement Tax Credit (EITC) program, according to a study by the Indiana-based Foundation for Educational Choice. In addition, the Commonwealth Foundation for Public Policy Alternatives estimates that if all the children receiving scholarships between the 2001–02 school year and the 2006–07 school year attended public schools instead, it would have cost the state an additional \$1.5 billion dollars over those years.

- **Wisconsin.** The Milwaukee Parental Choice Program (MPCP) saved taxpayers between \$24.6 million and \$37.2 million each year from 2007–09, according to a state analysis. In addition, the state’s nonpartisan Legislative Fiscal Bureau estimated that school districts outside of Milwaukee received a net of nearly \$86 million in additional state funding for the 2007–08 school year because of the MPCP. In other words, if the program was eliminated, districts would have had to raise property taxes if they wanted to recoup the lost funding.

**Part 5**

# Charter Schools Save Tax Dollars

Charter schools, which are public schools that have a contract with a charter-authorizing government agency, continue to serve students at lower cost than traditional public schools. An analysis of 24 states and the District of Columbia, covering 93% of the nation’s public charter school population, shows an average per-pupil funding gap of 19.2% or \$2,247, when compared to traditional public schools in the same state during the 2006–2007 school year. For a typical 250-student charter school, the funding gap amounts to a nearly \$562,000 less every year. The gap was even larger—27.8%—in “focus districts,” 40 cities where almost half of all charter schools in the study are located. Ironically, Washington, D.C., had the largest gap in the nation despite having, on paper, the nation’s most equitable funding formula, one that provides rough comparability between charters and other public schools. Over time, the school district has received funding through other local and federal agencies that charter schools cannot access, creating a 41.2% gap in 2006–2007 alone. Among states, the most significant funding gaps are in New Jersey, New York, Missouri, Delaware and Florida.

## Part 6

# Charter Schools Enjoy Increasing Market Share

Charter schools continue to be the largest example of education privatization with a contract between an individual school and a government authorizer. There are 5,000 charter schools in the United States that serve 1.7 million children. In addition, an estimated 420,000 students are on waiting lists for charter schools.

Public charter schools' presence in K–12 schooling is increasing. In fact, charters now enroll more than one in five public school students (22%) in 14 communities—including major cities like Detroit, St. Louis and Kansas City. The charter school market share report from the national Alliance for Public Charter Schools finds:

- *Charter growth remains strong:* There are 14 communities where more than 20% of public school students are enrolled in charters, up from six in 2005–06. Seventy-two communities now have at least 10% of public school students in charter schools, 27 more than three years ago.
- *Ten districts enroll 22% of charter students:* The 10 districts with the largest number of students in public charter schools represent 22% of the total public charter school population nationwide, a total of 304,494 students out of roughly 1.4 million.
- *Three cities have more than one-third of public school students in charters:* Public charter school market share breaks 30% of students in Detroit (at 32%), Washington, D.C. (36%) and New Orleans (57%).
- *New Orleans remains at #1 in market share percentage:* Not only are charters in New Orleans serving a higher percentage of public school students (57%) than anywhere else in the nation, they are also the highest performing sector of public schools in the city. More importantly, the city's public schools as a whole are outperforming the pre-Katrina system.
- *The “Top 10” communities with the greatest number of students enrolled in public charter schools are (see Table 1):* Los Angeles, Detroit, Philadelphia, Houston, Chicago, Washington, D.C., Miami-Dade County, FL, New York City, New Orleans and Broward County, FL.

Rank	School District	State	Charter Enrollment	Non-Charter Enrollment	Total District Enrollment	Charter Market Share
1	Los Angeles Unified School District	CA	59,122	621,805	680,927	9%
2	Detroit Public Schools	MI	43,035	91,827	134,862	32%
3	The School District of Philadelphia	PA	32,579	167,752	200,331	16%
4	Houston Independent School District	TX	29,889	187,422	217,311	14%
5	Chicago Public Schools	IL	28,973	391,393	420,366	7%
6	District of Columbia Public Schools	DC	25,729	45,551	71,280	36%
7	Miami-Dade County Public Schools	FL	23,865	321,048	344,913	7%
8	New York City Department of Education	NY	21,367	988,234	1009,601	2%
9	New Orleans Public School System	LA	20,068	15,379	35,447	57%
10	Broward County Public Schools	FL	19,867	236,319	256,186	8%

Source: National Alliance for Public Charter Schools, October 2009.

