

**PRIVATIZATION OF EDUCATIONAL SERVICES BY  
CONTRACTUAL AGREEMENT IN VIRGINIA PUBLIC SCHOOLS**

by

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### **ABSTRACT**

Public school districts in Virginia face increasing calls for academic and fiscal accountability due to societal and governmental concerns. School districts are being pressed by community and governmental agencies to offer more services to meet the unique demands of each locality. As demands on time, on service provision, and for instructional accountability rise, financial assistance is not increasing at a rate to offset the service costs.

Historically public school districts have accepted the responsibility for management, supervision, and provision of services such as transportation, custodial services, and instruction. As stresses mount on the administrators of public schools in Virginia, districts must become creative in the provision of services. Privatization is an alternative management strategy that school districts are using to provide educational services.

The purpose of this study was to present, through description and analysis, the current status of the privatization of educational services by contractual agreement in the public school districts in Virginia. The study provided information indicating the current status of privatization and factors associated with contracting out such as the perceived effectiveness of contracted services, the annual budget allocation, the contractual arrangement, and the future status of privatization. This research will benefit the professionals responsible for the financial and service delivery processes in the public schools.

The research instrument was mailed to the superintendents of the 132 public school districts in Virginia. The superintendents were to complete the survey or to forward it to their designees. Effective responses were received from 85 school districts; this represents a 64.39% return rate.

An analysis of the data revealed that the public school districts in Virginia privatized 44 instructional and non-instructional services. The services most often

provided by the private sector are school audits (64.7%), physical therapy (62.4%), legal services (58.8%), occupational therapy (56.5%), and HVAC maintenance (24.7%). The most privatized services require specialized skill and training. For school districts in Virginia, school audits are **required by law** to be performed by an outside agency or contractor. This indicates the data might not be a complete representation of the services privatized in the public schools.

Public school districts in Virginia contract with the private sector to increase service effectiveness, to reduce service costs, to acquire expert personnel, and to eliminate capital outlay. Of the respondents, 88.2% indicated that the school districts received at least the same or better services from the private sector. The respondents also reported an anticipated increase of 31.8% for contracted services in the future. The majority of school districts do not expect to change the mode of service provision.

## **DEDICATION**

This dissertation is dedicated to four special individuals who have been most influential in my life: my father and mother, Perry A. and Clara L. Yost; my wife, Beth; and my daughter, Christen. My parents instilled in me the morals and values of hard work and the importance of education. Beth's patience, encouragement, and understanding made it possible for me to complete the requirements of the degree. Christen gave me the encouragement and the desire to complete the degree by allowing me to be a part of her life.

BDY

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## CHAPTER ONE

### Introduction

The general public does not have a concrete understanding of the term privatization. The word is derived from the term private, which according to *The American Heritage Dictionary* (1994) means “not available for public use, control, or participation.” With the addition of the suffix “-ation”, the general meaning of the term privatization implies the act of working independently, free from organizational restrictions. When the term privatization is used in context with governmental agencies, it is understood that some component of the private sector will become involved in the delivery of government services. In the field of education, many professionals think of privatization as charter schools, the professional management of individual schools, or the entire operation of school districts. Privatization also applies to the use of the private sector in supplying selected educational and support services. As the number of services being provided by school districts increases, privatization may be an alternative to in-house operations.

When measured by budget and employees, public education is the largest combined function of state and local government in the United States (Rhoads, 1996). With increasing student enrollment and expenditures, more tax dollars are required to maintain educational programs. Public money is becoming more difficult to obtain for a variety of reasons including dissatisfaction with the educational process and governmental growth. As student enrollment, expenditures, and demand for services increase, politicians have three choices: increase taxes, eliminate services, or find alternative means for provision of services (Poole, 1996).

To justify increased funding, school districts must acquire and maintain public confidence by being creative and improving service delivery. One option for school districts may be the concept of privatization. This management strategy is becoming a viable and legitimate practice in response to philosophical, political, and practical concerns of society. These concerns make the strategy of privatization a managerial option for political institutions (Miller & Tufts, 1991).

Privatization is the act of providing public services by using the private sector in the activity of production and ownership (Savas, 1987). This economic strategy, also

known as contracting out and outsourcing, has become a significant part of educational reform (Lyons, 1995; Rist, 1991). School systems have been contracting out educational and support services for decades (Sawicky, 1996). The initial foray into privatization was in the area of routine support services, such as custodial and maintenance services. At the present time, contracting out for the operation of other educational services is becoming more popular; privatization is now considered a legitimate option for educational services provided by public schools (Fixler & Poole, 1987). Some of the services now provided by the private sector in the public schools include: computer services, food service, transportation, legal services, engineering services, after school child care, accounting services, security, health care services, lawn services, architectural services, driver education, and instruction, as well as the operation of entire school systems (Lyons, 1995).

Privatization has occurred as the result of external pressures caused by a changing political climate produced by declining public confidence; fiscal constraints due to reduced appropriations from local, state, and federal governments; expectations for increased social programs; and the internal pressures to find other alternatives for the provision of services. This political shift initiated an ideological change in government philosophy that resulted in an increase in government programs. The rapid growth of government agencies and private business activity promoted the rise of free-market economics (Murphy, 1996b). This economic shift has resulted in increased societal pressures for choices in the marketplace. Through administrative policies, the school districts are seeking cost savings through hiring private firms to provide the same service at a lower cost than in-house operation or turning the service over to a private company and sharing profits (Mercer, 1995).

The intellectual foundation of the privatization movement resides in economic and organizational theory. With the advantages of competition and the motivation for profit, the combination should lead to increased efficiency (Murphy, 1996b). Savings could possibly be generated through a more efficient allocation of resources. Thus, privatization could lead to a better service at a reduced cost. In public education, privatization or contracting out could also lead to more productive and efficient ways to deal with a variety of issues from facility maintenance to curriculum implementation

(NSBA, 1995). Some segments of society consider privatization as a salvation for public schooling (McLaughlin, 1995), believing the expertise of the private sector will provide cost-effective services and hasten the dismantling of the monopoly that school districts have within the entire educational process (Rist, 1991).

Privatization offers both the challenge and the opportunity for school officials to maximize tax dollars in the implementation of strong educational programs. The research on privatization and public education is limited. Information on the privatization of public school educational services is primarily disseminated through informal discussions and anecdotal evidence in the form of articles. Therefore, the concept of privatization in public education may be misunderstood. Privatization encompasses several methods of incorporating the private sector into the provision of public services. Typically, when people speak of privatization, they are referring to contracting or outsourcing, which is the most commonly used method (Savas, 1985).

### **Purpose of the Study**

The purpose of this study was to describe and to analyze the privatization of educational services by contractual agreement in Virginia public schools. Privatization is a very broad economic strategy that may be a useful management strategy to public school organizations. Some of the strategies of privatization could be of benefit to government agencies, such as municipalities, while others could be more useful to quasi-governmental agencies, such as public education.

With adequate implementation and acceptance by the community, privatization may lead to fiscal savings and to more efficient service provision. All agencies of the government, be they state or local, that operate within the limitations of an annual budget strive to increase the efficiency of service provision. Public school administrators are always looking for ways to increase the productivity of services, save money, and satisfy the consumer. Public schools have the option of privatization as a useful strategy in the budgetary and service delivery process.

Public schools must consider cost, performance, efficiency, and effectiveness of educational services while meeting student needs and maintaining accountability. The emphasis of this study was to determine the current utilization of educational services that are contracted out in Virginia public school districts. This study examined factors

leading to contracting out, the effectiveness of the replacement service, and the status of privatization in the Commonwealth.

### **Theoretical Base of the Study**

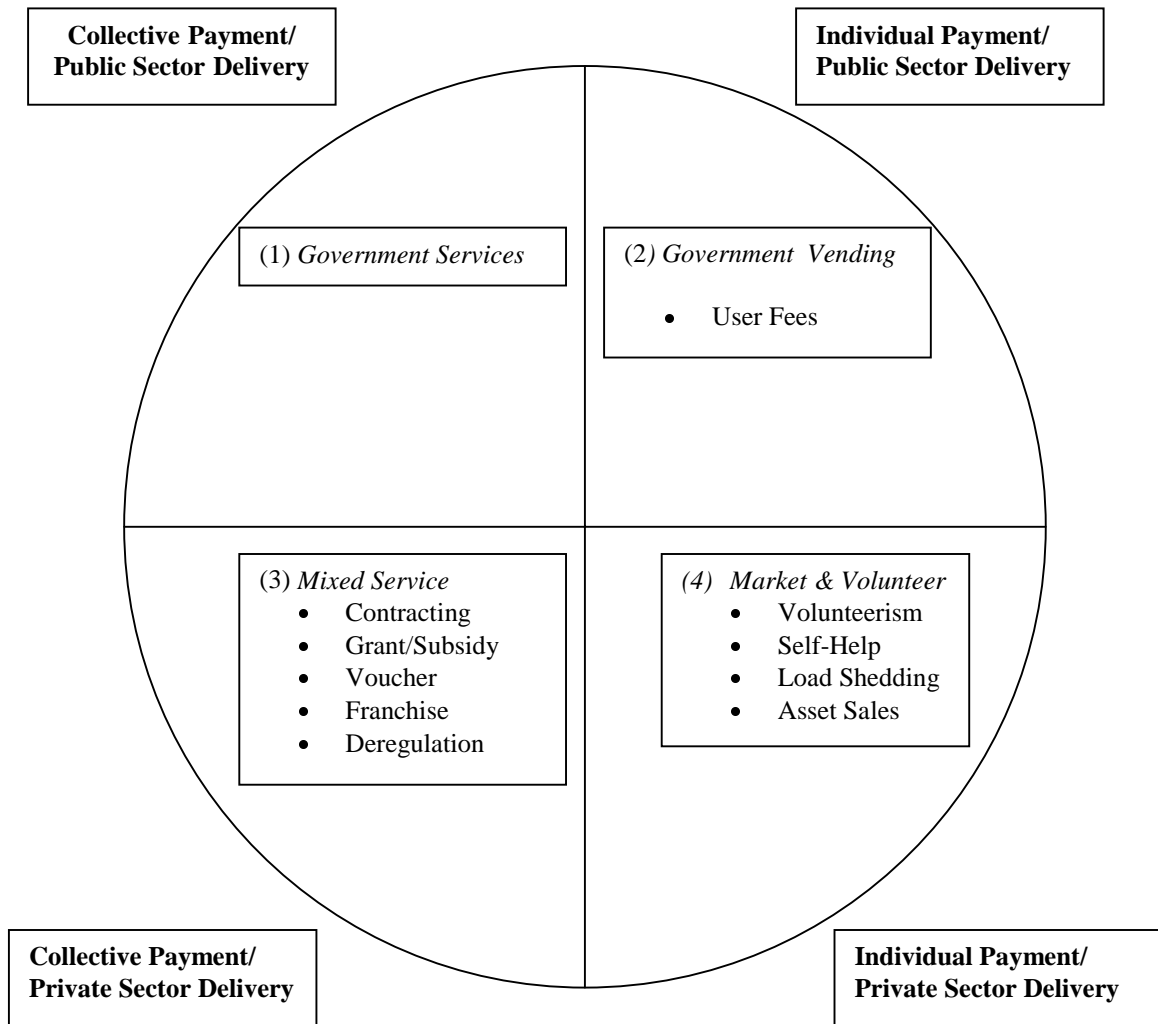
Privatization is entrenched in organization and economic theory. Several individuals are given credit for developing privatization models; the models range from the very basic to specific methods involved in privatization. Examples include those developed by Hirsch (1991), who developed the permanent and temporary privatization model; Lieberman (1989), who classified eight modes of privatization; Murphy (1996), who classified ten methods of privatization; and Pirie (1988), who described twenty-two methods of the strategy. The model used, as a design for this research was a four-quadrant model developed by Donahue (1989) combined with the ten classifications of privatization established by Murphy (1996). The model illustrates the two major components of privatization, service delivery and payment.

Privatization was initially used by federal government agencies to balance budget deficits (Donahue, 1989). This strategy filtered down to state and local governments, including school districts, due to the pressures to increase provision and efficiency of services. In the past, school systems have tried to take responsibility for most services associated with education. Only recently have school systems tried to incorporate alternative methods for the delivery of a significant range of educational services.

Donahue (1989) developed a model that is a representation of privatization for governmental organizations. The focus of the model deals with the two major components of privatization, financing and provision. The model is divided into four possible scenarios of service delivery and payment.

The Donahue model (1989) is based upon the premise of public and private choice with financial and performance concerns. When combined with the ten classifications of privatization (Murphy, 1996) the model illustrates financial concerns, service delivery, and modes of privatization. (See Figure 1)

*The public financing and public service quadrant (1) or government services region* is the provision of services such as police departments, the Federal Bureau of Investigation, and, in the public schools, a free appropriate education for all children. The services in this area are considered government services. They are provided by



(Adapted from Donahue, 1989, P.7; Murphy, 1996, P. 22; & Gilmer, 1997, P. 8)

**Figure 1. The Public/Private Sector Choice with Privatization Initiatives**

government agencies and financed with government allocations for the good of society. The *individual payment and private sector delivery quadrant (4) or market and volunteer region* deals with the services provided by community members for the good of society or individual well-being. Services in this region are similar to the government provided services, because these services are provided by the private sector and financed by the individual who uses the service (Donahue, 1989). The services in this region are volunteerism, home schooling, and the sale of government assets.

The *private financing but public service delivery sector (2)*, the region containing government vending, includes services such as the United States Postal Service and the National Park Service System, and in the public schools an example would be the school lunch program. The government provides the service, but the individual who uses the service pays on a transaction or periodic basis. The government maintains control and regulatory powers of the services. The *publicly financed but privately produced services (3) or the mixed service region* includes the production of military missiles, Air Force fighter jets, and transportation for some public schools. Service and delivery in this region are based upon governmental demand and financing. The service is provided by private contractors, but financed by taxation based upon societal need and the annual budget (Donahue, 1989).

The majority of services provided by the public schools are in quadrant one and utilizes collective payment and public sector delivery. These services are available to students free of charge by the use of allocated tax dollars. Most school systems using privatization are located in the quadrant three, which implies collective payment and private sector delivery. This would include contracting with the private sector to perform services in the school district. The private sector delivers the service, such as transportation or psychological services, and the locality uses allocated funds to pay for the service (Donahue, 1989).

The models of privatization incorporate allocation and service delivery. The concept of privatization is the movement of service delivery from the public into the private domain.

## **Significance of the Study**

In order to meet societal demands for increased programs, extracurricular activities, and other services for students, public schools must become more creative in methods of service delivery. The consumers of public education are demanding comprehensive educational reform in an attempt to increase service provision without increased public money.

School districts are under scrutiny by taxpayers to provide students with a strong academic background in order to function as productive citizens. This expectation must be accomplished in a context with strong sentiments opposed to raising taxes. School administrators are expected to increase educational programs and services with level or decreased funding. Students and academic performance should be a top priority for all professionals in education. In the educational process, there are several services provided on a daily basis, not directly related to academic performance and instruction that must be allocated and managed within the school budget. These services, such as maintenance, after school child care, and transportation are integral components of the entire educational process and need to be supplied in an efficient and effective manner.

Annually, public school administrators establish goals, plans, and budgets in order to implement the most efficient and effective programs that are fiscally possible. In order to be proactive and implement new programs, administrators must be able to maximize the use of allocated tax dollars. Privatization of educational services is a process that administrators should consider in the implementation of service delivery and the addition of new educational services, while utilizing budgets that are financially strained due to program implementation and the rising cost of personnel.

Privatization is being promoted as an educational reform that will save money and improve service. Yet there is little research in the area of privatization of educational services in public education. This research is beneficial to school superintendents and financial managers who are responsible for the financial and service delivery process. The financial managers of the school districts in Virginia can use this information to analyze the potential of contracting out educational services. The theoretical rationale for this study is the necessity to provide current research on the privatization of educational services by contractual agreement in Virginia public schools.



## **Limitations**

The study investigated the current status of privatization by contractual agreement in the public schools of Virginia. The information is not generalizable to other states due to the parameters established by the researcher. The data are limited to a factual description of the educational services arranged through contractual agreements in the public school districts in Virginia. Another limitation of this study is associated with the perceived effectiveness of the contracted service; the perceptions are limited to those held by the superintendent or staff member who completed the survey.

This study was limited to one state with 132 school districts. The educational service arrangements studied were contractual agreements and were limited to the provision of individual educational services. Consideration was not given to local systems contracting out for comprehensive management.

The data were collected by survey documents that were mailed to all public school districts in the state of Virginia. The professional obligations and motivation of the superintendent or staff member assigned to complete the study may have had an impact on the decision to complete the survey in an expedient and efficient manner. The collection of data by survey has the potential for non-response bias. The surveys were analyzed by comparing the school district enrollment and regional location of the respondents to the entire population to determine if the respondents were a reflection of the population.

## **Guiding Questions**

The primary purposes of this study were to investigate: the current status of privatization by contractual agreement of educational services in Virginia public schools; the reasons for contracting out services; and the effectiveness of privatized services compared to in-house operations. This study was guided by the following questions:

- (1) What is the current status of privatization by contractual agreement of educational services in Virginia public schools?
- (2) What are the factors public school districts in Virginia consider when contracting out educational services?
- (3) What is the perceived effectiveness of the replacement service when compared to in-house operations based upon the viewpoint of the district

superintendent or school official in the Virginia public schools that completed the instrument?

- (4) What is the fiscal efficiency of the replacement service when compared to the in-house operations based upon the viewpoint of the district superintendent or school official in the Virginia public schools that completed the instrument?
- (5) What analysis was completed upon initial consideration for contracting out educational services in Virginia public schools?
- (6) What is the future status of the privatization of educational services within public school districts in Virginia?

