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ABSTRACT

Food service, transportation and building cleaning and maintenance are big business and are seen as candidates for privatization. In Ohio, a 30-item questionnaire was developed for the state's school district superintendents. Results were generated from the 143 questionnaires that were returned (70 percent response rate). Findings show that Ohio's school districts use private providers to deliver various management services. Smaller districts rely on private providers for management services that are more highly technical in nature and are used on a less frequent basis. Examples include health services, HVAC maintenance, printing, technology/computer repair, and vehicle maintenance. Services most frequently contracted are those that are infrequently used or require skilled personnel or expensive equipment. Management services are more frequently contracted than instructional services, and larger districts are more open to contracting services than the smaller districts. Trend analysis indicates an increase in privatization of services; additional studies on the ethical and economic challenges of privatization are needed. (Contains 10 references.)  
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# Ohio schools and privatization: Opportunity or risk

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## Ohio schools and privatization: Opportunity or risk

Does it surprise you to learn that more than 25 million public school children eat school-prepared lunches and five million consume school breakfasts? In terms of total meals served, the school prepared lunch and breakfast program is second in size only to McDonald's Corporation (McGinley, 1994). Every day, more than 23 million students are transported in more than 380,000 school buses at a cost of some \$9.2 billion annually and that does not include the cost of the buses (U.S. Department of Education, 1995 ). It is estimated that the cleaning, maintenance, and repair costs to keep the public school buildings in operation amounts to \$22 billion annually (Abramson, 1993).

Food service, transportation, and building cleaning and maintenance are big business and are only three school areas seen by outside concerns as candidates for privatization. A sizeable number of schools contract for these services. However, privatization of instruction and instructional services has not met with the same success. A recent GAO report states that the private management of public schools often leads to cleaner buildings, greater access to computers and more individualized instruction, but has yet to show greater academic improvement (Walsh, 1996). In spite of the report, it appears that all school activities are attractive to private sector providers.

The term privatization is usually defined as a process of transferring the provision and production of goods and services or the ownership of assets from the government's domain to the private sector. Traditionally, school districts have provided nearly all of the instructional and management services required to operate the schools. As the costs of providing goods and services locally continue to rise, districts are turning to the private sector for help. In this study,

privatization is broadly defined to include all of the management and instructional support services commonly provided in a public school setting but does not include teacher/classroom instructional services.

**Reasons for contracting services.** The public elementary and secondary schools in America represent a market of more than \$260 billion a year and private companies are interested in such opportunities (National School Boards Association [NSBA], 1995). Almost half of each state's budget is devoted to education. It is the second largest economic activity in the country (McLaughlin and Norman, 1995).

It is suggested that school districts are experts at educating students but may not have the skills to run a food service operation, repair computers, maintain HVAC equipment, run a fleet of buses, or operate a custodial operation as efficiently as companies devoted to providing those services. School districts consider contracting for services from private companies for a variety of reasons including cost reduction, improving management efficiency, and improving/maintaining school facilities (Abramson, 1993; Gregory, 1995; NSBA, 1995).

There has been a trend to privatize many of the other service industries such as transportation and medicine. It is suggested that this trend will continue and encompass education as well. The changes being brought about by privatization are often seen as customer focused and accountability driven (McLaughlin & Norman, 1995).

Several writers contend that privatization may result in a loss of effective control of schools by parents and communities. The writers suggest that the guiding principles of privatization may be more often closely linked to political ideology than improved management. Furthermore, it is suggested that it is only a short step from privatization of services to wholesale

privatization of the public schools including the teacher/classroom instructional services (Kaplan, 1996).

**Surveys of the extent of contracted services.** Limited formal research dealing with the extent of contracted services was located. Two studies identified common school services provided by the private sector. The studies found the most common services used by schools were food service, busing, and maintenance (Abramson, 1993; NSBA, 1995). Abramson (1993) conducted a survey of roughly 300 school districts and found that most school districts responding to the survey (66%) use between one and four contracted services for support operations. The National School Boards Association (1995) conducted a survey of 354 school districts. They found that 62 percent of the responding school districts have considered privatizing overall district operations or special areas of school management and instruction. School management services are more likely to be contracted out than instructional programs.