Rank	School District	State	Charter Market Share	Charter Enrollment	Non-Charter Enrollment	Total District Enrollment	Rank and Market Share in 2008
1	New Orleans Public School System	LA	57%	20,068	15,379	35,447	#1 and 55%
2	District of Columbia Public Schools	DC	36%	25,729	45,551	71,280	#2 and 31%
3	Detroit Public Schools	MI	32%	43,035	91,827	134,862	Tied at #7 and 22%
4	Kansas City, Missouri School District	MO	29%	7,925	19,818	27,743	Tied at #6 and 23%
5	Dayton Public Schools	OH	27%	5,946	16,072	22,018	Tied at #3 and 28%
6	Youngstown City Schools	OH	26%	2,764	7,854	10,618	#5 and 24%
7	St. Louis Public Schools	MO	25%	9,211	27,416	36,627	Tied at #10 and 19%
8	Flint Community Schools	MI	24%	4,240	13,798	18,038	Not in Top 10 and 11%
9	Gray Community School Corporation	IN	23%	3,781	12,902	16,683	Not in Top 10 and 18%
10	Phoenix Union School District	AZ	22%	7,074	25,167	32,241	Tied at #6 and 23%
10	Minneapolis Public Schools	MN	22%	9,651	34,680	44,331	Not in Top 10 and 18%

Source: National Alliance for Public Charter Schools, October 2009.



**Part 7**

# 2010 Charter School Achievement Data

According to the Center for Education Reform, since the beginning of the charter school movement, only 13% of charter schools (657 of the 5,250 schools ever created) have ever closed their doors. Of the charter schools that have closed, only 14% closed because of academic reasons. This means that charters have a significant rate of success despite being held to higher standards than conventional public schools.

A Central Michigan University analysis shows that in 2009 the state's 103,000 charter students outperformed students from demographically similar traditional districts on the state tests while spending \$2,000 less per pupil than district schools.

Researchers from Mathematica Policy Research, Inc., Florida State University, Michigan State University and RAND analyzed data on four to five cohorts of eighth graders in Florida and Chicago as they moved to high school and beyond. The students who attended public charter schools were 7 to 15 percentage points more likely than the regular high school students to graduate and 8 to 10 percentage points more likely to attend a two- or four-year college. Baltimore has 27 charter schools, and in 2009–2010 charter schools recorded a 5 percentage-point lead in the number of students who showed proficiency in math and reading when compared with traditional schools, test results show.

In Georgia, 81% of all charter schools made Adequate Yearly Progress under No Child Left Behind compared to 79% of traditional public schools.

In Colorado, 85% of charter elementary schools made Adequate Yearly Progress (AYP), compared to 73% of conventional elementary schools. Eighty-one percent of charter middle schools also made AYP, compared to only 49% of conventional middle schools.

New York's charter schools' success was documented in a September 2009 gold-standard, random-assignment comprehensive study by Stanford Professor Caroline Hoxby that found charter schools students in New York City academically outperformed district students that sought admission to charter schools. This study also found that the City's charter schools were narrowing the urban-suburban student achievement gap. Students who entered lotteries and won spots in New York City charter schools performed better on state exams than students who entered the same lotteries but did not secure charter school seats. On average, a student who attended a charter

school for all of grades kindergarten through eight would close about 86% of the "Scarsdale-Harlem achievement gap" in math and 66% of the achievement gap in English. A student who attended fewer grades would improve by a commensurately smaller amount. In addition, a high school student who spends all four years in a charter has a 28% better chance of graduating with a full Regents diploma.