### **Definition of Terms**

Some of the terms in this study have specific meanings that are more precise than the general meanings commonly ascribed to them. The following definitions are presented so that the reader may interpret the study with a higher degree of awareness than would be possible otherwise:

1. **Educational Services:** Any tangible or intangible service that the school district implements and deems necessary as part of the entire educational process.
2. **Contractual Agreement:** A document stating the specifications and cost of a service to be delivered by individuals who are not employed by the school district.
3. **Contracting Out, Contracted Service, and Outsourcing:** Services provided under contractual agreement by people who are not employed by the school district.
4. **In-House Operation:** Services provided and managed by school employees.
5. **Privatization:** The delivery of services by a private firm or people not employed by the school system. The privateer can use its own employees or supervise school personnel in the performance of the service.
6. **School Division, School District, and School System:** These terms are used to define an area under the supervision of a school board. The public schools in Virginia are operated and controlled by a school board and division

superintendent. The divisions are within county or city boundaries. The majority of school divisions in Virginia are operated as county agencies.

The review of literature contains information relevant to the concept of privatization. Chapter Two provides an historical perspective of privatization, modes of privatization, and a review of research related to privatization.

## **CHAPTER TWO**

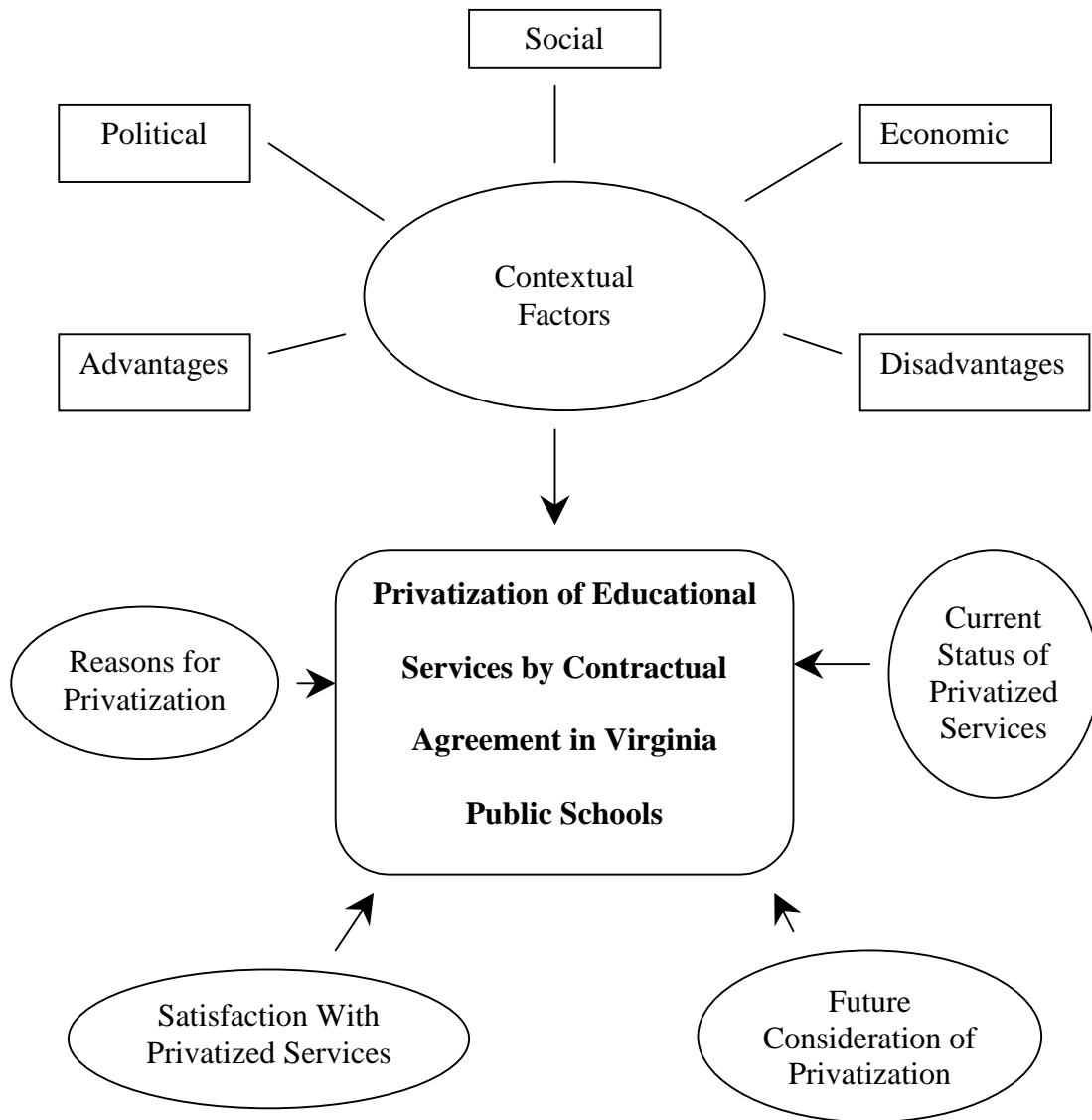
### **Introduction**

The purpose of the literature review is to expand upon the context of the study and help further define the concept of privatization. The literature review is based upon the conceptual model designed to guide the study, see Figure 2. This chapter contains an historical perspective of privatization, theories leading to the privatization movement, methods of privatization, advantages of privatization, opposition to privatization, reasons to privatize, analysis and communication when privatizing, contracting with the private sector, and research of privatization in the field of public education.

### **Historical Perspective**

Privatization is considered by many people in society to be a new and innovative concept, but privatization is not a new concept. The concept of having others provide a service can be traced back to 1776, when Adam Smith, a Scottish economist, discussed the concept of privatization in the *Wealth of Nations*. The British government used the concept of privatization to save the East India Company from bankruptcy. Instead of taking control of the Company, the government gave assistance so the business could still remain in operation. Governmental assistance enabled businesses to remain in operation and continue providing services (Worsnop, 1992). Governing bodies have been providing financial support for business and industry for hundreds of years.

The wealthy citizens in the community provided most governmental services during the early 1800s. This system didn't allow for all citizens to advance in the community and promoted the emergence of powerful groups in each area. This political organization promoted a two-tiered society; the people in power and money controlled the common people. Due to public discontent, the federal government had to reform the delivery of public service. The Civil Services Act was established in 1883 and required public service positions with specific qualifications (Saffell, 1996). This governmental control resulted in the formation of a monitoring system to supervise the newly established public employees, which resulted in an increased federal government. This growth continued into the 1930's, with the expansion of federal, state, and local provision of public service (Levine, 1990).



**Figure 2. Conceptual Design of Privatization for Public Schools**

In 1955, President Dwight Eisenhower proposed a policy that government agencies should procure goods and services from the private sector (Hirsch, 1991). Eisenhower issued the policy through the Bureau of the Budget. The policy would become known as the “institutional label for federal level privatization” (Donahue, 1989, p. 4). From the federal level, this was the first policy dealing with privatization.

In 1968, Peter Drucker is given credit for introducing the term privatization to the people of the United States. The term was used in a publication entitled, *The Age of Discontinuity*. Privatization is a contractual agreement between the public sector and the private sector for delivery of services (Donahue, 1989; Murphy, 1996). The contract for educational services can range from one service to a delivery of all services for an entire district. From this publication, the argument began “that government should spend more time governing and less time providing” (Fitzgerald, 1988, p. 17). Since the reintroduction of privatization into the modern era, politicians have used it as a reform movement to reduce the role of government and increase efficiency.

Robert Poole, Jr. used another publication, *Reason* magazine to promote privatization. The motive of the publication was to initially assist local leaders in better understanding practical applications of privatization. Poole has broadened his audience by publishing articles about privatization within school districts. All of the effort was aimed at reducing budgets by downsizing the role of government (Fitzgerald, 1988).

The modern movement of privatization began in 1979 when Margaret Thatcher took office in Great Britain and began a reduction of government operations through asset sales. The British government sold public service production agencies to the private sector throughout the 1980s. The purpose of the privatization movement was to reduce governmental responsibility in the provision of services (Donahue, 1989).

The United States attempted to follow the path of Great Britain by using privatization to downsize the federal government. President Ronald Reagan was attempting to reduce the role of involvement by contracting out services provided by the government. The intent was to allow the private sector to produce the service at a reduced cost and reduce government responsibility in service provision, which would lead to savings of tax dollars (Donahue, 1989). In 1982, President Reagan established the Grace Commission, chaired by J. Peter Grace, to determine useful strategies to reduce the

size of the government and reduce expenditures. The task force reported several areas that could be privatized and produce savings. This report caused an increase in political and social attitudes toward privatization of public services (Lieberman, 1989). By Reagan's second term, "officials took to joking that virtually any proposal could become administration policy if it carried the label of privatization" (Donahue, 1989, p. 5). The President formed the Office of Management and Budget in order to monitor governmental operation, with the possibility of increasing privatization (Donahue, 1989).

President Clinton also supported increased privatization and endorsed private funding of government buildings and services. During his tenure, the privatization movement continued to grow due to societal and political visions of reducing the size of government and increasing efficiency. The intent of this movement was to reduce the bureaucratic regulations and open up free market economics (O'Leary, 1996).

Privatization in the United States is devoted to contracting out services to the private sector. The federal privatization movement was not as successful as the administration of the United States had intended. The continued intent of governmental regulations is to reduce the role and responsibility of government, which will lead to a decrease in the size and the operations of services provided by the government (Donahue, 1989).

Although complete privatization was never obtained at the federal level, local governmental agencies took advantage of the privatization trend (Gormley, 1991). The tendency of local governments to consider contracting out services has increased in the 1990's (Worsnop, 1992).

### **Theories**

One explanation of the privatization movement is the tremendous increase of governmental expenditures and public services. Due to increased demands by society for services provided by the government and bureaucratic regulations, the size and volume of government grew. This growth satisfied the public with the provision of more services, but it promoted more governmental control. Murphy (1996) and Rose (1984) consider the following ten theories as the best explanation for government growth. The theories are listed below along with an explanation.

1. Reaction to Corruption: The growth of the public sector is the result of the social struggle between private and public provision of services. Society developed a trust in governmental operations as a check for corporate growth and power. The belief was that publicly provided services would reduce the possibility of corruption and mismanagement of funds, therefore leading to increased government expenditures and operations (Rose, 1984).

2. Growing Imperfections of Market Imperfections: Due to the increasing number of governmental services and the intricacies of society, people are more likely to voice concern about market failures and imperfections. This is becoming more evident as people realize the monopoly of services is guarded by governmental agencies. Society has developed an attitude to reduce the role of government, thus when government or school operations do not offer satisfactory services people tend to voice concerns (Murphy, 1996).

3. Increased Significance of Income Redistribution: This theory explains the distribution of services across the different levels of society. Demographic changes and changes in the number of people eligible for services has caused a continuous growth of government (Rose, 1984). Rural areas and localities with a large number of elderly require a redistribution of funds.

4. Additional Demands for Public Services: An increase in industrialization and income has led to society placing more demand on governmental services. With service expansion and a variety of problems associated with industrialization, the government had to expand due to increased political activity within society (Savas, 1982). Within the public schools, this has resulted in an increased number of course offerings and services. Schools now offer technology courses, technical trades, and the addition of school resource officers as a support service.

5. The Presence of Spending Coalitions: The beneficiaries of governmental growth are the politicians. Governmental self-interest and the ability of politicians to gain support has led to the expansion of social services and increased spending. This is prevalent in times of a strong economy (Hirsch, 1991).

6. Revenue Growth: There will be a growth of public services with an increase in government revenue. If politicians have money, due to a strong economy, they will



develop more programs with the extra money. This tactic is used to develop a sense of worth by the politicians to gain support (Rose, 1984).

7. Growth through Crisis: During periods of crisis, public assistance will increase due to public concern. Additional revenues will be generated or displaced from other programs into the area of need. Once services are initiated, it will be difficult to remove them from the community. The community develops a sense of need for the service (Rose, 1984). Due to societal crises, the schools have increased offerings of drug education, family life education, and the addition of school resource officers.

8. Cost of Public Service: Government operations are more expensive due to inefficiency and the monopoly status given to most public service agencies. Government operations, generally are not concerned with profit or efficiency (Rose, 1984).

9. Fiscal Illusion: Society doesn't understand the true cost of government operations. Costs are hidden, therefore the size of government operations are unknown. (Rose, 1984).

10. Pull of Existing Programs: As the government continues to grow it will be difficult to reduce the provision of services. The programs become intertwined, which leads to continual growth (Rose, 1984).

There are a variety of reasons that have led to increased government growth and spending. This increase of governmental growth has been attributed to the development of privatization. One theory cannot be used to explain all aspects of the growth of government, it is a result of a combination of theories.

### **Methods of Privatization**

#### **Resources for Privatization**

The concept of privatization deals with the provision of services in relation to ownership, production, management, financing, allocation, and regulation (Hirsch, 1991). In order to select the most beneficial method of privatization, an understanding of the concepts must be developed. This section will be used to expand the understanding of the components of privatization as they relate to the selection of privatization methods.

Ownership of property is not vital to most forms of privatization. In most situations, the government agency or the private organization may hold the ownership depending upon the contractual arrangement. In a contractual agreement, the contractor

may utilize government facilities or may use their own. One method of privatization, asset sales, has a direct link to ownership (Hirsch, 1991).

The issue of production concerns who should actually produce a given service or product. In the majority of privatization methods, the production of the service is performed by individuals outside of the agency (Savas, 1989). The producers may range from volunteers to private businesses trying to produce a profit. If the decision is made to allow someone else to provide a service, the governmental agency is still responsible for monitoring the service (Savas, 1982).

Management is closely related to the production process and is not relevant to all forms of privatization (Hirsch, 1991). All methods of privatization must be monitored, but not directly managed. The management function might be contracted out while the actual production remains a function of the governmental agency. Management is a vital component for franchising services.

Financing involves answering the question of who should pay for a good or service, the government agency or the individual. With privatization, the cost of the service is the responsibility of the private sector in the form of user fees or tax dollars (Donahue, 1989).

Allocation is the process of deciding whether to offer a particular service and the amount that should be offered or supplied. When offering a service, there must be a need, someone to receive the service, a determination of the amount of the service, and the cost (Hirsch, 1991). Allocation is an important component of all methods of privatization.

Regulations are an integral component of the privatization process. State and federal government regulations are established in order to provide society protection. Some of the regulations are established to control price, quality, and allocation of goods or services. In order to protect the populous, regulations may be beneficial in controlling the provision and allocation of privatization (Hirsch, 1991).

#### Modes of Privatization

Privatization is a very broad term that encompasses a broad array of concepts and strategies. Murphy (1996) has classified ten methods of privatization, some of which

may be applied to the field of education. The methods are discussed below along with an explanation for each strategy.

The most common form of privatization in the public sector is contracting or outsourcing (Lieberman, 1989; Murphy, 1996). Typically, this is the assumed method when people speak of privatization (Savas, 1985). Although the school system is fiscally responsible, it contracts with the private sector to produce the desired service (Pack, 1991). The desired service is provided based upon a price and standard that is negotiated and formally written into a contract. The result of contracting is a shift in production and sometimes management to the private sector. The governmental agency is still responsible for the service and must monitor the production to make sure that the service is being maintained to social satisfaction.

Public school systems and other governmental agencies contract for tangible goods such as buildings, materials, and food and for intangible services such as construction, maintenance, and custodial services (Savas, 1982). These agencies may also contract employees, space, and equipment (Hatry, 1989). Contractual arrangements within the school setting include, but are not limited to, grounds maintenance, custodial services, transportation, specialized instruction, and other services. This arrangement can be made with companies, individuals, or independent contractors (Lieberman, 1989; Lyons, 1995; Murphy, 1996).

School districts have historically been the providers of educational services, but with changing fiscal and social pressures, privatization is an alternative management strategy that allows the private sector to produce the intangible services. When school systems outsource services, the school system can maintain ownership of facilities, land, equipment, and employees.

Another form of privatization is the use of subsidies and grants (Lieberman, 1989; Murphy, 1996). In contrast to vouchers, subsidies or grants are given “to the producer and restrict the consumer’s choice to the subsidized producer only” (Savas, 1987, p. 78). Financial or in-kind contributions may include grants, low interest guaranteed loans, or tax exemptions (Savas, 1987). For those who are eligible, subsidies reduce the cost of participation and allow for more consumption (Savas, 1982).

By subsidizing the private sector, the government maintains control of allocation and allows for ownership, production, and management to be regulated by selected entities. Examples of subsidies in the public schools are government food service supplies, tax credits given to parents, and tax exemptions to non-profit organizations (Murphy, 1996).

Vouchers encourage increased consumption of a service or good through the lowered cost of participation by selected groups of consumers. It is a political arrangement in which the government pays the consumer, or pays on behalf of the consumer (Lieberman, 1996; Murphy, 1996). In voucher systems, “certain consumers are authorized to purchase earmarked goods or services from the private market. The government specifies who is eligible to provide them” (Gormley, 1991, p. 4). The consumer receives certificates that are worth a given amount of money when applied toward the purchase of designated services or goods. In turn, the provider is reimbursed by the government for the value of the certificate (Johnson, 1992).

Unlike grants and subsidies, vouchers are given to the consumer who is able to choose among various providers competing in the marketplace depending upon which one best fits their needs (Savas, 1982). The government may authorize what private vendors are eligible to participate in the voucher program. Thus, the production of the good or service occurs in the private sector although there is public financing (Savas, 1987).

Politicians have proposed voucher programs to redirect a portion of state tax monies. The vouchers could be used to pay tuition and other fees at approved private or public institutions. Like other privatization initiatives, proponents view vouchers as a means to force the public schools to compete for dollars in hope of improving efficiency and quality (Lopez, 1996). In public education this privatization strategy would allow for greater parental and student choice.

Another method of privatization is franchising (Lieberman, 1989; Murphy, 1996). In franchising, the governmental agency or school district grants the privilege to a private firm to supply a particular service, usually with a contractually negotiated price by the school district (Savas, 1987). The agreement gives the private organization rights within

the district and/or individual school. This arrangement differs from contracting because consumers pay the producer for the service rather than the school or school district.

Franchising is usually exclusive to a district or individual school. The private firm is granted a monopoly to be the sole provider of a service or product (Savas, 1982). Examples of franchising in a school district may include food service providers, or the purchasing of caps, gowns, and class rings from an exclusive provider.