Only a few school districts contract for instructional services. However, it is common for the public to view education as a consumer service. Open enrollment, magnet schools, and charter schools are three of the more widely known ways in which education is being offered in consumer formats. Some people see these service structures, and more yet to be developed, as the new delivery systems for education (McLaughlin and Norman, 1995).

**Guidelines for contracting services.** It is suggested that districts carefully study district needs and the potential benefits of privatization before contracting with private concerns. Guidelines for privatization should be developed and include such things as efficiency, cost analysis, performance, equity, contractor evaluation, future options, and political realities (McLaughlin and Norman, 1995).

Quite often, it is difficult to make valid comparisons between the costs of in-house and contracted services. Few districts have formal accounting methods for making accurate cost comparisons. Frequently, cost estimates fail to fully allocate overhead costs such as payroll processing, accounting, purchasing, supervisory management, utilities, employee benefits, and facility and equipment costs. This may result in an underestimation of in-house costs by as much as 30 percent (Beales, 1994).

Services should not be contracted without the development of performance measures for the private contractor. These performance measures should insure that quality services are actively being delivered and the contractor's performance should be measured and monitored on a regular basis (Beales, 1994).

Communication with employees and the community is essential for the success of any privatization effort. Public employees and their unions may view privatization as a threat to their jobs and the local community may not be receptive to a change in a familiar routine. A strategy of open and honest communication has proven effective. Contracting out may promote efficiency but comes with political heat. A well-developed transition plan often helps solve many of the problems (Beales, 1994; McLaughlin & Norman, 1995; Saks, 1995).

### **Research Questions**

With consistent concerns in the literature reviewed, but little empirical study of the extent of privatization in the public schools, several research questions were identified:

### **Methods**

A thirty-item questionnaire was developed for school district superintendents in Ohio.

The format was straightforward and designed to elicit common knowledge held by busy chief school officers. The items appear in Appendix A. The questionnaire addressed demographics, contracted management services, contracted instructional services, business-school partnerships and projected use of contracted services.

It was decided that a third of the school districts in Ohio would be surveyed. Based on 612 active Ohio school districts, 204 questionnaires were prepared. A stratified sample was created. The stratification was based on the three school district types in Ohio: city, local and exempted village. City and local districts are determined by population. Exempted villages are small districts that were permitted to provide certain services without the help of a county board of education, thus avoiding some expenses.

Surveys were mailed the second week of January 1997 to district superintendents; a self-addressed stamped envelope was enclosed. Superintendents were promised anonymity, so no follow-up was implemented. The impact this decision would have on a response rate was considered, but honoring the commitment to anonymity was more important.

### **Results**

Of the 204 questionnaires mailed, 143 were returned for a response rate of 70 percent. Questionnaires were received from 94 districts with enrollments less than 2,500, from 29 districts with enrollments from 2,500 to 4,999, from 14 districts with enrollments from 5,000 to 9,999 and from six districts with enrollments more than 10,000. It is important to note that several schools reported they used a combination of private providers and local employees to furnish the services in a number of categories. The percentages reported reflect all schools using private providers either exclusively or in combination with local services.

### **Management Services (See Table 1)**

Perhaps the most significant statistic is that school districts across the State of Ohio are using private providers to deliver all sorts of management services. Every service listed on the questionnaire was delivered by a private provider in some schools.

It appears that the smaller schools tend to rely on private providers for those management services that are more highly technical in nature and are used on a less frequent basis. This makes the contracting of services more economical than employing skilled employees and purchasing expensive equipment. Examples include health services, HVAC maintenance, printing, technology/computer repair and vehicle maintenance. In addition, the skill levels required for certain services such as employee contract negotiations and preparation have increased to the point where experts are necessary.