## Part 8

## New Orleans: The Most Market-Driven School System in the United States

New Orleans is the one city in the United States that comes closest to every school in the city having charter-like autonomy with direct responsibility for student performance through a contract with a government authorizer. In 2005, Hurricane Katrina devastated Louisiana's school system—which had languished at the bottom of national rankings for years—and more than 100 public schools were closed, displacing approximately 118,000 school-age children throughout the state. The state stepped in to reopen schools, encouraging school choice by facilitating charters and giving administrators broad leeway to get schools operational. Their innovations succeeded. Under the leadership of Superintendent Paul Pastorek, Louisiana's burgeoning school choice movement is using transparency, standards and accountability to improve student achievement and turn around low performing schools.

Public education in New Orleans is vastly different from what it was before Hurricane Katrina. A centralized system run by a locally elected board has been replaced by a decentralized system where some schools are run by the state, others by the local board, and still others by charter school operators. The majority of schools fall under the Recovery School District (RSD) and 16 schools are operated by the Orleans Parish School Board (OPSB). Both the RSD and the OPSB have a majority of their schools as charter schools. Most students used to go to school based on where they lived; today, students can attend any school in the city. State law and a collective bargaining agreement used to determine work rules, pay, tenure and seniority. Today, most schools have relative freedom to make hiring and firing decisions and set work rules. In addition, money follows the student, with charter schools receiving 98% of per pupil funding.

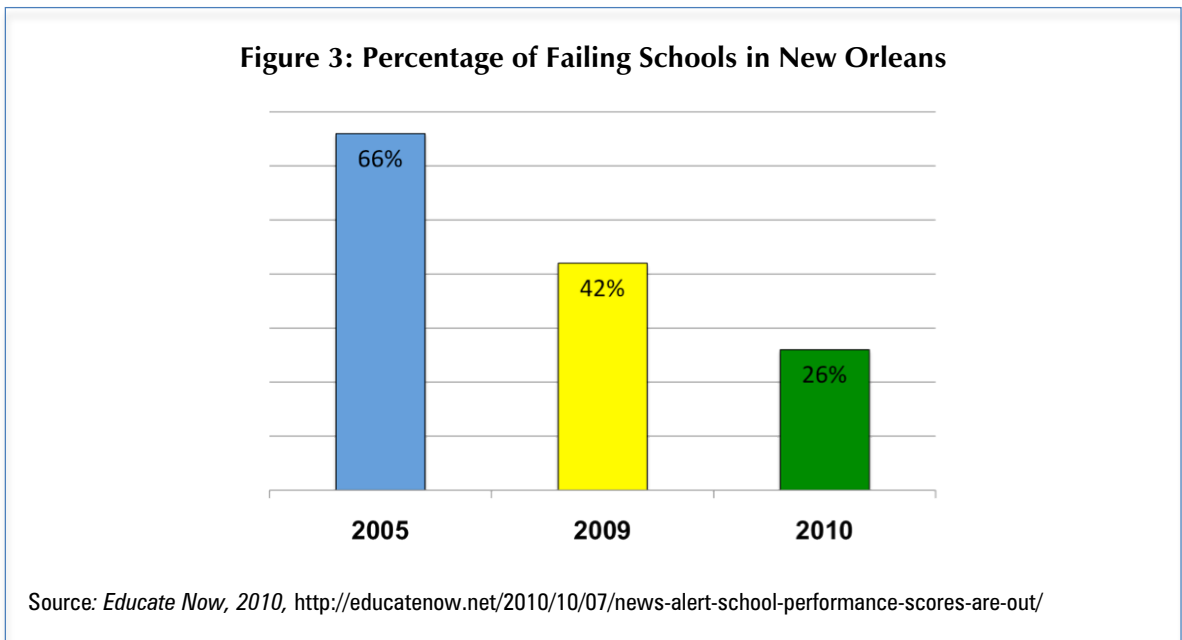
Leslie Jacobs, a former Board of Elementary and Secondary Education member and an architect of the state takeover describes the New Orleans transformation in August 2009 in *Education Week*:

*In August of 2005, as school was starting, no one would have believed that in August 2010, New Orleans would be the most improved school district in the United States, that the secretary of education would refer to it as a new national model, that we would have shown that we can turn around chronically failing schools, that we would be celebrating the improvement in the schools as one of the things we're most proud of.*

The 2010–2011 school year in New Orleans, nearly 70% of the city’s students are in charter schools, and test scores have risen dramatically since 2005. Before the state action, two-thirds of the city’s public school students attended failing schools; today, that percentage is less than a third. Since the takeover, the percentage of students passing the LEAP tests has jumped from 49% to 65% in fourth grade, and from 44% to 58% in eighth grade. In high school, the percentage of students performing on grade level has jumped from 36% to 52% in English and 42% to 60% in math. And a higher percentage of students graduate.