School systems bid and contract all franchising agreements according to state regulations. Exclusive arrangements may be granted to vendors allowing them to sell a particular product within the district or individual schools. For example, Olan Mills could be granted exclusive rights for school pictures. The schools are compensated for this privilege, usually on a percentage of total sales. As a privatization method, the school district maintains control of procedural decisions, while ownership, production, management and financing are the responsibility of the private company.

Deregulation is the total government withdrawal of direct control of the educational process (Murphy, 1996). It provides regulatory relief for the school districts and freedom to act like a private business with increased flexibility. Deregulation reduces the public's control of ownership, production, and management through creation of public corporations or use of private firms.

State government control of funds, appointment powers to governing boards, approval of accredited programs, and restrictive regulations are perceived to hamper the effectiveness of public schools. Public school systems must operate under state rules, regulations, and laws concerning procurement, accounting, contracting, and personnel. Excessive control may lead to political involvement in the education process and promote inefficient use of funds due to regulatory restrictions. At times, excessive regulations will inhibit the pursuit of the fundamental goal of a free appropriate public education for everyone (Auld, 1997).

Deregulation alters the relationship between public schools and the state government. The local school district obtains the freedom to establish its own policies, academic programs, and standards (Auld, 1997). In public education, the deregulation movement trades state rules and regulations for increased accountability. This allows more flexibility to manage financial resources and make decisions for the benefit of the

locality. In public education, with increased societal pressures for academic accountability and support programs, the possibility of total deregulation of public education is minimized.

User fees are forms of privatization (Murphy, 1996) that impose private finance for the use of certain public services (Fixler, 1991). The purpose of a user fee is to generate and collect funds from the direct beneficiary of the service. There is a direct linkage between the fee and the service that is provided to the consumer, thus the cost of the service is revealed. User fees in education can be found in the levying of charges for parking privileges, locker usage, and participation in extra curricular activities.

Volunteerism is a form of privatization where nonemployed individuals provide services free of charge (Lieberman, 1989; Murphy, 1996). The providers have chosen to do this service for the good of the community, the individual, or for family well-being. In the public schools volunteerism refers to the delivery of school services by community members without the use of state regulatory procedures and the transfer of budgeted school finances (Murphy, 1996).

As a privatization strategy, the use of volunteers reduces the amount of financial involvement by the government or school board in provision of services (Clarkson, 1989). Volunteerism is often not considered a form of privatization, but when a service is provided, there is not a distinction between private, nonprofit, or public operations (Savas, 1987). The service is being provided at minimal expense to the school district. Volunteerism in education ranges from homeroom parents to the operation of unpaid tutoring programs.

The self-help strategy of privatization is similar to volunteerism (Murphy, 1996). However, the direct beneficiaries of the service are also the main providers (Clarkson, 1989). The momentum for this strategy is increasing due to reduction in local community funding for public services. This has caused the formation of local groups to perform the needed neighborhood services (Fitzgerald, 1988). Examples of the self-help strategy in education include taking children to school, packing lunch, as well as home schooling.

Load shedding is a pure form of privatization (Johnson, 1992), it results when the government decides to stop providing a particular service (Murphy, 1996). Decisions to

produce and finance the service are left to the private sector, or the service can be turned over to a specific private organization. If the service is not beneficial to the community, then the service will be totally abandoned.

Compared to other forms of privatization, in public education, load shedding is rare. It has generally been used when reliable organizations could step in and provide the function (Johnson, 1992). However, at times, the economy and tax base can be a determining factor of educational services. By eliminating a public service, the community determines whether there is sufficient demand for the program to be offered by another organization. In school districts, load shedding can occur by elimination of the transportation system. Thus, parents become responsible for their child's transportation.

An asset sale, also called divestiture, occurs when the public sector sells holdings to the private sector (Lieberman, 1989; Murphy, 1996; Savas, 1987). By liquidating, the property rights are transferred from the school district to the private sector. The auctioning of unused materials and the sale of excess property accomplish this in public education (Murphy, 1996).

Another form of privatization not mentioned by Murphy (1996) that may be used in education, is a leaseback arrangement. This is a contractual agreement between the private sector and the school district. A leaseback arrangement is a prior agreement with a private party to purchase or contract a facility and then lease the building back to the school district. This arrangement is beneficial when there are no funds available to construct new facilities (Lieberman, 1989).

### **Advantages of Privatization**

The proponents of contracting out do not consider privatization to be the cure for all of education's ailments. However, depending upon the situation, several school districts have had positive experiences with privatization. Some of the advantages of privatization include: management efficiency, economies of scale, personnel reduction, bureaucratic reduction, competition, reducing the inefficiency of the public sector, cost reduction, and the awareness of service cost (Lieberman, 1989; Lyons, 1995). The majority of improvement from privatization is in the area of management rather than instruction. Of the districts that have contracted out services, improved efficiency and

savings of money are the claimed advantages of privatization. Other results of privatization include better financial management, elimination of excess fiscal waste, improved facilities, improved learning environment, and increased achievement (NSBA, 1995).

Sometimes private contractors operate more efficiently than the school districts. Schools must work within the framework of state regulations that are not always the most efficient. Contractors may or may not be bound by the same regulations. If contractors do not operate efficiently, they will lose their market share, future business and earnings. In addition, the private sector sometime operates more efficiently than most school districts. Schools tend to keep personnel and increase service cost, while the private sector is more likely to release employees that are not needed. This efficient operation may lead to cost savings that can be forwarded to the school district (Lyons, 1995; NSBA, 1995; Rist, 1991).

School districts operate within a tremendous number of bureaucratic rules and regulations. In the government bureaucracy, an increase in services requires an increase in employees, supervisors, record keeping, and monitoring. Private industry doesn't operate under the same regulations as the public sector, even when providing the same service (Lieberman, 1989). Therefore, privatization can lead to less governmental control for provision of the same service.

The private sector can operate with economies of scale to maximize efficiency. Depending upon the service, contractors can subdivide or combine several school districts as a means of reducing cost. Due to the volume of purchases and purchasing regulations that limit school districts, larger businesses in the private sector have more purchasing power than local school districts. This allows the private business to combine resources and increase efficiency for both the school and business (Lieberman, 1989; Lyons, 1995; Poole, 1996).

Privatization may offer a more competitive desire to provide the service for a school district. Since the education of children is the primary focus of schools, at times school districts and employees become lackadaisical about the provision of peripheral responsibilities. Traditionally, schools have had little competition, so improvement and innovation have been minimal. When services are contracted out and there are several



bidders for the services, competition may lower the cost and increase the quality of service provided. This competitive nature may benefit both the provider and consumer (Lieberman, 1989; Lyons, 1995).

Due to the inability of schools to carry finances from one fiscal year to the next, administrators tend to spend excess money at the end of the year in order to use their budgeted funds. This inefficient business practice can lead to tax dollars being wasted. If services are contracted and money is available at the end of the year due to efficient operation, the funds can be carried over and used the next year. This may lead to school district savings and better use of tax dollars (Lieberman, 1989).

When services are privatized, the public knows the exact cost and amount of money budgeted for the service. When services are provided within a school district, the actual service costs may be unclear due to budgetary tactics. Contracting out services gives the public a more realistic parameter to calculate cost (Lieberman, 1989).

### **Opposition to Privatization**

Because change is difficult and requires time, people usually oppose change, especially in the proverbial center of the community, the local school. The change to privatization places the school board in an unusual stance with the majority of citizens. The citizens have a vested interest in the operation of the educational system in the communities. People oppose change and privatization in the local school due to concern of service quality and the loyalty of the employees. Consequently, there are several opposing views toward allowing the private sector into the public schools. People who are opposed to privatization take into account the expense, decreased control, potential kickbacks, private sector anti-labor stance, lack of competition, public sentiment, reluctance to change, and political implications (NEA, 1996; Lieberman, 1989; Lyons, 1995; Poole, 1996).

Privatization opponents state that the practice of contracting out will cost more, and lead to a loss of direct control. Most school districts privatize in order to save money, but in reality, the savings may be negated by poor quality and reliability due to cheaper equipment, fewer employees, and lower pay (Thayer, 1987). This was evident in the Weslaco, Texas Independent School District, where it was reported that the district experienced low staff morale and no real savings when using contracted services (NSBA,

1995). There is also the issue of monitoring the private contractor, which cuts into the alleged savings. Without direct control, the service becomes secondary to profit (NEA, 1996; Thayer, 1987). The services that are essential to the operation of schools on a daily basis, such as transportation, may need to be under the supervision and operation of public school personnel. According to people that oppose privatization, control of service is vital to the success of the educational process (Hunter, 1995). Another loss associated with contracting out is the knowledge and skill of employees that may deteriorate from the current employees if the decision is made to change contractors or return to in-house operations. This can increase the dependence on the private sector.

The perception of the public schools is as a service provider and not a profit-seeking corporation. Schools are considered service oriented with no connection to potentially corrupt profit-centered companies. Society puts a great deal of trust in schools and the people who deliver the services to the students. When profit becomes a part of service, hostilities can develop toward the profit-seekers, and loyalty in the school system is lost by the community (Payne, 1995).

In order for privatization to be successful, there must be enough qualified suppliers to keep competition honest and expenses down. Single suppliers will not benefit the educational program and can be detrimental to privatization efforts (Poole, 1996). In comparing urban, suburban, and rural districts, the National School Boards Association (1995) found that overall; urban districts are more likely to contract services than suburban or rural districts in the areas of facilities maintenance, transportation, vehicle maintenance, special education, and at-risk programs. These findings are indicative of the public sentiment toward change in rural areas, larger access to suppliers in urban districts, and the variety of programs provided in urban areas applicable to privatization. Consequently, urban areas may be able to benefit more from privatization than rural districts.

Localities are concerned about the loss of employment that is sometimes associated with the business world, and the potential for corruption that is involved in competitive business. Privatization is associated with the anti-labor movement due to concern for profit as opposed to the well being of the worker. In service agencies, the workers are considered a vital component of the program; but in the business arena,

workers are sometimes treated as tokens to complete jobs. Privatization can lead to layoffs and cutbacks in order to save money and increase profits. Within the competitive business of bidding for jobs, the possibility exists for corruption and kickbacks, leading to a loss of credibility and public trust (Lyons, 1995; Poole, 1996).

Privatization, like any political decision, finds politicians challenged with society questioning their decisions. If a school board decides to privatize, it must be handled properly; if it is not, privatization can lead to public discontent.

### **Privatization in Virginia**

In accordance with Virginia, the term privatization refers to the transference of the functions and activities performed by government entities to the private sector. The term encompasses a broad range of management techniques and opportunities. Section 2.1-424 of the *Code of Virginia* grants state agencies the power to privatize. Specifically, an agency may, “make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under this chapter, including, but not limited to, contracts with the United States, other state agencies, and governmental subdivisions of the Commonwealth.” Virginia is a conservative state that allows private business the opportunity to provide services for governmental agencies. The law requires local agencies, such as school districts, to follow specific guidelines when acquiring the private sector. At the present time, Virginia public education is entering into the Charter Schools movement and individual school accountability based upon standards-based education. This movement may lead to increased privatization of educational services and operations of individual schools.

### **Reason to Privatize**

School districts are under constant societal and political pressure to enhance learning and provide services for students. Society tends to place extra pressure on schools whenever there is a need, such as drugs, crime, and other societal problems, in the community. With the ever-increasing demand for services and the political influence to stabilize taxes, privatization offers an alternative of meeting two contradictory societal forces. It serves as a tool to allow school districts to reach into the private sector and deliver essential services, while remaining within certain financial boundaries or limitations.

Lieberman (1989) and Lyons (1995) have identified several reasons for privatization. With planning, cooperation, implementation, and monitoring privatization can produce positive results such as increased service quality, cost reduction, increased efficiency, reduction in supervision (Lieberman, 1989; Lyons, 1995), increased competitive marketplace, and reduction in bureaucratic regulations for the private sector (Corman, 1987).

There are several reasons for contracting out services in public education such as the expectation of cost reduction and the hope of improving management efficiency, such as redefining job descriptions. Based upon research by the NSBA (1995), districts have multiple expectations when the decision is made to privatize. The National School Board Association's National Affiliate Program sponsored the study. The survey was sent to over 3000 of NSBA's member school districts. Ten percent or 354 school districts participated in the study. The research indicated the school districts expected a cost reduction in the service, 45%; expected increased management efficiency, 28%; privatized to enhance building maintenance, 27%; contracted with the private sector due to declining resources, 22%; used privatization to offer special services, 18%; allowed the private sector to offer additional services within the school district, 16%; increased special education programs, 8%; increased academic improvement, 4%; and 4% used the private sector in non-academic areas.

Private organizations may have certain advantages over public organizations when providing services. Due to governmental constraints placed upon school districts, the private sector has more operating freedom than does the school district. This allows the private sector to operate under less scrutiny than the school district and increase the opportunity for savings forwarded to the schools. Some advantages that private organizations enjoy, include less bureaucracy than public agencies, more competitive marketplace, lower unit costs, and the desire to expand existing business (Corman, 1987).

The private sector has always been involved in public education, ranging from local to corporate involvement. Corporations, local businesses and individuals have made voluntary contributions of services and money to assist educational programs. Corporations have developed interest in minorities, dropout rates, unequal educational opportunities, and a decreasing labor pool. The private sector has been involved in all

facets of education including, educational services, financial grants, and personnel (Corman, 1987).

With this interest in education and the opportunity to offer services in the schools for financial reward, the business world has started contracting with school districts. Before consideration is given to contract with educational systems, businesses must complete an evaluation to determine the financial risk, the expected level of return, the educational regulations, the competition, and the service to be provided. There may be advantages for the private sector in the provision of educational services, but all entities must understand the risk involved (Corman, 1987).

### **Analysis and Communication**

School boards should consider several factors before a decision is made to contract a service with the private sector. In order to determine the needs of the school and community, a thorough evaluation of the current program and needs assessment should be conducted. This analysis will give the school board a more accurate understanding of their current operations. The analysis should include, but not be limited to, efficiency, cost analysis, community analysis, and current performance of in-house operation of services. Before school boards make quick and uninformed decisions about privatization, their board members must have current information to make knowledgeable decisions (McLaughlin, 1995). Based upon the experience of John Davis, a Tacoma, Washington School board member, districts should "...make sure there is a problem to be solved. Don't privatize just because it sounds good" (NSBA, 1995, p. 3).

In order to allow the private sector to provide educational services, the local authority should have an understanding of their state's regulations regarding privatization. Some states grant broad powers while others limit the possible opportunities. These states can only privatize certain services or programs. Before starting the process of privatization, everyone involved should have a thorough understanding of the respective laws and regulations (McLaughlin, 1995).

Once the decision is made to allow the private sector to perform services within a school system, the school board is obligated to inform current employees. Failure to inform and assist all employees could cause turmoil within the community. If privatization is not communicated to employees and the community in an appropriate and

honest manner, the new strategy is doomed for failure (McLaughlin, 1995). Employee and community resistance can almost certainly lead to failure of privatization.

By working with employees and the private contractor, the school system can reduce tension and enhance employee transition. This can be accomplished by placing employee stipulations in the contractual agreement. To reduce the initial tension, after the decision to privatize has been made; the contractor should work within attrition rates when reducing personnel, consider current school employees, and offer early retirement incentives. Once the decision is made to keep employees, the private sector should offer training assistance to the new employees. The larger contractors may be able to offer pension fund portability, profit sharing, and individual share purchases (Thayer, 1987). With initial job consideration, increased training, and the opportunity for financial benefits, the stress of privatization can be minimized.

School boards should conduct analyses, understand state contractual law, and deal with current employees and community expectations before considering privatization. Failure to communicate with all stakeholders and assess the situation may lead to an unsuccessful transition into contracting services.

### **Contracting the Private Sector**

Once the decision is made to consider privatization, open forums should be held to listen to the community and current employees. Boards should move slowly and have open communication in order to maintain integrity. After listening to everyone's concerns and finalizing the privatization movement, a Request for Proposal (RFP) should be developed (McLaughlin, 1995).

The RFP is the instrument used to initiate the competitive bidding process. It permits potential contractors to respond to the criteria established by the board. The vendors should be given the expectations of the board and quality of service expected. From the RFP's, the board will narrow the selection process and choose a contractor (McLaughlin, 1995). Most state laws require the use of the low bidder. Everyone involved must understand the laws associated with contracted services (Jones, 1997).

Before finalizing on one contractor, boards should thoroughly investigate the selected company. The firm should be able to demonstrate reliability by presenting a solid financial package, five or more years of successful business history, and enough

qualified personnel to handle anticipated needs. This is necessary because some companies may not be able to provide the required service and leave the schools in a desperate situation. Before selecting one contractor, all contacts should be investigated. The school district will be responsible for the service, so the selection of an adequate provider is vital to the success of privatization. Even with thorough investigation, the school district should have a back-up plan (Jones, 1997). “The right contractor will make the district look good, the wrong one will be more of a problem than doing it yourself”, according to Bart Goering, Superintendent of Spring Hill, Kansas Unified School District (NSBA, 1995, p. 5).

When a provider is selected, a contract must be developed. The contract is the working document used to unite the school board and the contractor. The contract should be specific about requirements and standards. The document should contain the length of the contract, terms of payment, contract renewal, objectives, performance standards, measurement techniques, procedures, asset ownership, and an early termination clause based upon the performance of the contractor (Hannaway, 1999). This is a working agreement that both parties must agree upon, so all parties involved should keep an open mind and work together. The school board holds all the power, but for the best results it must be a cooperative effort (McLaughlin, 1995).

When the decision has been made to privatize services and the contract has been finalized, the school board loses direct managerial control but retains total responsibility for the service rendered. The board must make sure that the service is being provided in an appropriate manner. By privatizing, school boards will be contract monitors and policy-makers. This may reduce direct administrative responsibility of the contracted service and increase the time spent on other components of the educational process. For most districts that privatize, this means that more administrative time can be spent on the instructional program (Rist, 1991). Privatization will require an attitudinal change of the administration at the local level, due to the responsibility for monitoring the quality of service provided by the contractor. This will require extra training for the local level administrator (Lyons, 1995).