There appears to be a trend developing, lead by larger districts, to contract for some of the more traditional school services. Cafeteria/food services, transportation, and custodial/facilities management are being turned over to private providers in increasing numbers. In the larger districts, the volume of food served, the size of the bus fleet, and the number of buildings to be cleaned and maintained mean that competitive contracting can provide the expertise, flexibility and cost efficiencies not always found with the in-house provision of these services.



**TABLE 1**  
**Percentage of School Districts Using Contracted/Private Management Services**

Size of District	Under 2,500	2,500- 4,999	5,000- 9,999	Over 10,000	All Schools
<b>Type of Service</b>					
After School/Latch-Key Programs	20.2%	44.8%	57.1%	50.0%	30.1%
Cafeteria/Food Service	9.5%	20.7%	7.1%	50.0%	13.3%
Custodial/Facilities Management	4.3%	0%	0%	16.7%	3.5%
Employee Contract Negotiations/Preparation	37.2%	48.3%	35.7%	33.3%	39.2%
Health Service/School Nurses	30.8%	17.2%	7.1%	33.3%	25.9%
HVAC Maintenance	39.3%	37.9%	50.0%	33.3%	39.9%
Payroll Preparation	4.3%	0%	0%	0%	2.8%
Printing	64.8%	75.9%	71.4%	33.3%	66.4%
Public Relations	5.3%	13.8%	21.4%	16.7%	9.1%
School Security (during the school day)	0%	13.8%	28.6%	33.3%	7.0%
School Security (for after school events)	68.0%	70.0%	85.7%	33.3%	68.5%
Technology/Computer Support and Repair	59.5%	51.7%	71.4%	33.3%	58.0%
Transportation-Busing	3.1%	0%	28.6%	50.0%	7.0%
Vehicle Maintenance	32.9%	6.9%	28.6%	16.7%	26.6%
Vending Machines and Services	86.1%	75.9%	85.7%	83.3%	83.9%

Some of the newer programs, such as after school and latchkey programs, that have a limited connection with the school's educational mission are more commonly provided by outside agencies. Many of these programs are administered by community-based groups with the schools having only a minimal responsibility for the programs.

Some programs appear to be considered as only a school-based service. Payroll preparation is almost exclusively a school service. Only four of the smaller districts made use of an accounting service to assist with payroll preparation. On the other hand, the installation and service of vending machines was almost exclusively done by vending companies.

It is interesting to examine the issue of school security. In smaller schools, where daytime security is not an issue, no security personnel are employed. However, in the larger schools, it is a fairly common practice to have security personnel to provide a safe environment for students and teachers. The majority of all school districts proved external security personnel for evening events.

### **Instructional Services (See Table 2)**

While few, if any, schools engage in delivery of direct instruction by outside concerns, nearly all districts make use of some instructional services provided by others. Driver education programs have become so cost prohibitive that the majority of school districts use community based programs for their students.

**TABLE 2**  
**Percentage of School Districts Using Contracted/Private Instructional Services**

Size of District	Under 2,500	2,500-4,999	5,000-9,999	Over 10,000	All Schools
<b>Type of Service</b>					
Channel One (Whittle)	68.0%	58.6%	64.3%	66.7%	65.7%
Driver Education	72.3%	86.2%	85.7%	66.7%	76.2%
Occupational Therapy	65.9%	72.4%	64.3%	0%	64.3%
Physical Therapy	69.1%	72.4%	64.3%	0%	66.4%
Severe Behavioral Handicap Services	32.9%	20.7%	14.3%	0%	27.3%
Other Low Incidence Services	24.4%	24.1%	14.3%	0%	22.4%
Staff Development Programs	61.7%	48.3%	64.3%	66.7%	59.4%
Teacher Aides	2.1%	3.4%	7.1%	16.7%	3.5%
Technology for Instruction	22.3%	20.7%	28.6%	16.7%	22.4%
<b>Further Questions:</b>					
Do you participate in business-school partnerships? (Local business or industry, Pizza Hut programs, Campbell's Soup labels, Burger King programs, etc.)					
Yes	82.4%	89.7%	92.9%	100%	85.7%
No	17.6%	10.3%	7.1%	0%	14.3%
Do you think your district will increase its use of contacted services over the next few years?					
Yes	18.7%	37.9%	42.9%	50.0%	26.4%
No	24.2%	24.1%	21.4%	16.7%	23.6%
Not Sure	57.1%	37.9%	35.7%	33.3%	50.0%