According to the Louisiana education advocacy group Educate Now, the Louisiana Department of Education has released the 2010 School Performance Scores (SPS). These scores are combined for the RSD and OPSB and show that the city of New Orleans has far fewer failing schools than in 2005 (see Figure 3):

- In 2005, 78 of 118 schools that received an SPS were failing (66%).
- In 2009, 31 of 74 schools that received an SPS were failing (42%).
- In 2010, 18 of 68 schools that received an SPS are still failing (26%).



In addition, New Orleans has made significant progress passing the state LEAP test in reading and math in fourth and eighth grade, as shown in Table 3.

<b>Table 3: New Orleans Increase on the LEAP Test, 2007-2010</b>				
Grade	2007	2010	N.O. Gain	State Gain
4 <sup>th</sup>	49%	65%	+16	+2
8 <sup>th</sup>	44%	58%	+14	+4

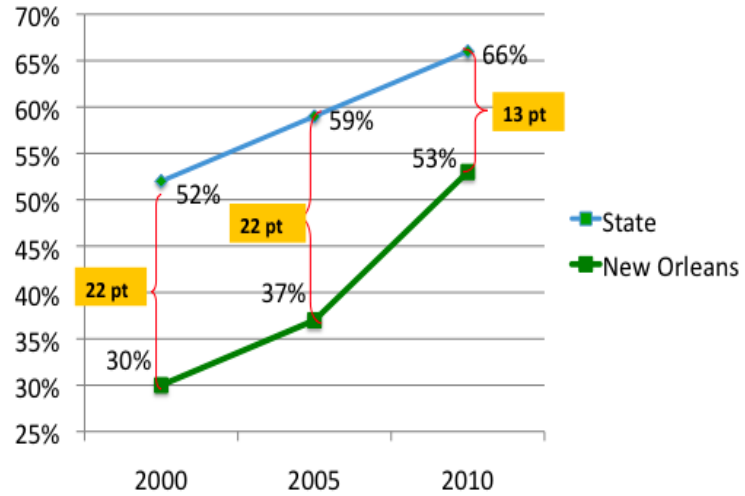
Source: *Educate Now*, 2010, <http://educatenow.net/2010/10/07/news-alert-school-performance-scores-are-out/>

According to Educate Now, opponents of the New Orleans reforms have argued that the gains made since Katrina are merely a continuation of the improvement happening before the state action. Yet, the rate of growth in the last three years is disproportionately high. In the past, New Orleans improvement mirrored the state. If the state showed growth, New Orleans matched it. If the state went down, so did New Orleans. Since 2005, New Orleans is improving much faster than the state and narrowing the performance gap.

The graphs in Figure 4 illustrate how since 2005 both the RSD and the OPSB have narrowed the gap and are catching up to the state.

Finally, in New Orleans city residents have embraced these changes to the education system. A 2009 poll by Citizens for a Better Louisiana asked, “What about New Orleans has gotten better since the hurricane?” The number one answer, which was offered without prompting by one in four respondents, was “education.” A separate poll from Tulane University’s Cowen Institute found that two-thirds of those interviewed agreed with the state’s decision to take over schools. Nearly 80% thought that parents should be able to send their children to any school in the city. In addition, 74% support charter schools and 62% support converting more traditional schools to charters.