## Related Research

In reviewing the literature and research dealing with privatization of educational services, the majority of research that pertains to the privatization of educational services is opinion-based. This material is relevant to the educational practitioner and can be utilized by educational leaders interested in contracting out services. There are several articles of support and opposition presented from the school districts perspective. The majority of research-based information is in the form of dissertations and theses. In a review of dissertation abstracts, the following studies were found to relate to educational privatization. The research included: A Survey of Ohio Public School Superintendents: A Willingness to Adopt Privatization of Pupil Transportation (Weber, 1996); Privatization of School Food Services and Its Effect on the Financial Status of the Cafeteria Fund in Participating California Public School Districts (McCann, 1995); Public Privatization: School The Decision in Baltimore (Pociask, 1996); Educational Privatization in Local Georgia School Systems (Welsh, 1997); and An Investigation into the Role of the Privatization of Non-Instructional Services Provided by New Jersey Public School Districts (May, 1998). There is no evidence of research dealing with privatization of educational services in Virginia.

Weber's (1996) research examined the tendencies that led school districts to privatize pupil transportation in Ohio. Superintendents were surveyed throughout the entire state and 372 superintendents participated in the study. The results of the study indicated that the superintendents with experience in privatization and business training had a greater tendency to privatize a service. The study also found that the make-up of the school board could influence privatization; boards whose members have business or professional training generally encourage the use of outside agencies. Larger districts had more of a tendency to privatize pupil transportation.

McCann's (1995) research examined the financial gain of privatized food services in California School Districts. The two sample groups evaluated were in-house operations and food service programs managed by private companies. In the school districts that relied upon the private company, 38% experienced a loss of money and 55% experienced a gain in revenue. The school systems that efficiently operated their own



food service programs resulted in financial gains of 66%, while 28% of the school systems experienced losses.

Pociask's (1996) study was useful in determining how and why a school district made the decision to hire a private firm to operate the entire school district. The emphasis was on determining the dynamics of the decision to privatize. The decision to privatize the Baltimore School District may have had political origins, but the change process was not handled in a manner that accommodated all stakeholders. Such dramatic change should involve the public and provide sufficient lead-time and input from the current staff. This would allow for a more efficient transition. Transition from in-house operations is necessary for the privatization of entire districts or single educational services.

Welsh's (1997) research explored the relationship between privatization of services and school district characteristics in Georgia. The research was useful in determining the administrative services, tasks, and functions that were privatized. The study determined that only 13% of the 84 administrative functions surveyed were privatized. Georgia schools appear to operate in-house operations, so school characteristics had little impact upon privatization. Correlations with selected characteristics were considered negligible.

May's (1998) study examined the privatization of non-instructional services in New Jersey Public School Districts. The focus of the study was on district perception and application. Surveys were sent to 514 school districts and a response rate of 50.9% was obtained. The top five privatized services were food service, transportation, HVAC maintenance, printing, and payroll preparation. The researcher reported that the majority of school districts, 80.0%, were able to save money by using privatized services and 57.0% of districts reported acquiring a better service compared to previous in-house operations.

Based upon this research, the privatization issues range from privatization of entire districts to determining the extent of outsourcing. Other topics include financial effects of privatization of school food service programs and exploration of contracting pupil transportation.

Intertec Publishing (1999) conducted the biannual *Privatization Study for Schools*. The survey was used in *American School & University* magazine. The effective response rate for the study was 8.0% with 60 of 750 surveys completed. The participants were subscribers to the magazine.

Intertec Publishing (1999) reported the six most privatized services are transportation, 30.0%; HVAC maintenance, 28.3%; food service, 23.3%; office equipment repair, 23.3%; computer servicing, 18.3%; and vending, 16.7%. The reasons school districts contract with the private sector are to save money (70.0%), improve operations (66.7%), and save management time (31.7%). The school districts reported a reluctance to change; only 26.7% of the districts reported an increase in the use of the private sector to provide educational services.

The 1997 *Privatization Studies for Schools* was conducted using 500 of the subscribers to *American School & University* magazine. The effective response rate was 11.4% or 57 participants. The study reported that transportation (40.4%), food service (21.1%), HVAC maintenance (19.3%), printing (15.8%), vending (14.0%), and security (10.5%) are the most privatized services. The reasons school districts reported contracting out are to save money (75.4%), improve operations (70.2%), and provision of a better service (38.6%). Forty-two percent of the school districts reported an increase in the use of the private sector.

The 1995 *Privatization Study for Schools* reported that school districts are contracting out transportation (31.9%), HVAC maintenance (26.7%), printing (23.3%), food service (22.4%), and instructional equipment repair (21.6%). These results indicate a decrease in privatization compared to the previous study. Forty-three percent of the districts reported an increase in the use of privatized services in the next few years (Argon, 1995).

Abramson (1993) reported that school districts privatize computer servicing (44.4%), transportation (40.7%), instructional equipment repair (35.4%), printing (32.7%), and HVAC maintenance (32.0%). Thirty-three percent of the school districts reported an expected increase of privatization in the future.

Other research was obtained from periodicals that were written by professionals in the field of education and business management. The articles usually dealt with

service effectiveness and strategies for privatization. Some districts have experienced success with the privatization strategy, while others have failed. Traditionally, the most frequently contracted services are transportation, food service, and custodial services.

Privatized pupil transportation is practiced in some public schools. In 1991-1992, approximately 29% of the public schools contracted out pupil transportation. Districts privatize pupil transportation for several reasons: the expertise of the transportation company, the high level of maintenance involved in transportation vehicles, the cost of buying new buses, and having to deal with inclement weather conditions. Advocates of in-house transportation departments consider control of the operation and service quality as the determining factors to retain local operation of the service (Dervarics, 1993).

School districts have operated successful in-house transportation systems with financial gains. The Cobb County School District in Georgia and the Chattanooga School District in Tennessee chose to operate in-house pupil transportation systems. Cobb County considered privatization of the pupil transportation system and evaluated the newness of the bus fleet and compared driver salaries to the private sector. After the study, the district decided to remain in control of the service. The district was able to provide the service cheaper than the private businesses (Pullen and Pitts, 1995). Chattanooga was able to operate pupil transportation in-house and spend less than neighboring districts. Chattanooga was able to efficiently operate a fleet of 117 buses. The substantial savings allowed for continual in-house operation (Page & Davis, 1994).

Other districts have allowed the private sector to provide pupil transportation. Due to budgeting constraints, aging bus fleets, and increasing maintenance costs, the Springfield School District in Ohio opted to privatize pupil transportation. Through the contractual agreement, the district was able to oversee the transportation system and retain current drivers. The district was able to save \$215,000 due to privatization (Self, 1995). Bradley County in Tennessee didn't experience savings, in comparison with other local districts, when the decision to privatize was made by the school board. The district ended up spending \$0.71 more per mile than neighboring districts (Page & Davis, 1994).

Food service is another area that has been contracted out. In 1991, 905 school districts in the United States privatized food service programs. Generally, food service is privatized to increase revenue by reducing labor and benefit costs (Dervarics, 1993).

Howard County School District in Maryland is one district that decided to maintain the in-house operation of the food service program. The decision was made after an extensive evaluation to determine student satisfaction, cost reductions, performance, and nutritional quality. From the program evaluation, the board determined that the district-operated program was more than capable of meeting fiscal and nutritional needs (Lazarewicz, 1994).

Other districts, such as Belleville, Illinois; Conestoga Valley School District, Pennsylvania; and Providence Schools, Rhode Island, decided to outsource the food service program. In Belleville, the school district contracted with a food service company to operate the food service program. This decision was based upon cost saving opportunities, improved student involvement, development of a comprehensive food service program, service quality, and use of district employees (Riegel, 1994). The Conestoga Valley School District developed the Conestoga Valley Education Foundation so that the district could benefit from privatization. The Foundation was granted nonprofit status and served as the service provider for the school district. The Foundation was able to purchase stock, while profits were awarded to the school district in the form of grants. The district and foundation developed a specific contract which stated that the corporation could not make a profit on the "Type A" lunch program, which means that profits must come through vending, fundraising activities, take-out sales, a la carte sales, management and consulting services. The first year of the arrangement, the district was awarded grants totaling a 25% dividend on the investment (Seldomridge, 1997). The State of Rhode Island placed all school districts on notices that were not operating within their fiscal allotment. Providence Schools privatized the food service program and generated profits exceeding \$350,000. The profits were based mainly upon the private company's purchasing power. The company was able to lower food, product, and equipment costs, which resulted in increased profits for the local school district (Donovan, 1996).

Privatization of food service programs has been successful throughout the United States. By using food service companies, school district administrators can utilize their expertise on the instructional process and student achievement. This allows principals more time to develop curriculum, counsel students, and assist teachers. Successful

privatization of foodservice programs requires the right contract caterer, and support from the entire school community (Henderson, 1992).

Contracting custodial and maintenance services is becoming more prevalent, due to increased energy costs and reactionary maintenance. The Painesville Township Schools in Painesville, Ohio were running a deficit in their maintenance budget due to inefficient mechanical systems and a backlog of work orders. The district hired an outside firm to take control of the maintenance department. By contracting with an outside firm, the district was able to become proactive and save money (Golden, 1993). The Survey of Major Urban School Districts evaluated maintenance departments of urban school districts. Forty percent of the districts were operating in a reactionary mode instead of being proactive and doing scheduled maintenance. By contracting out heating, ventilating, and air conditioning services, 57% of the districts reported increased savings and more efficient operation (Golden, 1993). When school districts hire specialized firms, they can experience financial savings and increased productivity (Miller, 1993).

Based upon the research, there is a balance between privatization advocates and critics. Some school districts have experienced tremendous success and savings by contracting with the outside firms, while other district's privatization programs have not been successful.

### **Summary**

School districts are faced with political and social pressures to provide strong instructional programs and a variety of support services to facilitate the entire educational process. With increased emphasis on instructional accountability, education professionals need to devote more time to the improvement of learning, while maintaining responsibility for the implementation of required support services. Increased fiscal demands and accountability have forced school districts to consider alternative methods of providing educational and support services.

School districts have worked with the private sector for several years, but now it is becoming a competitive market. Contracting out is a growing alternative to the provision of educational services. This reform movement has traditionally been in the support services, but more emphasis is being placed on contracting instructional services. (McLaughlin, 1995). The public appears to be more concerned about choice, quality,

cost, and equal opportunity than about who provides the service (Corman, 1987). Advocates of privatization state a reduction in cost, improved productivity, and a means to pinpoint accountability as reasons to allow private industries into the districts (Rist, 1991). Opponents of privatization claim that by contracting out services, schools will cut labor costs by laying off employees, and the work loads of those remaining will increase, while the quality of service and personnel training will decrease (Bushweller, 1994). Privatization can have positive or negative results depending upon management style and the contractual agreement. Before privatizing, school boards must consider all aspects of outsourcing before making drastic changes.

## **CHAPTER THREE**

### **Introduction**

The purpose of this chapter is to describe the research methodology used in this study of the privatization of educational services by contractual agreement in Virginia public schools. This chapter describes the selection of the population for this study, the process by which the instrument was developed, a description of the procedures used to analyze the data, and an explanation of how the instrument was administered.

### **Research Design**

The research design of this study can be classified as descriptive research. This type of study involves data collection used to answer questions about the current status of the population. Descriptive statistics systematically describe the actual and factual characteristics of a given population (Isaac & Michael, 1995). In addition, “descriptive research involves collecting data in order to test hypotheses or to answer questions concerning the current status of the subject of the study. A descriptive study determines and reports the way things are” in a specific population (Gay, 1992, p. 217). The privatization of educational services by contractual agreement in Virginia public schools is studied to obtain factual information pertaining to privatization and to determine the current status of contracting out educational services.

The process for selecting an appropriate research methodology and data collection procedure is very involved (Fowler, 1984). In order to complete an in-depth investigation, the researcher uses the method that best serves the purpose of the study. Considering the topic and the population of this study, a mail survey was used for collection of the data of this descriptive study (Fowler, 1984).

Surveys are useful tools in research for gathering a large amount of information at a particular time. The self-administered questionnaire provides greater anonymity to the respondents, when compared to personal interviews. This method of research was not concerned about the characteristics of the individual completing the survey, because it dealt with the data obtained from the compilation of the individual surveys. This allowed the researcher to make generalizations about the entire group, not about individual cases (Oppenheim, 1992).

For this descriptive study, a survey was used to determine the extent of privatization by contractual agreement in Virginia's public schools. The instrument was designed to reveal the current status of privatization, the reasons for considering the use of contracted services, and the future trends of privatization.

### **Population**

This research was designed to provide a status report for the privatization of educational services by contractual agreement in Virginia's public schools. In order to obtain the desired information, all 132 school districts in the state were sent a survey. The number and list of school districts in the state of Virginia was obtained from the 1999 membership report of the Virginia Department of Education. Each survey was addressed to the superintendent of each school district. By selecting all of the school districts as the population for the study, all of the geographic regions were represented and, it was hoped, a more accurate description of the services privatized by contractual agreement would be obtained. The data collected were not subjected to sampling error since the entire population was involved in the research, but the researcher had to contend with the possibility of non-response bias.

The researcher compared the profile of responding and non-responding school districts based upon enrollment categories (size) and geographic location (region). Size and location could be variables which might impact the rate of privatization, for example larger school districts may have a greater capacity to carry out special functions compared to small school districts and proximity to service providers could influence the availability of contract services. The comparison of respondents to non-respondents allowed the researcher to determine whether school districts in certain enrollment categories or regions were over- or under-reported. The comparison provided information about the respondents' demographics and was beneficial in determining the statewide representation of the respondents. The respondents appear to reflect the characteristics of the population when comparing size and location.

### **Instrumentation**

A questionnaire was used to collect data for this study. The use of a self-administered survey is an efficient means of collecting data from a large sample. This instrument was sent to each public school district in the state of Virginia.



The instrument for this study was a modification of the survey used by Intertec Publishing Company (1997) in the National Privatization Study for Schools. Intertec Publishing Company conducts the study on a biannual basis for the professional magazine, *American School & University*. Their study focuses on the privatization of non-instructional services in public education.

The researcher obtained a copy of the 1997 Privatization Study for Schools and determined that the survey instrument could be modified for use in this study. This research of the privatization of educational services by contractual agreement in Virginia's public schools is similar to the study conducted for *American School & University* magazine. The author obtained written permission from Intertec Publishing Company to use and modify the survey instrument for this study (see Appendix A).

The questionnaire developed for the national survey by the Marketing Division of Intertec Publishing Company was intended for data collection from a national sample. The instrument was modified to meet the purposes of this study and the public school districts in Virginia. The additions to the survey were; (a) the contractual arrangement for the privatized services; (b) the percent of the annual budget appropriated for each privatized service; (c) the consecutive years of privatization for each service; (d) the unexpected outcomes of privatization; (e) and the change of service back to in-house operations after privatization. Also, additional educational services and factors for contracting out were included in the appropriate sections. The sections deleted from the original survey were school district enrollment and location. These items were deleted because it was possible for the researcher to collect those data with great accuracy from other sources.

### **Survey Development and Field-test**

In order to ensure useful data collection, the researcher developed a procedure to determine the content validity of the instrumentation used in the study. Peer revision and a field-test were completed to develop a survey to meet the purposes of the study. Content validity must be determined in order to demonstrate that the instrument contains the necessary information to draw conclusions about the subject being studied (Isaac & Michael, 1995).

Members of the faculty at Virginia Polytechnic Institute and State University and participants in the Virginia Tech Educational Leadership and Policy Studies 1999 Orientation to Residency Program examined the first draft of the questionnaire. Reactions and suggestions were requested. This was completed in idea sharing and feedback sessions designed to focus on improvement of the instrumentation. Participants in the sessions evaluated the instrument for comprehensiveness, wording, format, clarity of directions, and recommended addition or deletion of items. After several reviews and modifications of the instrument, a final draft was submitted to the dissertation committee chair and a field-test was scheduled.

The revised instrument was field-tested in January 2000 using 10 district superintendents and 10 school business officials from the neighboring states of West Virginia and Tennessee. This test group was mailed a cover letter explaining the study and soliciting their review of the survey (see Appendix B). Those selected for the field-test were asked to evaluate clarity, content and the time required to complete the questionnaire. The field-test results were reviewed with the dissertation committee chair and the survey was modified based upon the suggestions of the pilot group. The following suggestions were acquired from the field-test: completion time of less than 20 minutes, use of actual expenditures instead of percentages, and a recommendation to send the research packet to the superintendent of each school district.

The information obtained from the field-test was used to increase the clarity and accuracy of the research. The instrument has 10 sections and was developed to fit on two sheets of paper folded into a booklet format. The first section was designed to obtain the current annual budget of the school district; the second section of the survey consists of four items and was designed to identify the services the school districts privatize, the arrangement of the contractual agreement, the amount of money allocated for the privatized services, and the consecutive years a school district has contracted out. The third section was developed to solicit the reasons school districts privatize services by having the person completing the survey mark the importance associated with the sixteen factors listed for contracting out. Sections four and five were designed to compare the fiscal efficiency and service effectiveness of privatization compared to previous in-house operations and the sixth section was developed to determine the analyses and assessments

school districts complete prior to contracting with the private sector. The seventh section was designed to predict the future status of privatization. Sections eight, nine, and ten were designed for written responses for a list of services the school districts contracted out and changed back to in-house operations, unexpected outcomes of contracting out services, and space for additional comments (see Appendix C).

### **Method of Analysis**

The procedures used by the Marketing Division of Intertec Publishing Company (1997) were used to analyze the survey results. The information was analyzed and tabulated to obtain descriptive data. From the data, categories and trends emerged that were useful in developing responses to the guiding questions. The research offered descriptive data to explain the following guiding questions:

- (1) What is the current status of privatization by contractual agreement of educational services in Virginia public schools?
- (2) What are the factors public school districts in Virginia consider when contracting out educational services?
- (3) What is the perceived effectiveness of the replacement service when compared to in-house operations based upon the viewpoint of the district superintendent or school official in the Virginia public schools that completed the instrument?
- (4) What is the fiscal efficiency of the replacement service when compared to the in-house operations based upon the viewpoint of the district superintendent or school official in the Virginia public schools that completed the instrument?
- (5) What analysis was completed upon initial consideration for contracting out educational services in Virginia public schools?
- (6) What is the future status of the privatization of educational services within public school districts in Virginia?