Some of the more expensive low incidence handicapped education programs are provided by organizations outside the school system. Occupational and physical therapy services are commonly contract services. Severe behavioral handicap services and other low incidence services are often provided by outside contractors such as an educational service center. It is

interesting to note that all of the very large districts provided these services internally. The numbers of students in such districts warrant on-site personnel.

It is not uncommon for school districts to turn to experts outside the school to present staff development programs. The majority of schools report that outside providers deliver professional development programs.

It is rare for schools to use outside sources for teacher aides and other classroom aides. Only a few districts mentioned that they turned to temporary personnel agencies and the like for such classroom assistance.

It is not surprising to see that some school districts turn to technology experts to provide assistance with technology instruction. This may be a growing trend since the technology field is advancing so rapidly that most full time teachers simply cannot keep up.

School-business partnerships and commercial relationships are relatively common. Over 65 percent of the schools reported they were associated with Whittle's Channel One and over 85 percent of the schools engaged in some form of partnership with business or industry. This trend is certain to continue as schools turn to business and industry for much needed financial assistance.

### **The Future**

Asked about their use of contracted services in the future, 26 percent of the districts said they would increase their use, 24 percent expected a decrease in use, and the balance were unsure. Larger districts were more likely to expect an increase in the use of contracted services.

Several superintendents commented that even though they would like to use more contracted services, public opinion and labor contracts would probably hinder them. Privatization

is a more sensitive issue in smaller districts since the affected school employees are often visible and influential members of the community. It would be difficult for small districts to privatize traditional in-house services such as cafeteria/food service, transportation, or custodial/maintenance services.

### **Discussion**

The study supports the trends reported in the literature. Several common themes emerge: nearly all schools engage in some form of private contracting; the services most frequently contracted are those that require skilled personnel, expensive equipment, or are infrequently used; management services are more frequently contracted than instructional services; school-business partnerships and commercial enterprises contribute to school programs; and larger districts are more open to contracting services than the smaller districts.

The purpose of this study was to establish baseline data on the extent of privatization of services in Ohio schools. The findings suggest that privatization is already a reality in many districts. Further, there appears to be a trend toward increased privatization of services. Therefore, there is a need for further study on the ethical, economic, and service quality challenges that privatization will pose for school boards and school administrators.

### **Implications**

Other studies have stated that management of the public schools by private concerns has neither raised student achievement nor lowered educational costs. Therefore, it is unlikely that Ohio schools will be candidates for such wholesale privatization. However, to help channel more resources into instructional programs, school administrators are increasingly turning to the efficiencies and expertise of the private sector for school services. We have begun to see school

districts move toward privatization of management services and certain instructional services and this trend is likely to continue. Some conclusions that can be reached are:

1. Increased costs of labor, equipment, and materials will make contracting of services more attractive. In addition, rapid technological advances will cause school districts to look to “experts” to help keep management and instructional services up-to-date.
2. School districts should consider developing formal accounting methods to determine the “real” costs of services so valid comparisons and informed judgements can be made. At the present time, school accounting systems often underestimate in-house costs making contracted services seem unusually costly.
3. School boards and administrators will need to become more skilled at conducting needs’ analysis, preparing contracting specifications, investigating prospective vendors, evaluating services provided, and communicating with the publics involved.
4. Public pressure for more efficient and cost-effective delivery of services may cause boards of education and superintendents to enlist the aid of school unions to bring about service delivery changes. Collective bargaining agendas may change from an emphasis on employee benefits to setting goals and agendas of school districts.

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