**Figure 4: Percent of Students Basic or Above 4<sup>th</sup>, 8<sup>th</sup> and 10<sup>th</sup> Grade Math and English**



Source: *Educate Now, 2010*, <http://educatenow.net/2010/10/04/myth3-student-test-scores-were-improving-before-the-storm-at-the-same-rate-they-are-now/>

## Part 9

# Public Schools Continue to Use Outsourcing to Cope with Tight Budgets

With school districts nationwide facing flat budgets and spending more money on health insurance, pensions and teacher salaries, outsourcing has been one effective policy tool to cope with the tight fiscal conditions. The only yearly statewide survey of school outsourcing in the nation, The Mackinac Center's 2010 *Michigan School Privatization Survey* found that the number of school districts that contract out for food, custodial or transportation services increased to 269—48.8% statewide—up from 45.2% in 2009. That is an 8.0% increase, the fastest year-over-year jump in survey history. Privatization of support services has increased 57.5% since 2001, when Center analysts began the survey. Anecdotal evidence from around the country supports the notion that school districts are using outsourcing of a wide variety of services to cope with budget shortfalls.

In Michigan, Detroit Public Schools will contract with Securitas Security Services USA to provide security to the school district. Privatizing school security is expected to save about \$4.5 million a year for the school district, which is struggling to balance its budget. The district will pay about \$6.5 million a year to Securitas Security Services USA Inc. The district used to employ 226 guards at a cost of about \$11 million a year. Robert Bobb, the emergency financial manager of Detroit Public Schools, said the move is part of a \$41.7 million safety plan that includes alarms and digital camera surveillance.

Indiana's second-largest school district, Fort Wayne, expects to save about \$4.4 million a year by outsourcing custodial services. The School Board voted 6-1 to approve a three-year contract with Sodexo, a French-based company with operations across the country, that will cost about \$7.2 million a year. Much of the savings will come from having 24 fewer custodial positions and reducing pay by as much as \$6 an hour. The contract, which takes effect July 19, gives the 217 district custodians the right to apply for jobs with Sodexo. Those hired will have their seniority and accrued paid sick time recognized. The 31,000-student district has also closed one of its six high schools as it lost \$9 million in state funding under cuts ordered by Gov. Mitch Daniels because of tax revenue shortfalls.

In Florida, a citizen's committee has decided the custodial services company cleaning Florida's Collier County Public Schools should be given an additional 21 months on its contract. The Collier County School Board's subcommittee on operations voted unanimously to extend the contract of GCA Services Inc. for another 21 months on its current contract, which is set to expire Oct. 19, 2011. The School Board voted 3 to 1 in 2008 to privatize custodial services and award the contract to GCA Services for three years. Chief Operations Officer Michele LaBute said in the years since the board signed the contract with GCA, the district has estimated it saved about \$6.5 million. The district is expected to spend \$9.96 million for GCA to clean its buildings this fiscal year, which is \$3.24 million less than the \$13.21 million it would have cost the district had it not privatized custodial services. District officials gave subcommittee members information from the schools that showed principals and plant operators were happy with the service GCA provided. In a May 2010 survey, 74% of the principals and plant operators gave GCA an A, 23% gave the company a B and 3% gave the company a C, according to figures.

In Redding, California parents are behind a new plan to outsource their kid's school lunches. Last school year parents paid up to \$3 a day for a school lunch, and the district's school board had approved a cost increase to \$3.75 for this year. But when school starts this month, parents will pay \$2.50 per lunch by taking the unusual step of outsourcing for student lunches, said district Superintendent Tom Mancuso. The Palo Cedro school is working with the Healthy Lunch & Lifestyle Project, or HELP, of Redding to provide the school with daily lunches for its 278 students in kindergarten through eighth grade.

In addition to the lower price, the quality of the food and the way the lunches are served were attractive to parents and district officials. Lunches are served in reusable containers, and the leftovers are returned to HELP, rather than thrown away. Parents in the district drove the change from school-made lunches to ones purchased from HELP. Lauren Radich, one of the parents who pushed for a new lunch vendor said her husband attended Junction schools. She said the same foods her husband ate at Junction—pizza, chicken nuggets, nachos—were still being served when they enrolled their kids at North Cow Creek. Radich and other parents investigated HELP and found the lunches healthy and delicious.