The guiding questions were used as a template to give structure to the research. Other information was obtained from the survey. Data were obtained from Section Two in the survey that was beneficial in obtaining information about the contractual agreement of privatized services, the consecutive years of privatization, and the allocation for

privatized services in the annual budget. These data were put into ranked order and tabulated using percentages, a mean was computed to express the consecutive years of privatization; and the allocation was expressed using mean and range of percentage of the budget allocated for the privatized service. The data for question one were obtained from Section Two in the survey. The current status of privatization was determined by converting the raw data into ranked order and percentages.

Section Three in the survey was used to answer the second question, “the importance factors given consideration when contracting out educational services”. These data were converted into a ranked score. Each score was calculated using a three-step process. The responses for the factors, very important, important, somewhat important, and not at all important were given values of 100, 67, 33, and 0. The weighted responses were summed and then divided by the perfect score, which would occur if all responses were very important. To obtain the final score given to each factor, the raw score was then multiplied by 100.

Questions three and four, “the perceived effectiveness and fiscal efficiency of the replacement service,” were answered by using the data collected from Section Four and Section Five in the survey. The responses were put in ranked order and percentages were used to express the perceived effectiveness and fiscal efficiency of the privatized services.

The analyses and assessments completed by the school districts prior to privatization, question five, were solicited in Section Six in the survey. The responses were put in ranked order and percentages were used to express the findings. A list of services that school districts contracted out and changed back to in-house operation, Section Eight, were tabulated and unexpected outcomes of privatization, Section Nine, were put in ranked order.

The future status of privatization (question six) was calculated based upon the response of the school district and then tabulated using percentages. These data were obtained from Section Seven in the survey.

### **Data Collection Procedures**

The procedures used for mailing the questionnaires were based upon the recommendations of Dillman (1978). In an attempt to increase the response rate the

author printed the survey on bright colored paper to get the respondents attention and avoid being lost with other correspondence. In an effort to maximize the return rate, the researcher made three mailings.

The initial surveys were mailed on February 14, 2000. Each survey packet contained a coded questionnaire, a cover letter explaining the purpose of the study and assurance of anonymity (see Appendix D), and a pre-addressed stamped envelope. The questionnaire was assigned an identification number to be used as a tracking technique to identify the non-respondents. In the cover letter, the superintendents were asked to complete the survey or forward it to the individual responsible for contractual agreements. Each respondent was asked to return the survey to the researcher within two weeks.

Approximately two weeks after the initial mailing, on March 3, 2000 a postcard was sent to the recipients of the first survey (see Appendix E). The note on the postcard was written as a thank you to those who returned the questionnaire, and a reminder to those who did not return the document.

A follow-up survey packet was sent to all non-respondents. Sixty-seven packets were mailed on March 17, 2000. This packet contained a questionnaire, a pre-addressed stamped envelope, and a cover letter indicating that prior mailings had been sent without a response (see Appendix F).

### **Summary**

This chapter describes the research design, data collection procedures, and data analysis. The survey instrument was a modification of the questionnaire used by Intertec Publishing for *American School & University* magazine. The survey was sent to the district superintendent of all 132 school districts in the state of Virginia. The survey was used to collect data pertaining to the current status of privatization, the effectiveness of contracted services, the fiscal efficiency of the privatized service, and the future status of privatization in Virginia public school districts. Chapter four contains the data analysis and discussion.

## **CHAPTER FOUR**

### **Introduction**

This chapter presents the data obtained from the study of the privatization of educational services by contractual agreement in Virginia public schools. This chapter contains a description or analysis of:

- the respondent's profile,
- the most privatized services,
- the years of contracted service,
- the contractual arrangements,
- the allocation for privatized services,
- the factors when considering privatization,
- the fiscal efficiency of privatized services,
- the perceived effectiveness of privatized services,
- the unexpected outcomes of privatization,
- the analysis and assessment performed by school districts prior to privatization,
- the changing of services back to in-house operations, and
- the future status of privatization.

### **Presentation and Analysis of Data**

The data on the privatization of educational services by contractual agreement in Virginia public schools are used to illustrate the status of contracting services during the 1999-2000 school year. This study describes the utilization of educational services provided by the private sector and examines the factors related to contracting out, the efficiency of the replacement service, and the future status of privatization.

The following questions were established to guide the study. The purposes of the questions were to give the study direction.

- (1) What is the current status of privatization by contractual agreement of educational services in Virginia public schools?
- (2) What are the factors public school districts in Virginia consider when contracting out educational services?
- (3) What is the perceived effectiveness of the replacement service when compared to in-house operations based upon the viewpoint of the district

superintendent or school official in the Virginia public schools that completed the instrument?

- (4) What is the fiscal efficiency of the replacement service when compared to the in-house operations based upon the viewpoint of the district superintendent or school official in the Virginia public schools that completed the instrument?
- (5) What analysis was completed upon initial consideration for contracting out educational services in Virginia public schools?
- (6) What is the future status of the privatization of educational services within public school districts in Virginia?

### **Survey Response Profile**

The questionnaires were mailed to all 132 public school districts in Virginia. The number of school districts in the sample was determined from a list provided by the Virginia Department of Education for the fall of 1999. The surveys were sent to each district superintendent with a request to complete the instrument or to forward it to the school official responsible for contractual services. The surveys were developed and mailed using the recommendations established by Dillman (1978). The first mailing was sent to all school districts using the United States Postal Service on February 14, 2000, and a follow-up reminder postcard was sent on March 3, 2000. The second mailing was sent to all non-respondents on March 17, 2000. All surveys received by April 9, 2000 were used in the survey results.

One measure of the effectiveness of survey research is the rate of return. Return rates for survey research depend upon the survey population and the tendency of the population to participate in research activities. For survey research, an adequate number of participants is a response rate in excess of 50% of the total mailings (Babbie, 1983). Responses were received from 86 of 132 school districts with one school district choosing not to provide data. This represents a 64.39% effective return rate for this survey circulation. Surveys were received beginning in February and ending April 2000. Based upon an examination of the responses, the information obtained from the research seemed to be consistent throughout for all returned surveys. Table 1 indicates the response rate for the questionnaire.

**Table 1. Effective Response Rate Explanation**

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Total Mailings	132
Post Office Returns	0
Effective Mailing	100%
Incomplete Surveys Returned	0
School Districts Choosing Not to Participate	1
Usable Surveys Returned	85
Effective Response Rate	64.39%

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A comparison of respondents and non-respondents can be useful in determining whether the respondents reflect the characteristics of the population. Two efforts were undertaken to make this determination, a comparison of the school district enrollment of the respondents with the enrollment of the non-respondents and a comparison of the respondents and non-respondents based upon superintendents' study groups. The first analysis compared the enrollment of responding school districts with the enrollment of non-responding school districts. The school districts were divided into quartiles based upon the enrollment and analyzed for participation. There appears to be a slight over representation of respondents in the third quartile. Table 2 illustrates the enrollment profile of respondents and non-respondents.

**Table 2. Profile of Respondents and Non-Respondents by School District Enrollment**

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School District Enrollment	Number of School Districts	Survey	Survey Respondents	Percent Non-Respondents
353-1917	33	21	12	63.6
1964-3601	33	20	13	60.6
3686-7692	33	24	9	72.7
8155-152,952	33	20	13	60.6
Total	132	85	47	64.4

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The respondents were divided into quartiles based upon the school district enrollment of the population. School districts in the lower two enrollment quartiles report they privatize an average of 6.2 and 5.8 services per district. The larger school districts privatize somewhat less, 5.2 services for the school districts in the third quartile and 4.1 services for the largest school districts. Table 3 illustrates the profile of the respondents based upon school district enrollment and average number of privatized services.

**Table 3. Respondents Profile by School District Enrollment and Average Number of Privatized Services**

Range of School District Enrollment	Total School Districts	Number of Respondents Privatized	Average Number of Services Privatized
353 – 1917	33	21	6.2
1964-3601	33	20	5.8
3686-7692	33	24	5.2
8155-152,952	33	20	4.1
Total	132	85	5.3

The second procedure to determine whether the respondents reflect the characteristics of the population was to compare the respondents and non-respondents based upon superintendents’ study groups, known as superintendent regions. Table 4 depicts the regional locations of the school districts and the participants in the study. *Italicized school districts are those who participated in the study.*

**Table 4. Public School Districts Participation by Regional Superintendent Study Groups (N=85)**

Region	Public School Districts
Region 1	Charles City, Dinwiddie, <i>Henrico</i> , Petersburg City, <i>Richmond City</i> , <i>Chesterfield</i> , Goochland, <i>Hopewell City</i> , Powhatan, Surry, <i>Colonial Heights City</i> , Hanover, <i>New Kent</i> , <i>Prince George</i> , Sussex
Region 2	<i>Accomack</i> , <i>Hampton City</i> , <i>Norfolk City</i> , Portsmouth City, Virginia Beach City, <i>Chesapeake City</i> , <i>Isle of Wright</i> , Northampton, Southampton, Williamsburg City, <i>Franklin City</i> , Newport News City, <i>Poquoson City</i> , Suffolk City, <i>York</i>
Region 3	Caroline, Fredericksburg City, King & Queen, <i>Mathews</i> , <i>Richmond</i> , West Point, <i>Colonial Beach</i> , <i>Gloucester</i> , King William, <i>Middlesex</i> , <i>Spotsylvania</i> , Westmoreland, <i>Essex</i> , <i>King George</i> , <i>Lancaster</i> , Northumberland, <i>Stafford</i>
Region 4	Alexandria City, <i>Culpepper</i> , <i>Falls Church City</i> , Loudon, <i>Manassas Park City</i> , Prince William, Warren, <i>Arlington</i> , <i>Fairfax</i> , Fauquier, <i>Madison</i> , <i>Orange</i> , <i>Rappahannock</i> , Winchester City, <i>Clarke</i> , <i>Frederick</i> , <i>Manassas City</i> , Page, <i>Shenandoah</i>
Region 5	Albermarle, <i>Augusta</i> , <i>Charlottesville City</i> , <i>Harrisonburg City</i> , <i>Louisa</i> , <i>Rockbridge</i> , <i>Waynesboro City</i> , <i>Amherst</i> , <i>Bath</i> , <i>Buena Vista City</i> , <i>Fluvanna</i> , <i>Highland</i> , Lynchburg City, Rockingham, <i>Appomattox</i> , Bedford, <i>Campbell</i> , Greene, Lexington City, <i>Nelson</i> , Staunton City
Region 6	<i>Alleghany Highlands</i> , <i>Craig</i> , <i>Franklin</i> , <i>Montgomery</i> , <i>Roanoke</i> , <i>Botetourt</i> , <i>Danville City</i> , <i>Henry</i> , <i>Patrick</i> , Roanoke City, Covington City, <i>Floyd</i> , <i>Martinsville City</i> , <i>Pittsylvania</i> , <i>Salem City</i>
Region 7	Bland, <i>Carroll</i> , <i>Giles</i> , Norton City, <i>Russell</i> , <i>Tazewell</i> , <i>Wythe</i> , Bristol City, Dickenson, <i>Grayson</i> , <i>Pulaski</i> , Scott, Washington, Buchanan, <i>Galax City</i> , <i>Lee</i> , <i>Radford City</i> , <i>Smyth</i> , Wise
Region 8	<i>Amelia</i> , <i>Charlotte</i> , <i>Halifax</i> , <i>Nottoway</i> , Brunswick, <i>Cumberland</i> , Lunenburg, <i>Prince Edward</i> , <i>Buckingham</i> , <i>Greensville</i> , Mecklenburg

*Italics denote participation in research.*

School districts were divided into the superintendents' study groups and analyzed for response. The response rates varied; Region 6 had the best return rate of 86.7% and Regions 1 and 2 had the lowest return rates of 46.7% and 53.3%. The average number of privatized services was highest in Regions 6 and 7 with privatization averages 6.6 and 6.1 services privatized per responding school district. The lowest average uses of privatized services were in Regions 1 and 2, with 3.9 and 3.3 respectively. Table 5 contains the data reflecting the profile of the respondents by regional superintendent study groups.

**Table 5. Respondents Profile by Regional Superintendent Study Groups and Privatized Services**

Superintendent Study Groups	Total School Districts in Region	Number of Respondents	Percent of Respondents	Average Number of Privatized Services Of School Districts in the Region
Region 1	15	7	46.7	3.9
Region 2	15	8	53.3	3.3
Region 3	17	10	58.8	5.5
Region 4	19	14	73.7	4.6
Region 5	21	14	63.7	5.6
Region 6	15	13	86.7	6.6
Region 7	19	11	57.9	6.1
Region 8	11	8	72.7	5.6
Total	132	85	64.4	5.3

### **Privatized Services**

The public school districts in Virginia reported contracting out 44 different services with the private sector. Of the responding school districts, the average privatization per district was 5.3 services. The top five contracted services were school audits (64.7%), physical therapy (62.4%), legal services (58.8%), occupational therapy (56.5%), and HVAC maintenance (24.7%). In the school districts in Virginia, school audits are required by law to be performed by an outside agency or contractor. This figure may be a misrepresentation of the school districts that privatize school audits.

Other services contracted out by at least five school districts include after school programs, adult education/GED, alternative education, at-risk programs, computer repair, computer consultation, custodial services, grounds/lawn service, general maintenance, instruction via satellite, psychological services, printing, personnel policy services, school law enforcement, security, and speech therapy. Table 6 indicates the privatized educational services in Virginia public schools.

### **Years of Service by Contractual Agreement**

The consecutive years a service is contracted out can be used to determine new services being considered by school districts for privatization. The newest services, based upon consecutive years of service are computer repair, after-school programs, school law enforcement, and alternative education. The services that are the most privatized are also the services with the most consecutive tenure. They are school audits, physical therapy, legal services, printing, and occupational therapy. Table 7 indicates the average number of years the service has been provided within the school districts.

### **How Services are Contracted**

School districts can work together within consortium or contract educational services independently. The school districts in Virginia public schools tend to contract out on an individual basis and are free to bid and to monitor the service as the governing body recommends. Some school districts have worked cooperatively in a consortium to contract out special needs in the school district. This is usually in areas of service within the field of education delivered by skilled professionals such as physical therapy, alternative education, and special education. Most school districts choose to work independently, as indicated in Table 8.

### **Percent of Budget Allocated for Privatized Services**

The percent of budget allocated for privatized services was analyzed using school district enrollment and regional location. This illustrated the profile of the school districts that allocate more of their budgets for privatized services.

**Table 6. Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

Contracted Services	Number of School Districts Using Privatized Services (N=85)	Percent of Respondents Privatizing this This Service
<b><u>Instructional Services</u></b>		
Physical Therapy	53	62.4
Occupational Therapy	48	56.5
Personnel Policy Services	18	21.2
Printing	17	20.0
Computer Repair	16	18.8
Computer Consultation	16	18.8
Adult Education/GED	16	18.8
Alternative Education	13	15.3
Speech Therapy	12	14.1
Psychological Services	12	14.1
After School Programs	6	7.1
At Risk Programs	5	5.9
Instruction Via Satellite	5	5.9
Administrative Services	3	3.5
Student Counseling Services	3	3.5
Visual Services/Interpreter	3	3.5
Instructional Equipment	2	2.4
Visiting Teacher	2	2.4
<b><u>Non-Instructional Services</u></b>		
School Audits	55	64.7
Legal Services	50	58.8
HVAC Maintenance	21	24.7
Grounds/Lawn Service	15	17.6
School Law Enforcement	10	11.8
Custodial Services	8	9.4
Security	7	8.2
General Maintenance	5	5.9
Facilities Management	4	4.7
School Bus and Parts Purchasing	3	3.5
Public Relations	2	2.4
Health Insurance Consultation	2	2.4

**Table 7. Consecutive Years of Service by Contractual Agreement in Virginia Public Schools (N=85)**

Contracted Services	Number of Privatized Services	Average Consecutive Years of Privatization
<b><u>Instructional Services</u></b>		
Student Counseling Services	3	11.0
Printing	17	9.8
At Risk Programs	5	9.8
Physical Therapy	53	9.1
Occupational Therapy	48	8.8
Psychological Services	12	8.8
Instruction Via Satellite	5	7.7
Speech Therapy	12	7.3
Personnel Policy Services	18	7.1
Administrative Services	3	6.0
Computer Consultation	16	5.5
Adult Education/GED	16	4.8
Computer Repair	16	3.8
Alternative Education	13	3.6
After School Programs	6	2.8
<b><u>Non-Instructional Services</u></b>		
School Audits	55	15.8
General Maintenance	5	14.8
Legal Services	50	12.3
Grounds/Lawn Services	15	7.1
HVAC Maintenance	21	6.7
Custodial Services	8	6.6
Security	7	6.5
School Bus Parts and Purchasing	3	6.0
Health Insurance Consultation	2	5.0
School Law Enforcement	10	3.6
Facilities Management	4	3.0
Public Relations	2	2.0

**Table 8. Contractual Arrangement in Virginia Public Schools (N=85)**

Contracted Services	Contracted by Individual School Districts	Contracted in Cooperation with A Consortium	Number of Privatized Services
<b><u>Instructional Services</u></b>			
Physical Therapy	48	5	53
Occupational Therapy	45	3	48
Personnel Policy Services	11	7	18
Printing	17	0	17
Computer Repair	15	1	16
Computer Consultation	15	1	16
Adult Education/GED	12	4	16
Alternative Education	5	8	13
Speech Therapy	10	2	12
Psychological Services	10	2	12
After School Programs	6	0	6
At Risk Programs	4	1	5
Instruction Via Satellite	0	5	5
<b><u>Non-Instructional Services</u></b>			
School Audits	51	4	55
Legal Services	47	3	50
HVAC Maintenance	21	0	21
Grounds/Lawn Service	15	0	15
School Law Enforcement	10	0	10
Custodial Services	8	0	8
Security	7	0	7
General Maintenance	4	1	5

#### School District Enrollment

The smallest school districts allocated more of their annual budget for contracted services than the other respondents. The smallest districts allocated 1.78% of their annual budget for privatized services and also privatized the most services per school district (see Table 3). Table 9 illustrates the percent of budget allocated for privatization.

**Table 9. Percent of Budget Allocated for Privatized Services by School District Enrollment (N=85)**

Range of School District Enrollment	Range of Percent Allocation	Average Percent Allocation	Average Number of Privatized Services
353-1917	0.07-10.7	1.78	6.2
1964-3601	0.08-2.3	0.7	5.8
3686-7692	0.1-2.0	0.5	5.2
8155-152-952	0.05-1.7	0.8	4.1

Regional Location

The school districts in Region 6 allocated more of their budget for privatization than the other school districts. The average percent allocation in Region 6 was the largest of all the regions. The school districts in this region also privatized more services per school district than the other regional respondents. The respondents in Region 2 allocated an average of 1.2%, but the districts only privatized 3.3 services per school district. Table 10 illustrates the percent of budget allocated for privatized services by regional superintendent study groups.

**Table 10. Percent of Budget Allocated for Privatized Services by Regional Superintendent Study Groups (N=85)**

Superintendent Study Groups	Range of Percent Allocation	Average Percent Allocation	Average Number of Privatized Services For Respondents in The Region
Region 1	0.02-0.8	0.4	3.9
Region 2	0.2-1.7	1.2	3.3
Region 3	0.05-1.0	0.5	5.5
Region 4	0.05-4.1	1.3	4.6
Region 5	0.1-1.5	0.6	5.6
Region 6	0.2-10.7	1.6	6.6
Region 7	0.07-2.0	0.6	6.1
Region 8	0.3-2.3	0.9	5.6



### **Allocation for Privatized Services**

The public schools in Virginia must make an allocation for each privatized service in their annual budget. The allocation for the service varies depending upon the frequency, expert personnel, and quantity. Based upon the data obtained from the research, the expenditures for privatized services vary according to the necessity for specialized professional personnel, such as physical therapists, computer consultants, and legal services, or the amount of labor involved, such as custodial and grounds/lawn services. The data illustrates the percent of budget allocation and average allocation for the privatized services based upon the respondents. This average is not indicative of all public school districts in Virginia, but can be used to broaden the basis of information pertaining to the contracting of educational services. Table 11 indicates the average allocated expenditures and the percent of budget allocation for the privatized services in Virginia public schools.

### **Importance Factors**

Several factors are considered when school districts are contemplating allowing the private sector to supply educational services. The importance factors are calculated using a weighted scale; the highest score represents the factors of most importance. The data reveal that public school districts in Virginia are concerned with service efficiency/effectiveness (92.2), fiscal issues (89.4), provision of a better service (81.7), expert personnel (75.4), and elimination of capital outlay (67.9). Other factors that the public schools deem important are professional management (64.8), increased accountability of service provision (64.8), service convenience (64.5), better equipment (63.2), service expansion (62.8), reduction in administrative time (59.3), schedule flexibility (57.8), public opinion (53.4), elimination of personnel problems (50.3), and improvement of labor relations (40.8). Table 12 illustrates the data obtained from the research pertaining to the factors given consideration when the decision is made to privatize educational services. The scores were calculated by assigning the responses for the importance factors values of 100, 67, 33, and 0. The weighted responses were summed, divided by the perfect score, and the raw score was multiplied by 100.

**Table 11. Percent of Budget Allocation for Privatized Services in Virginia Public Schools (N=85)**

Contracted Services	Number of Privatized Services	Average Budgeted Allocation in Thousands of Dollars	Percent of Budget Allocation for Privatized Service (Range)
<b><u>Instructional Services</u></b>			
Physical Therapy	53	34.7	0.01-0.4
Occupational Therapy	48	36.7	0.01-0.7
Personnel Policy Services	18	4.0	0.005-0.1
Printing	17	109.8	0.01-0.1
Computer Repair	16	45.2	0.04-0.5
Computer Consultation	16	57.6	0.02-0.9
Adult Education/GED	16	7.0	0.006-0.2
Alternative Education	13	89.4	0.02-1.7
Speech Therapy	12	28.6	0.008-0.6
Psychological Services	12	24.2	0.01-0.7
At Risk Programs	5	176.8	0.2-0.6
<b><u>Non-Instructional Services</u></b>			
School Audits	55	10.8	0.009-0.09
Legal Services	50	26.9	0.01-0.3
HVAC Maintenance	21	40.4	0.02-0.5
Grounds/Lawn Service	15	63.6	0.009-0.5
School Law Enforcement	10	77.2	0.08-0.3
Custodial Service	8	287.6	0.04-1.2
Security	7	38.1	0.02-0.5
General Maintenance	5	71.0	0.2-0.5

**Table 12. Importance Factors Given Consideration when Contracting Out**

Base = All Participants	Convenient Service	Better Equipment	Expansion of Service Provision	Save Administrative Time	Flexibility of Schedule	Public Opinion	Eliminate Personnel Problems	Labor Relations
Very Important	17 20.0%	20 23.5%	22 25.9%	20 23.5%	17 20.0%	13 15.3%	14 16.5%	8 9.4%
Important	51 60.0%	43 50.6%	40 41.7%	35 41.2%	40 47.1%	35 41.2%	27 31.7%	26 30.6%
Somewhat Important	11 12.9%	15 17.7%	14 16.5%	21 24.7%	18 21.1%	27 31.7%	30 35.3%	28 32.9%
Not at All Important	1 1.2%	0 0.0%	3 3.5%	2 2.4%	5 5.9%	5 5.9%	9 10.6%	15 17.7%
No Answer	5 5.9%	7 8.2%	6 7.1%	7 8.2%	5 5.9%	5 5.9%	5 5.9%	8 9.4%
Total	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%
Score	64.5 N = 80	63.2 N = 78	62.8 N = 79	59.3 N = 78	57.8 N = 80	53.4 N = 80	50.3 N = 80	40.8 N = 77

Base = All Participants	Efficiency/ Effectiveness	Fiscal Issues	Provision of a Better Service	Expert Personnel	Eliminate Capital Outlay	Professional Management	Increased Accountability
Very Important	73 85.8%	69 81.1%	50 58.8%	39 45.9%	32 37.6%	25 29.4%	27 31.8%
Important	8 9.4%	9 10.6%	28 32.9%	34 40.0%	31 36.5%	37 43.5%	37 43.5%
Somewhat Important	0 0.0%	3 3.5%	2 2.4%	7 8.2%	15 17.6%	16 18.8%	10 11.8%
Not at All Important	2 2.4%	2 2.4%	1 1.2%	0 0.0%	1 1.2%	2 2.4%	4 4.7%
No Answer	2 2.4%	2 2.4%	4 4.7%	5 5.9%	6 7.1%	5 5.9%	7 8.2%
Total	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%	85 100.0%
Score	92.2 N = 83	89.4 N = 83	81.7 N = 81	75.4 N = 80	67.9 N = 79	64.8 N = 80	64.8 N = 78

### **Fiscal Efficiency of Privatized Services**

In Virginia during the 1999-2000 school year, the public school districts indicated that contract services resulted in only moderate savings. The respondents (43.5%) reported that their school districts experienced moderate savings from using the private sector to supply educational services compared to previous in-house operation and 40.0% of the school districts reported no savings. The data indicated that 52.9% of the school districts were able to save money and 92.9% of the respondents did not report a financial loss while contracting out services; 4.7% of the respondents reported contracting out was more expensive. Table 13 provides information about the fiscal impacts of the privatization of educational services.

**Table 13. Fiscal Efficiency of Contracted Services in Virginia Public Schools Compared to Previous In-House Operations**

Fiscal Impacts of Privatization	Responses	Percent of Responses
Considerable Savings	8	9.4
Moderate Savings	37	43.5
No Savings	34	40.0
Moderate Loss	4	4.7
Considerable Loss	0	0.0
No Response	2	2.4
Total	85	100.0

### **Effectiveness of Privatized Services**

When contemplating privatization of educational services, school districts must consider the effectiveness of the service provided by the outside agency. The public school districts in Virginia indicated that contracted services were perceived to be “somewhat better” by 35.3% of the respondents and the “same service effectiveness” by 40.0% of the school districts when compared to previous in-house operations. Based upon the information obtained from the public school districts, 88.2% of the responding districts received at least the same or better service from the private sector, only 7.1% of

the school districts received service “less than expected”. Table 14 presents the data of the effectiveness of the contracted service compared to previous in-house operations as indicated by the public school districts in Virginia.

**Table 14. Effectiveness of Contracted Services in Virginia Public Schools Compared to Previous In-House Operations**

Level of Service	Responses	Percent of Responses
Much Better	11	12.9
Somewhat Better	30	35.3
Same Service Effectiveness	34	40.0
Less Than Expected	6	7.1
Worse Than Expected	0	0.0
No Response to Question	4	4.7
Total	85	100.0

#### **Unexpected Outcomes of Contracting Out**

School districts that have made the decision to privatize educational services have experienced some positive and negative outcomes that were not expected upon initial privatization. The results pertaining to the use of the private sector to provide educational services have varied for the public school districts in Virginia. Data from the survey are presented in Table 15.

**Table 15. Reported Outcomes in the Use of Contracted Services in Virginia Public Schools**

Outcomes of Privatization	Number of Comments (N=27)
<u>Positive Outcomes</u>	
Increased Savings	3
Skilled Personnel	3
Training of Employees	2
Increased Service Effectiveness	1
Increased Responsiveness	1
Little Resistance to Change	1
Increase Service Provision	<u>1</u>
Total	12
<u>Negative Outcomes</u>	
Decreased Service Effectiveness	6
Increased Expense	5
Lack of Continuity	2
Reduction in Ownership	2
Lack of Control	1
Staff and Community Complaints	1
Staff Turnover	1
Expediency of Service Provision	1
Security of School Inventory	<u>1</u>
Total	20

Positive Outcomes

School districts have experienced success with the use of the private sector in provision of educational services. Positive, unexpected outcomes include fiscal savings, skilled personnel, training of employees, effectiveness, responsiveness, little resistance to change, and increased service provision.

### Negative Outcomes

School districts reported negative outcomes with contracted services that resulted in a “lack of community ownership”. This negativism forced some school districts to reconsider the use of contracted services. The unexpected negative outcomes of privatization are loss of effectiveness, cost, continuity, reduction in ownership, lack of control, staff and community complaints, staff turnover, expediency of service, and security of school district inventory.

### **Analysis and Assessment**

The information obtained from this research indicates that public school districts in Virginia are most concerned about the cost and the necessity of the service. The study most often performed by school districts prior to privatization included cost analysis, 82.9%, and needs analysis, 73.4%. Personnel assessments were conducted 56.1% of the time. The data illustrate that little attention is given to the impact on the community when decisions are made concerning the privatization of educational services. Only 9.8% of the school districts performed a community assessment. Other assessments included service availability assessment, 1.2%; projected cost assessment, 1.2%; quality analysis, 1.2%; and state requirement analysis, 1.2%. Table 16 displays the data pertaining to the analysis and assessment conducted by school districts prior to privatization of educational services.

### **Changes to In-House Operations**

School districts that make the decision to privatize educational services must evaluate the service on a periodic basis. This may lead to the decision to revert back to in-house operation. The data revealed that some public school districts in Virginia have changed back to the original in-house operation. The services that had been privatized and were placed back under the direct operation of the school board are: custodial services (11); HVAC maintenance (4); physical therapy (4); computer repair (3); and occupational therapy (3). Other services that school districts have returned to in-house operations are computer consultation, health insurance consultation, pupil transportation, speech therapy, student information systems, electrical maintenance, food service, alternative education, and facilities management. Table 17 shows the change of privatization back to in-house operation as reported by responding school districts.

**Table 16. Analysis and Assessment Performed by Virginia Public Schools Prior to Privatization**

Analyses and Assessments	Responses (N=85)	Percent of Responses
Cost Analysis	68	82.9
Needs Analysis	61	73.4
Personnel Assessment	46	56.1
Community Assessment	8	9.8
None of the Above	6	7.3
Other:		
Service Availability Assessment	1	1.2
Projected Cost Assessment	1	1.2
State Requirement Analysis	1	1.2
Quality Analysis	1	1.2
Districts Not Responding	6	7.1

**Table 17. Change of Service Back to In-House Operation in Virginia Public Schools**

Services	Number of School Districts Reporting Change (N=85)
Custodial Services	11
HVAC Maintenance	4
Physical Therapy	4
Occupational Therapy	3
Computer Repair	3
Alternative Education	1
Building Maintenance	1
Computer Consultation	1
Environmental Consortium	1
Electrical Maintenance	1
Food Service	1
Facilities Management	1
Health Insurance Consultation	1
Pupil Transportation	1
Speech Therapy	1
Student Information Systems	1
Districts Not Reporting Changes	61



### Future Status of Privatization

Each year school districts must develop budgets that contain the necessary services to meet the needs of the students and are within the fiscal limits established by the governing body. Within the budgetary process, the decision to change programs from the previous year can be initiated. Table 18 presents data concerning projected changes in the provision of contracted services.

**Table 18. Future Changes in the Use of Contracted Services in Virginia Public Schools**

Future Change	Responses	Percent of Responses
Increase Services	27	31.8
Decrease Services	4	4.7
No Change	54	63.5
Total	85	100.0

Some of the school districts indicated a possible change in the future, either an increase or decrease. Only 4.7% of the districts projected a decrease in the contracting of educational services. The services that the districts are planning on implementing within the district are physical therapy and occupational therapy. An increase for the future in the amount of privatization was predicted by 31.8% of the districts. The respondents indicated the possibility of contracting out the following services: technology, alternative education, psychological evaluations, custodial services, electricity cooperative, purchasing cooperative, grant writing, HVAC, computer maintenance, food service, accounting, transportation, grounds and lawn, personnel, construction maintenance, printing, computer repair, general maintenance, and mailroom service. Nearly two-thirds (63.5%) of the responding school districts indicated no change is likely in the use of

privatized services. Change is sometimes difficult for people to accept. This fear and negativism can be a barrier to change (Leibensperger, 1994). This reluctance to change could also be attributed to satisfaction with the current service delivery and does not necessarily represent resistance to change. Table 19 contains the data pertaining to contracting out services in the future.

**Table 19. Services Being Considered for Future Privatization**

Services	Number of School Districts Reporting Interest in Contracting Out Service (N=85)
Technology	6
Custodial Services	6
Food Service	4
Transportation	3
Computer Maintenance	3
Purchasing Cooperative	2
Psychological Evaluations	2
HVAC	2
Grounds & Lawn	2
Alternative Education	1
Grant Writing	1
Electricity Cooperative	1
Accounting	1
Construction Maintenance	1
Personnel	1
Printing	1
Mailroom	1
General Maintenance	1

### Chapter Summary

The current status of privatization reported by the public school districts in Virginia revealed that 44 different services were provided by the private sector with an average of 5.3 services per school district. The services contracted out the most are school audits (64.7%), physical therapy (62.4%), legal services (58.8%), occupational

therapy (56.5%), and HVAC maintenance (24.7%). Of the most privatized services, all require specialized training and skills.

The services contracted out the most are also the services that have the oldest tenure based upon consecutive years of service. They are school audits, physical therapy, legal services, occupational therapy, and HVAC maintenance. Of the fifteen most privatized services, the new services in the reform movement of privatization based upon consecutive years of service are computer repair, after school programs, school law enforcement, and alternative education. These programs are becoming more prevalent due to changes in educational offerings and setting. Table 20 indicates the fifteen most privatized services in Virginia’s public schools and the consecutive years of privatization.

**Table 20. Fifteen Most Privatized Services in Virginia Public Schools and Consecutive Years of Service (N=85)**

Contracted Services	Number of School Districts Using Privatized Services	Consecutive Years of Service
<b><u>Instructional Services</u></b>		
Physical Therapy	53	9.1
Occupational Therapy	48	8.8
Personnel Policy Services	18	7.1
Printing	17	9.8
Computer Repair	16	3.8
Computer Consultation	16	5.5
Adult Education/GED	16	4.8
Alternative Education	13	3.6
Speech Therapy	12	7.3
Psychological Services	12	8.8
<b><u>Non-Instructional Services</u></b>		
School Audits	55	15.8
Legal Services	50	12.3
HVAC Maintenance	21	6.7
Grounds/Lawn Service	15	7.1
School Law Enforcement	10	3.6

The cost of the educational service varies depending upon the size of the school district and the quantity of the service needed within the district. The data obtained from

the research indicated that the majority of educational services are contracted on an individual basis as opposed to consortia-based contracting. The school districts allocate more for specialized services such as physical therapy, occupational therapy, computer technology, alternative education, and HVAC maintenance. Table 21 indicates the fifteen most privatized services with information about the contractual arrangement and the percent of budget allocated for privatized services.

**Table 21. Fifteen Most Contracted Services with Contractual Arrangement and Percent of Budget Allocation (N=85)**

Contracted Services	Contracted by Individual School Districts/With A Consortium	Percent of Budget Allocation for Privatized Service (Range)
<b>Instructional Services</b>		
Physical Therapy	48/5	0.01-0.4
Occupational Therapy	45/3	0.01-0.7
Personnel Policy Services	11/7	0.005-0.1
Printing	17/0	0.01-0.1
Computer Repair	15/1	0.04-0.5
Computer Consultation	15/1	0.02-0.9
Adult Education/GED	12/4	0.006-0.2
Alternative Education	5/8	0.02-1.7
Speech Therapy	10/2	0.008-0.6
Psychological Services	10/2	0.01-0.7
<b>Non-Instructional Services</b>		
School Audits	51/4	0.0009-0.09
Legal Services	47/3	0.01-0.3
HVAC Maintenance	21/0	0.02-0.5
Grounds/Lawn Service	15/0	0.009-0.5
School Law Enforcement	10/0	0.08-0.3

The public school districts in Virginia reported that the factors given the most consideration when privatizing educational services are efficiency/effectiveness (92.2), fiscal issues (89.4), provision of a better service (81.7), expert personnel (75.4), and the elimination of capital outlay (67.9). The importance factors given the most consideration prior to contracting out services deal directly with service quality and fiscal expenditures.