HELP provides lunches to three charter schools and two preschools in Shasta County. North Cow Creek will be the first traditional public school HELP will service. According to HELP's website, some of their popular menu items include macaroni and cheese with whole wheat macaroni noodles and homemade whole cheese sauce, turkey breast wrap with cheddar cheese and lettuce in a 100% whole wheat tortilla, and hummus with pita bread and fresh veggies. Mancuso said his school also will save money because he doesn't have to hire servers in the cafeteria, and returning leftovers in reusable containers will cut in half the amount of garbage the school generates. HELP has higher food costs, but labor costs are cheaper because the company hires non-union workers for \$12 to \$15 an hour.



## Part 10

## Universities Consider School Privatization

In Los Angeles, California UCLA's Anderson School of Management wants to end its reliance on state funds under a proposal that would be the first to shift to self-sufficiency in the cash-strapped UC system and could provide a model for other programs seeking freedom to raise tuition and faculty salaries.

Anderson, which offers master's degrees and doctorates, hopes to wean itself off state funds by 2015 and to replace that \$5.6 million a year with additional private donations and tuition levels closer to that of private business schools. Under the plan's projections, annual tuition for California residents in a full-time master's program at Anderson would rise gradually from \$41,000 now to about \$53,000, including a \$5,000 discount for in-state students.

Officials say the plan is feasible because the school, which now has an annual budget of about \$96 million, would keep all fees and tuition revenue it generates while forgoing other state funds that have been shrinking. The business school would continue to pay UCLA for facilities and other shared costs, and UC would still compensate Anderson for teaching undergraduate courses in accounting.

The plan assumes that donors would be more willing to support a self-sufficient school and that private gifts and endowment income would grow from about \$10 million to \$14.5 million annually. In recent votes, about 80% of the school's faculty has supported the proposal. Without the change, "it will become more and more difficult for us to maintain our excellence in teaching and research, which will gradually make the school a less compelling place to be," Anderson's faculty chairman Charles Corbett told the *Los Angeles Times*.

The plan's supporters say the status quo is hurting Anderson's ability to compete with private schools for top business professors, who are among the most highly paid faculty at universities across the country.

Supporters also say that other areas of the campus could benefit; state funds originally intended for Anderson could help support such departments as English and math, which have large undergraduate enrollments and fewer opportunities for private fundraising.

UCLA Chancellor Gene Block said he fully supports the proposal but noted that he expects it to generate debate on the campus. Block, who served as provost at the University of Virginia before arriving at UCLA in 2007, said the plan maintains the mission of a public university while redirecting state money "to chronically underfunded undergraduate programs elsewhere on campus." Business schools at two other public universities, the University of Michigan and the University of Virginia, have successfully implemented similar plans.

The *Arizona Business Gazette* also reports that The Sandra Day O'Connor College of Law at Arizona State University is moving toward privatization. The state's budget shortfalls have resulted in less funding for the law school. The school was getting about \$8 million a year in state funds in 2008; the figure is now down to close to \$6.5 million. Dean Paul Berman said revenues can be increased by increasing tuition, taking in more students, and expanding law school offerings. "The goal is, over the course of about five years, to reduce that operating subsidy to zero," he told the *Gazette*.

Berman believes higher tuition can be justified. As a benchmark he uses what in-state students pay at the Top 40 law schools as rated by *U.S. News and World Report*. "If you look at all 40 of them, our in-state tuition is lower than all but four," he said.

Berman said the school already has requested that the Board of Regents allow tuition for Arizona residents to go up by \$1,500 for next year. "We're not talking about large increases," he said. He added that, even with that, attending ASU will remain lower than what is being charged at those other Top 40 schools. According to Berman, the number of incoming students won't reduce the quality of incoming students. The size of the law school has increased in the last two years while the median grade-point average and scores on the Law School Aptitude Test have also gone up.

Berman also plans to increase course offerings at the law school. The school already offers a one-year graduate degree in legal studies for people who are not lawyers. The school is also launching a new undergraduate Law, Policy and Society program. "We will become the first law school in the country to directly confer an undergraduate degree," Berman said.



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