The chapter also contains data pertaining to previous in-house operations, service effectiveness, unexpected outcomes, analysis and assessment prior to contracting out, and the future status of privatization. The data were obtained from public school districts in Virginia.

## CHAPTER FIVE

### Summary, Conclusion, and Recommendations

School districts have long contracted intangible support services, such as custodial and maintenance services. In the nineties, the shift in the reform movement of privatization has moved toward services that require specialized training and skill. These services include, but are not limited to, legal services, computer repair, computer consultation, school law enforcement, and services for children with special needs, such as occupational therapy and physical therapy. The review of the literature addressed the methods of privatization, the advantages and disadvantages of using contracted services, and the reasons school districts privatize educational services. The use of the private sector to provide educational services is a management strategy school districts may use to provide specialized services, some of which are not directly related to teaching and learning.

The review of the literature addressed the advantages and disadvantages for the privatization of educational services. This information was obtained from school district experiences with the use of the private sector. The reported advantages of privatization include improved management efficiency, personnel reductions, increased competition, cost reductions, and awareness of service cost (Lieberman, 1989; Lyons, 1995). The advantages appear to be in the management and financial arenas. The reported disadvantages of contracting out services are increased expenditures, decreased control of service delivery, potential for corruption, lack of competitors, political implications, and public sentiment to change (Lieberman, 1989; Lyons, 1995; NEA, 1996; Poole, 1996). The disadvantages appear to deal with change and control.

Privatization gives school districts the opportunity to maximize the use of tax dollars while providing strong educational programs. This study examined the most common form of privatization, contracting out or outsourcing. People who are not directly employed by the school district provide educational services for the school district.

The purpose of this study was to describe and to analyze the privatization of educational services by contractual agreement in Virginia public schools. From the study, information was gathered about the current status of privatization, the factors

leading to contracting out, the effectiveness of the replacement service, the future status of privatization, and the perceived effectiveness of privatized educational services.

In order to address the guiding questions of the study, a survey was used to collect the data. The instrument was used to collect data relating to the current status of privatized services, the budgeted allocation for the service, the fiscal efficiency of privatization of educational services, the perceived effectiveness of the privatized services, and the future status of privatization. The data, after being analyzed and tabulated, were used to provide information pertaining to the following guiding questions:

- (1) What is the current status of privatization by contractual agreement of educational services in Virginia public schools?
- (2) What are the factors public school districts in Virginia consider when contracting out educational services?
- (3) What is the perceived effectiveness of the replacement service when compared to in-house operations based upon the viewpoint of the district superintendent or school official in the Virginia public schools that completed the instrument?
- (4) What is the fiscal efficiency of the replacement service when compared to the in-house operations based upon the viewpoint of the district superintendent or school official in the Virginia public schools that completed the instrument?
- (5) What analysis was completed upon initial consideration for contracting out educational services in Virginia public schools?
- (6) What is the future status of the privatization of educational services within public school districts in Virginia?

### **Data Collection and Data Analysis**

In an attempt to obtain an adequate response rate, the researcher applied the survey research guidelines established by Dillman (1978). The researcher sent 132 questionnaires, including a cover letter, and a pre-addressed stamped envelope to each district superintendent Virginia. The superintendents were asked to complete the survey or to forward it to another member of the central office staff responsible for arranging

contractual services. Of the 132 surveys sent, 85 were returned for a 64.39% effective response rate. All 85 returned surveys were usable.

The researcher compared the respondents and non-respondents of the study. The school districts were divided into quartiles and analyzed for participation in the study based upon school district enrollment and were also analyzed for participation by regional location. The comparison provided information about the respondents' demographics and was beneficial in determining the statewide representation of the respondents. The respondents appear to reflect the characteristics of the population.

The data were analyzed and tabulated upon receipt of the surveys. The information was presented using tables in the form of frequencies, percentages, and weighted scores. The analyses and tables express data pertaining to the privatization of educational services in Virginia public schools.

After reviewing and synthesizing the data, there appears to be a misrepresentation of the actual privatization of educational services. Some of the services, such as printing, school audits, and legal services, may be fundamentally understated. This misrepresentation should be given consideration when interpreting the data.

### **Conclusions**

The 85 public school districts in Virginia that participated in this study reported contracting out 44 educational services with the public sector. The data indicated an average of 5.3 services privatized per school district. The most privatized services in Virginia were school audits (64.7%), physical therapy (62.4%), legal services (58.8%), occupational therapy (56.5%), and HVAC maintenance (24.7%). The districts reported contracting out on an individual basis and were unlikely to cooperate with other districts or through consortiums. The services contracted in cooperation among school districts were special education services, physical therapy, personnel policy services, adult education/GED, and instruction via satellite.

Two national studies conducted by the National School Board Association (1995) and Intertec Publishing (1999) for *American School and University* magazine were research dealing with privatization. The NSBA (1995) study focused on the privatization of instructional and non-instructional services. This research reported the most privatized services were facilities maintenance (38%), food service (32%), transportation (31%),



vehicle maintenance (24%), and special education (13%). Intertec Publishing (1999) conducted research with a focus on non-instructional services. This study reported the most privatized services as being transportation/busing (30.0%), HVAC maintenance (28.3%), food service (23.3%), office equipment repair (23.3%), and computer servicing (18.3%). The results reported by the public school districts in Virginia are similar to the national studies except for the contracting of food service and transportation.

The smallest school districts privatize more educational services per school district (6.2) than the largest school districts (4.1). The smallest districts allocate 1.78% of their annual budget for contracted services. This could be due to the small school districts inability to hire specialized personnel or to the lack of demand for full-time personnel. Small school districts may not have the financial capacity or personnel to provide the services required for operation of a school district.

When superintendent study groups were compared, Regions 6 and 7 average more than 6 privatized services per school district. The school districts in Region 6 allocate and average of 1.6% of their budget for contracted services. School districts in this region tend to privatize educational services more than the other regions.

The school districts reported allocating very small percentages of their annual budgets for contractual services. The majority of the school districts budget for the direct delivery and management of educational services. The school districts do not allocate additional tax dollars for private sector use in the provision educational services.

The public school districts in Virginia contracted out services that require special training and skill. These services can be divided into three categories, special education and related services such as physical therapy and occupational therapy, professional contractual agreements such as legal services and school audits, and services requiring special training such as HVAC maintenance. The school districts may contract for the services due to the compensation required by the service provider and the need within the district. Temporary and part-time service, such as audits, legal services, and HVAC maintenance, can be provided by contractual agreement without hiring full-time personnel. Some school districts contract services, such as speech therapy, occupational therapy, and physical therapy due to the salary structure established by the governing

body. In order to provide educational services at an acceptable fee to the community some school districts contract with the private sector.

The public school districts in Virginia tend to work independently when offering educational services. There was little collaboration or cooperation among local school districts, regional groups, or statewide when considering service delivery. The educational services provided through a consortium were personnel policy services, adult education/GED, special education, alternative education, and instruction via satellite.

The importance factors were calculated using weighted values. The factors given the most consideration toward privatization were service efficiency/effectiveness (92.2), fiscal issues (89.4), provision of a better service (81.7), use of expert personnel (75.4), and elimination of capital outlay (67.9). The research conducted by Intertec Publishing (1999) reported that saving money (89.7) and improving operations (89.0) were the most important factors given consideration when contracting educational services. The NSBA (1995) reported that the reasons school districts contract out were for cost reduction (45%) and service effectiveness (29%). Schools districts were concerned with financial issues and service quality when considering the private sector in the provision of educational services.

In the current study, school districts were concerned with service effectiveness and fiscal efficiency of contracted services. Financial savings were reported by 52.9% of the school districts that use the private sector for provision of educational services, and only 4.7% reported a moderate loss. Since school districts in Virginia usually contract out to the lowest bidder, the cost is usually competitive for the market depending upon the number of vendors involved in the bidding process. Virginia appears to be a conservative state in the privatization reform movement; the districts appear to privatize the services that are difficult for the individual district to provide due to supply and demand, service compensation, and the frequency of service delivery. Therefore, school districts reported saving money and in most instances did realize savings based upon the type of services. Also, school districts must evaluate the effectiveness of the contracted service to determine the benefits it provides to the students and community. When compared to previous in-house operations, 88.2% of the school districts in Virginia reported at least the same or better service provision from the private sector. Some of the

services that are provided by the private sector were not conducive to being supplied by school district employees. School audits and legal assistance are more conducive to contractual agreements due to the frequency the service is needed by the school district.

NSBA (1995) reported that the privatization of services resulted in improved efficiency and lower costs. The school districts in Virginia reported both positive and negative outcomes as a result of privatization. Positive outcomes were savings, the acquisition of skilled personnel, and the training of employees. The negative outcomes reported were a lack of service effectiveness, increased cost, lack of continuity of service, and staff reduction in ownership. The negative results of privatization as reported by the NSBA (1995) were resistance of school employees to change and poor service quality associated with the use of the private sector. The results obtained by this research for the public school districts in Virginia were similar to the information gathered by the national studies.

Based upon the negative outcomes and the evaluation of the effectiveness of the privatized service, some of the school districts in Virginia reported changing back to in-house operation to control service delivery. The school districts reported changing from a contracted service to local control for custodial services (11), HVAC maintenance (4), physical therapy (4), occupational therapy (3), and computer repair (3). All of the changes were not due to unsatisfactory performance; some of the changes were based upon the availability of the needed professional at a fee competitive for the school district. Custodial services were changed back to in-house operation and several school districts mentioned one particular contractor. It appeared that several school districts tried to obtain a short-term solution to an ever-existing problem, the cost of personnel for custodial services.

Prior to making the decision to privatize educational services or return to in-house operation, school districts should analyze and assess the current service delivery. The public schools in Virginia reported conducting cost analyses (82.9%), needs analyses (73.4%), and personnel assessments (56.1%) prior to changing to privatized services. The information obtained from the study indicated the school districts were concerned with cost, the need for the service, and personnel. Community assessments were performed only 9.8% of the time. A community assessment involves examining a broad

segment of the community to determine attitudes and feelings of changing the current mode of service delivery to the private sector. Changing to the use of contracted services can be difficult for personnel and members of the community. The employees are subject to changes in wages, in benefits, and in employment status. If current members of the community and employees do not “buy into” the movement, it will alienate the individuals and lead to a reduction in employee and community ownership (NSBA, 1995). In order to have successful privatization reform, the stakeholders must have input and deem the move beneficial to the school and community. The school district should analyze and assess the current operation prior to privatization. A cost analysis, a needs analysis, a community assessment, and a personnel assessment can be used to provide the governing body with information before the decision is made to use the private sector in the provision of educational services.

The school districts in Virginia reported an expected increase of 31.8% in the use of contracted services, and 63.5% indicated that they did not expect a change in service delivery for the future. Intertec Publishing (1999) reported an increase of 26.7% of privatization in the next few years. The majority of public school districts in Virginia do not expect an increase in the use of privatization.

In the field of education, there is the desire for school boards to provide services that are effective and efficient. The issue of privatization in education appears to be an issue of growing interest for the financial managers and the public sector. It has become a newsworthy topic for journals, magazines, and newspapers. Privatization appears to a management strategy given consideration during the budgetary process, but very little change is evident in the delivery of services in the public schools in Virginia. Schools districts are managing and providing the majority of educational services. The actual use of the private sector in the field of education does not appear to be as abundant as the political discussions and rhetoric in the journals and magazines.

### **Implications for Practice**

At first glance, the privatization initiative appears to be a productive and fiscally efficient management strategy. The most common form of privatization is contracting out, a written agreement with the private sector to provide an educational service. Some services are more conducive to contractual agreements, such as legal services, physical

therapy, and occupational therapy. This type of service requires highly skilled individuals that command competitive salaries. Other educational services, such as custodial services, transportation, and food service can be adapted for private sector delivery.

With the current demands of the Standards of Learning movement, school leaders are more attentive to the instruction of children. The instructional focus may have changed, but the school districts are still responsible for a growing number of services. These services are not directly related to learning but are an important facet of the education process. School districts must provide services traditionally not in the field of education, such as physical therapy and occupational therapy. This can lead to school districts contracting services in which the supervisory staff has little understanding of the skills involved.

The school districts in Virginia reported the use of privatization for the provision of educational services. This management strategy is used by all the school districts in the Commonwealth, but only for specific services. School districts tend to operate and manage the provision of educational services. The public school districts in Virginia consider privatization as a useful management strategy, but report a continuance of in-house operation for educational services in the future.

Before searching for alternatives for service provision, school districts should evaluate their own in-house operations and develop management techniques to increase efficiency and productivity. Communicating with all stakeholders and discussing improvement strategies may increase productivity. By empowering current personnel, implementing their ideas, and addressing their concerns the productivity and efficiency should increase. This will require a shift in management strategy from control to empowerment. Personnel empowerment will promote ownership in the work environment that will flow into the community (Murphy, 1996). The employees will become more focused which could result in a consumer-oriented system (Bernas, 1992).

Prior to contracting with the private sector, public school districts in Virginia completed needs and cost analyses. The districts did not report using personnel or community assessments with any consistency. Prior assessments and analyses are vital to successful privatization; everyone must be involved in the implementation to ensure

positive change. To effectively change a process, the leaders must have a clear understanding of the attitudes, perceptions and concerns of the stakeholders. By assessing and analyzing all the stakeholders, including personnel and the community, the school districts may experience more success with privatization. It was reported that one school district considered contracting out and upon completion of the analysis, the in-house operation had improved due to the prospect of change.

If the governing body wants to use the private sector to provide educational services, a joint effort among schools districts should be used as an alternative to independent contracting. If the school districts work cooperatively together, as a consortium, stress could be reduced and allow for more professional input into the contractual agreement. A consortium is an organization of school districts run by all the partners.

This process could become more cost efficient and effective if neighboring school districts or regional efforts were made to work cooperatively together and contract out services as a group. This collaboration would reduce competition among school districts and increase professional interest for the skills being contracted.

School districts in Virginia can also work cooperatively with the governing body in the county, the board of supervisors, county health agencies, and local community services. This collaborative effort could lead to savings for all county agencies. The county agencies could share services such as legal services, HVAC maintenance, school audits, health services, grounds/lawn service and maintenance. This partnership would allow for more of the stakeholders to be involved in the education process and improve ownership.

Public school districts in Virginia are under the scrutiny of the government and the media. This has caused a change in the instructional delivery and the school environment. Based upon the most often contracted services and the shortest tenure of consecutive years of contracting out, computer repair, school law enforcement, and alternative education are programs that appear to be increasing. State and local governments, including business corporations, are usually available to provide financial assistance to programs in the infancy stage. Money may be available in the form of

grants for these new programs. School districts in Virginia are able to obtain school resource officers by securing grants.

### **Recommendations for Future Research**

This study could be simplified and produce an accurate set of data for the current status of privatization in the public school districts in Virginia. In an attempt to collect the appropriate data for the topic, the instrument may have been complicated, which may have reduced the accuracy of the responses. The instrument for this study could be changed and constructed in a manner to better collect the data. Reducing the services being studied and omitting the financial data could simplify the instrument. The section of the survey dealing with service effectiveness should be specific to the services selected for the study.

This study could also be replicated in each individual Superintendent's Region. These case studies would provide information for school districts within each region to determine similarities and differences among the school districts in the manner in which they provide educational services. It is recommended that this study lead to an evaluation of the school districts that experienced success with privatization and the school districts that were unsuccessful in the use of the private sector in providing educational services. This information could lead to a design for successful privatization of educational services and cooperation within and among superintendent regions.

The researcher suggests that a more in-depth study of service effectiveness be conducted in Virginia public schools. Some of the contracted services are more effective than others compared to in-house operations. This research could lead to an assessment designed for privatization and would also provide information about the services most suitable for contracting out.

Another recommendation for research would be to conduct a case study of the bid documents and contracts of successful and unsuccessful privatization. This would be useful in evaluating the specific terminology used in the documents and would give the school districts interested in contracting out specific services the terms and conditions to use in the bid and contract component of privatization.

A case study using two similar forms of privatization of educational services, one successful and one unsuccessful, could be used to determine the attitudes and morale of

all the stakeholders and participants. This in-depth study could provide valuable information about how to successfully change the process and attitudes of all the stakeholders in privatization reform.

### **Summary**

Privatization in the public school districts of Virginia is used to provide educational services for the school and community. The school districts reported contracting out services that require specialized skill or training. To successfully privatize educational services school districts must assess the cost, the current need for the service, the personnel, and the community. Failure to involve all stakeholders in the movement may result in negative outcomes due to alienated employees causing a reduction in ownership.

If implemented properly, privatization may lead to positive outcomes for the school and community. Some professionals consider privatization to be an option for lack of funding for education. It is not a short-term solution for the provision of quality educational services.

### **Reflections**

The concept of this paper began with my desire to investigate the growing number of services being offered in public schools. This desire led to an interest in the privatization of educational services provided by the public sector. It evolved into an in-depth study of the privatization of educational services in Virginia public school districts. I chose to conduct my research in one state in order to provide the public school districts a status report of the privatization movement.

The results of the study were as I expected; the school districts in the Commonwealth are conservative, so the data reflect no unexpected outcomes. The low number of school districts working together to purchase services was a concern; I consider the use of consortia as a management strategy school districts could use to provide educational. This cooperation may lead to improved services and improved educational benefits for the students.

The raw data obtained from this study may be tainted due to the fundamental understatement of some services being provided by the private sector. For services such as, printing, school audits, and legal services, the school districts may have been lax in



reporting the use of the private sector for these services. The vast majority of school districts in Virginia retain attorneys and accountants for services on a need basis and they also contract with printing companies for large projects. Due to this fundamental error in reporting, there may be some services that are understated. This should not diminish the integrity of this study, the conclusions, or the recommendations.

Privatization is a management and political strategy that educators and school boards must consider for the daily operations of a school district. Due to budgetary constraints, privatization may be considered more frequently in the future. This may lead to an increased use of the private sector in the provision of educational services. Before considering the use of the private sector, the district leaders should consider the impact of privatization on all stakeholders, the students, the employees, and the community.

In my 14 years of teaching and administration in the public schools, I have been impressed with the loyalty and dedication of school employees. In order to promote a healthy working environment, everyone must work cooperatively together to provide the best instructional setting for all students. The employees must have pride in their work and take ownership in their building, school district, and community. The goal of all school districts should be to produce successful and productive citizens. For this to occur, all employees associated with the educational process of children must work for the well being of each and every student.

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## APPENDICES



## Appendix A

July 28, 1999

Brian Agnes  
Group Publisher  
American School & University Magazine  
9800 Metcalf Avenue  
Overland Park, Kansas 66212

Dear Mr. Agnes:

I am in the dissertation stage of a Doctoral Program at Virginia Polytechnic Institute and State University. The focus of my dissertation is the Privatization of Educational Services in Virginia Public Schools. The Dissertation will address the extent of privatization, reasons for privatization, satisfaction of privatized services, and the future status of privatization.

I am requesting permission to use the survey from the 1997 *American School & University Privatization Study for Schools*. Some minor modifications will be made to the instrument in order to make it applicable to this study. Proper credit for use of this survey will be given to *American School & University*.

Thank you for your cooperation and assistance.

Sincerely,

Barry D. Yost  
Richlands Middle School  
Assistant Principal

Christina M. Dawson  
Assistant Professor, ELPS

## Appendix B

January 4, 2000

Mr. John Doe, Division Superintendent  
Tennessee County Schools  
600 Public School Drive  
Anywhere, TN 37650

Dear Mr. Doe:

I am in the dissertation stage of a Doctoral Program at Virginia Polytechnic Institute and State University. The focus of my dissertation is the Privatization of Educational Services by Contractual Agreement in Virginia Public Schools. The study will address the extent of privatization, reasons for privatization, satisfaction with privatized services, and the future status of privatization.

I would appreciate your assistance in the development of the survey. In an attempt to produce a concise and exhaustive instrument, the survey must be field-tested by active professionals in the field of education. Since the population for my study will consist of all the school districts in Virginia, I have chosen to field-test the instrument in neighboring states.

You can help me by completing the survey and evaluation form. Please respond on the form provided and return the completed survey using the pre-addressed envelope by January 20, 2000.

I appreciate your assistance in development of the research instrument. If you have any questions about this request, please contact me at home (540) 999-5555 or work (540) 999-4444.

Sincerely,

Barry D. Yost  
Doctoral Candidate

Christina M. Dawson  
Assistant Professor

### Survey Evaluation Form

1. Based upon your knowledge of school divisions, does the proposed survey list all of the educational services that could be supplied by the private sector using contractual agreements?

Yes                      No

If "no", please list specific educational services that you think should be added.

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2. Please list any educational services or questions that you think should be deleted from the survey.

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3. Please list any entries that appear to be unclear or need to be reworded

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4. Please list any suggestions for improving the survey.

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5. Based upon your experience in public school operations, which professional should be asked to complete the survey? Please select one.

A. Superintendent    B. Business Manager/Official    C. Other \_\_\_\_\_

6. How much time was required to complete the survey?

\_\_\_\_\_ Minutes

**Please return the completed survey and evaluation form by January 20, 2000.**

## **Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

This survey document will be used to obtain information that will be applied to a dissertation study. This questionnaire should require no more than 20 minutes of your time, yet will provide vitally important information for this study. The more information that can be gathered, the more accurate and beneficial the conclusion will be to all school divisions in Virginia.

The identification number on the survey will be used for mailing purposes only. The school divisions that return the instrument will be removed from the database. All participants in the research project are assured of complete confidentiality. Neither the individual nor the school division will be identified in the final report.

I.D.# \_\_\_\_\_

If you have questions about this request, please contact me at home (540) 999-8888 or work (540) 999-9999.

**Return the Survey by January 20, 2000.**

## **Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

1. What is the current annual budget for your school district?

\_\_\_\_\_

2. Please complete the chart on the following pages about the services that your school division has turned over to an outside contractor (privatized). By definition, this means that the outside contractor either manages your employees and program or provides its own people on a regular contract basis. The service is provided in accordance with a contractual agreement over a specified period of time, usually annually. For this study, contracts for specific jobs that are not annual agreements should NOT be considered. If you send something out when it needs repair, or call in an expert when something breaks, that should NOT be included.

**Column I:** Of the services listed, mark (x) all of the services that your school district contracts out.

**Column II:** Are the contracted services arranged through a consortium (mark C) or by your individual school district (mark I)?

A consortium is a combination of two or more school divisions working as one unit to contract out a service.

**Column III:** What percent of the annual budget is spent on the marked services?

**Column IV:** Of the services marked (x), how many consecutive years has your school district contracted out the service with the private sector?

*Complete all relevant columns. If column I is marked (x), columns II, III, and IV should be completed.*

**Return the Survey by January 20, 2000.**

Educational Services	I	II	III	IV
	(x)	(I) or(C)	Allocation	Years
1. After School Programs				
2. Adult Education – GED				
3. Alternative Education				
4. At Risk Programs				
5. Accounting Services				
6. Administrative Positions				
7. Computer Repair				
8. Computer Consultation				
9. Custodial Services				
10. Financial Planning				
11. Facilities Management				
12. Grant Writing				
13. Grounds and Lawn Services				
14. General Maintenance				
15. Instruction Via Satellite				
16. Instructional Equipment				
17. Food Service				

**Column I:** Mark (x) all of the services that your school district currently contracts out.

**Column II:** Arranged through a consortium (C) or by your individual school district (I).

**Column III:** What percent of the annual budget is spent on the marked services?

**Column IV:** Consecutive years the marked (x) services have been contracted out.

Educational Services	I	II	III	IV
	(x)	(I) or (C)	Allocation	Years
18. HVAC Maintenance				
19. Occupational Therapy				
20. Legal Services				
21. Public Relations				
22. Psychological Services				
23. Physical Therapy				
24. Printing				
25. Purchasing				
26. Payroll Preparation				
27. Personnel Policy Services				
28. School Audits				
29. Student Counseling				
30. Student Transportation				
31. School Law Enforcement				
32. Security				
33. Speech Therapy				
34. Other:				

**Column I:** Mark (x) all of the services that your school district currently contracts out.

**Column II:** Arranged through a consortium (C) or by your individual school district (I).

**Column III:** What percent of the annual budget is spent on the marked services?

**Column IV:** Consecutive years the marked (x) services have been contracted out.

3. If your school district were to consider using contracted services (privatization) in any area, how important are the following factors in making a decision? Please mark one importance for each factor.

Factors for Contracting Out	Very Important	Important	Somewhat Important	Not at all Important
1. Fiscal Issues				
2. Efficiency/Effectiveness				
3. Public Opinion				
4. Better Equipment				
5. Professional Management				
6. Increased Accountability				
7. Labor Relations				
8. Save Administrative Time				
9. Provision of A Better Service				
10. Expansion of Service Provision				
11. Flexibility of Schedule				
12. Eliminate Personnel Problems				
13. Convenient Service				
14. Expert Personnel				
15. Eliminate Need for Significant Capital Outlay				
16. Other:				

4. With regard to your school division's annual budget, what best describe the fiscal efficiency associated with privatization of services when compared to in-house operations? Please select one.

**Considerable Savings**      **Moderate Savings**      **No Savings**      **Moderate Loss**      **Considerable Loss**



5. With regard to your school division, what best describes the effectiveness of the privatized service(s) when compared to in-house operations?  
Please select one.

**Much Better**    **Somewhat Better**    **Same Service Effectiveness**    **Less Than Expected**    **Worse Than Expected**

6. Upon initial consideration of contracting out a service, did your school division complete the following?  
Please check all that apply.

- 1. Cost Analysis \_\_\_\_\_
- 2. Needs Analysis \_\_\_\_\_
- 3. Community Assessment \_\_\_\_\_
- 4. Personnel Assessment \_\_\_\_\_
- 5. None of the Above \_\_\_\_\_
- 6. Other \_\_\_\_\_

7. With regard to your school division, what changes do you anticipate in the use of contracted services in the next few years? Please select one.

- 1. Increase
- 2. Decrease
- 3. No Change

Please list the services that may be affected by the change.

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8. List the services (currently not contracted out) that your school district has contracted out in the past and changed back to in-house operations.

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9. What unexpected outcomes occurred as a result of your school division contracting out a service(s)?  
Please Explain:

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10. Please use the space below to make any additional comments.

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## **Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

Thank you for completing this questionnaire. Professionals in the field of education and I appreciate your sincere effort and support of educational research.

Please complete the section below. You may be assured of complete personal and district confidentiality. Your name and phone number will be used only if there is a clarity issue that requires further explanation when analyzing the survey responses.

**Name:** \_\_\_\_\_

**Work Phone Number:** \_\_\_\_\_

**Return the Survey by January 20, 2000.**

## Appendix C

### **Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

This survey document will be used to obtain information that will be applied to a dissertation study. This questionnaire should require no more than 20 minutes of your time, yet will provide vitally important information for this study. The more information that can be gathered, the more accurate and beneficial the conclusion will be to all school divisions in Virginia.

The identification number on the survey will be used for mailing purposes only. The school divisions that return the instrument will be removed from the database. All participants in the research project are assured of complete confidentiality. Neither the individual nor the school division will be identified in the final report.

I.D.# \_\_\_\_\_

If you have questions about this request, please contact me at home (540) 999-8888 or work (540) 999-9999.

**Return the Survey by March 1, 2000.**

## **Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

1. What is the current annual budget for your school district?

\_\_\_\_\_

2. Please complete the chart on the following pages about the services that your school division has turned over to an outside contractor (privatized). By definition, this means that the outside contractor either manages your employees and program or provides its own people on a regular contract basis. The service is provided in accordance with a contractual agreement over a specified period of time, usually annually. For this study, contracts for specific jobs that are not annual agreements should NOT be considered. If you send something out when it needs repair, or call in an expert when something breaks, that should NOT be included.

**Column I:** Of the services listed, mark (x) all of the services that your school district contracts out.

**Column II:** Are the contracted services arranged through a consortium (mark C) or by your individual school district (mark I)?

A consortium is a combination of two or more school divisions working as one unit to contract out a service.

**Column III:** What is the amount of money allocated in the current budget (1999-2000) for the marked services?

**Column IV:** Of the services marked (x), how many consecutive years has your school district contracted out the service with the private sector?

*Complete all relevant columns. If column I is marked (x), columns II, III, and IV should be completed.*

**Return the Survey by March 1, 2000**

Educational Services	I	II	III	IV
	(x)	(I) or(C)	Allocation	Years
1. After School Programs				
2. Adult Education – GED				
3. Alternative Education				
4. At Risk Programs				
5. Accounting Services				
6. Administrative Positions				
7. Computer Repair				
8. Computer Consultation				
9. Custodial Services				
10. Financial Planning				
11. Facilities Management				
12. Grant Writing				
13. Grounds and Lawn Services				
14. General Maintenance				
15. Instruction Via Satellite				
16. Instructional Equipment				
17. Food Service				

**Column I:** Mark (x) all of the services that your school district currently contracts out.

**Column II:** Arranged through a consortium (C) or by your individual school district (I).

**Column III:** What is the allocation in the current budget for the marked service?

**Column IV:** Consecutive years the marked (x) services have been contracted out.

Educational Services	I	II	III	IV
	(x)	(I) or (C)	Allocation	Years
18. HVAC Maintenance				
19. Occupational Therapy				
20. Legal Services				
21. Public Relations				
22. Psychological Services				
23. Physical Therapy				
24. Printing				
25. Purchasing				
26. Payroll Preparation				
27. Personnel Policy Services				
28. School Audits				
29. Student Counseling				
30. Student Transportation				
31. School Law Enforcement				
32. Security				
33. Speech Therapy				
34. Other:				

**Column I:** Mark (x) all of the services that your school district currently contracts out.

**Column II:** Arranged through a consortium (C) or by your individual school district (I).

**Column III:** What is the allocation in the current budget for the marked service?

**Column IV:** Consecutive years the marked (x) services have been contracted out.

3. If your school district were to consider using contracted services (privatization) in any area, how important are the following factors in making a decision? Please mark one importance for each factor.

Factors for Contracting Out	Very Important	Important	Somewhat Important	Not at all Important
1. Fiscal Issues				
2. Efficiency/Effectiveness				
3. Public Opinion				
4. Better Equipment				
5. Professional Management				
6. Increased Accountability				
7. Labor Relations				
8. Save Administrative Time				
9. Provision of A Better Service				
10. Expansion of Service Provision				
11. Flexibility of Schedule				
12. Eliminate Personnel Problems				
13. Convenient Service				
14. Expert Personnel				
15. Eliminate Need for Significant Capital Outlay				
16. Other:				



4. With regard to your school division's annual budget, what best describe the fiscal efficiency associated with privatization of services when compared to in-house operations? Please select one.

**Considerable Savings      Moderate Savings      No Savings      Moderate Loss      Considerable Loss**

5. With regard to your school division, what best describes the effectiveness of the privatized service(s) when compared to in-house operations? Please select one.

**Much Better      Somewhat Better      Same Service Effectiveness      Less Than Expected      Worse Than Expected**

6. Upon initial consideration of contracting out a service, did your school division complete the following? Please check all that apply.

- 1. Cost Analysis \_\_\_\_\_
- 2. Needs Analysis \_\_\_\_\_
- 3. Community Assessment \_\_\_\_\_
- 4. Personnel Assessment \_\_\_\_\_
- 5. None of the Above \_\_\_\_\_
- 6. Other \_\_\_\_\_

7. With regard to your school division, what changes do you anticipate in the use of contracted services in the next few years? Please select one.

- 1. Increase
- 2. Decrease
- 3. No Change

Please list the services that may be affected by the change.

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8. List the services (currently not contracted out) that your school district has contracted out in the past and changed back to in-house operations.

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9. What unexpected outcomes occurred as a result of your school division contracting out a service(s)?

Please Explain:

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10. Please use the space below to make any additional comments.

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## **Privatization of Educational Services by Contractual Agreement in Virginia Public Schools**

Thank you for completing this questionnaire. Professionals in the field of education and I appreciate your sincere effort and support of educational research.

Please complete the section below. You may be assured of complete personal and district confidentiality. Your name and phone number will be used only if there is a clarity issue that requires further explanation when analyzing the survey responses.

**Name:** \_\_\_\_\_

**Work Phone Number:** \_\_\_\_\_

**Return the Survey by March 1, 2000.**

## Appendix D

February 14, 2000

Woodrow Mullins, Superintendent  
Tazewell County Public Schools  
209 West Fincastle Turnpike  
Tazewell, VA 24651

Dear Mr. Mullins:

I am in the dissertation stage of a Doctoral Program at Virginia Polytechnic Institute and State University. The focus of my dissertation is the Privatization of Educational Services by Contractual Agreement in Virginia Public Schools. Privatization is a strategy used by school divisions across the Commonwealth that allows the private sector to provide services for students. This study addresses the extent of privatization, reasons for privatization, satisfaction with the privatized service, and the future status of privatization.

Your school division has been selected for inclusion in this study. It is important that your school division be part of this study due to the minimal research in this area for the state of Virginia. The more information that can be gathered, the more accurate and beneficial the conclusions will be to all school divisions in Virginia. A questionnaire is enclosed that should require no more than 20 minutes of your time, yet will provide vitally important information for this study. You, as a division superintendent, can help me by having the business official complete the questionnaire, or if you arrange contractual agreements, please complete the survey yourself.

A pre-addressed, stamped envelope is enclosed for your convenience to return the completed survey. I will appreciate receiving your responses by March 1, 2000. If you have questions about this request, please contact me at home (540) 555-5555 or work (540) 555-5555.

You may be assured of complete confidentiality. The questionnaire has a coded number on the cover that will be used for mailing purposes only. This is so your school division can be removed from the database once the instrument is returned.

Thank you for spending a few thoughtful moments to complete the questionnaire.

Sincerely,

Barry D. Yost  
Doctoral Candidate

Christina M. Dawson, Ed. D.  
Assistant Professor

## Appendix E

March 3, 2000

Woodrow Mullins, Superintendent  
Tazewell County Public Schools  
209 West Fincastle Turnpike  
Tazewell, VA 24651

Dear Mr. Mullins,

You recently received a questionnaire seeking information about the Privatization of Educational Services by Contractual Agreement in Virginia Public Schools. If you have already completed and returned the survey, please accept my sincere thanks. If not, please complete the survey today.

If by some chance you did not receive the questionnaire, or it has gotten misplaced, I will send you another within the next two weeks. Again, thank you for your assistance.

Sincerely,

Barry D. Yost  
Doctoral Candidate

## Appendix F

March 17, 2000

Woodrow Mullins, Superintendent  
Tazewell County Public Schools  
209 West Fincastle Turnpike  
Tazewell, VA 24651

Dear Mr. Mullins:

Your assistance and cooperation is vital to this study concerning the Privatization of Educational Services by Contractual Agreement in Virginia Public Schools. I want to include the information from your school division in this report.

I have not received your completed questionnaire, accordingly, I have enclosed another survey for you to complete and return to me by April 3, 2000. A pre-addressed, stamped envelope is enclosed for your convenience.

Thank you for your assistance and cooperation. I look forward to hearing from you.

Sincerely,

Barry D. Yost  
Doctoral Candidate

Christina M. Dawson, Ed. D.  
Assistant Professor

## VITA

Barry Dwight Yost was born in Richlands, Virginia on February 24, 1964. He was the fourth child and lived with his parents, Perry A. and Clara L. Yost, in Richlands.

Barry graduated from Richlands High School in June 1982; entered Southwest Virginia Community College in August 1982; and was awarded an Associate Degree in Science in 1984. He received a Bachelor Degree in Elementary Education from Virginia Polytechnic Institute and State University in July 1986; completed the Principal Preparation Program at Virginia Polytechnic Institute and State University and was awarded a Masters Degree in July 1993; was awarded an Educational Specialist Degree from Virginia Polytechnic Institute and State University in July 1999; and was awarded a Doctorate of Education from Virginia Polytechnic Institute and State University in December 2000.

Barry has served as an assistant principal, teacher, and coach in the field of education. Barry has been employed by Tazewell County Public Schools for the past 14 years.