

The New Educational Privatization: Educational Contracting and High Stakes Accountability

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The institutional landscape of K–12 educational contracting is fundamentally changing. Based on industry and district data, this study identifies three distinct shifts in the content and structure of interactions between suppliers of instructional goods and local school systems. These shifts include 1) elevation of test-related services and products, 2) increasing emphases on technology-based solutions, and 3) an expanding role for the state in spurring market activity. Drawing on a case study of district practice, the study provides evidence of how broader changes are influencing local contracting activities, and the dilemmas and responses generated by these pressures. The study suggests the need for new conceptual approaches to studying educational privatization that draw on the institutional analysis of organizations and also identifies critical questions for future research.

INTRODUCTION

Education privatization is a buzzword that encompasses a broad range of activities, initiatives, programs, and policies such as charter schools, vouchers, the contracting out of instructional and non-instructional services, and the total management and takeover of entire school districts and schools. While differing significantly in their design, these initiatives all involve in some way the transfer of funds and/or responsibilities from government and public institutions to private companies and organizations (Belfield & Levin, 2002). The policy debate around educational privatization has intensified in the wake of the No Child Left Behind Act of 2001 (NCLB) and its explicit incentives for private-sector involvement in schools that fail to make adequate yearly progress.

Some of the most significant developments in educational privatization are occurring out of the spotlight of the press and academics. Across the country, urban school systems are relying on the services and products of specialty-service providers to jump-start compliance with NCLB. These

shifts may help some districts to support more rapid and flexible exchange of data. However, these developments also may serve to detract reforming districts from their commitment to improving teaching for traditionally underserved students and to building collective capacity to sustain changes over time.

This article has three main objectives. First, I examine key assumptions and limitations of the existing literature on educational privatization. I argue that the literature is highly polarized around broad ideological arguments and provides limited understanding of the local organizational dynamics and policy issues engendered by emerging forms of educational privatization. Second, drawing on ideas from the new institutional analysis of organizations, I investigate recent trends in educational privatization and the significance of these trends for reforming school districts. Third, I draw on this analysis to sketch a new conceptual framework for studying educational privatization and identify critical areas for future research.

HISTORICAL CONTEXT

Educational privatization has a long history in the United States (Murphy, Glimmer, Weise & Page, 1998; Rowan; 2001). The term refers to everything from district outsourcing of food services to the takeover of entire schools and school districts by outside firms. This article focuses on a particular subset of activities within educational privatization: the contracts that local education agencies establish with non-governmental agencies (both not-for-profit and for-profit) for designing and delivering instructional and non-instructional services. This includes products and services ranging from the design of instructional materials to software for tabulating and reporting test scores. In contrast to other forms of privatization such as vouchers in contracting, the district maintains control over funds (the money flows from the district to outside firms) and, in theory, the use of those funds through the design of RFPs (Requests for Proposals) and the establishment of contracts.

Over the past thirty years, scholars have sought to describe the effects of contracting activity in education. This work encompasses discussions of early initiatives such as the Texarkana project and more recent developments in the 1990s, such as the Edison Project and Educational Alternatives Inc. Joseph Murphy and colleagues (1998) usefully categorized contracting initiatives into two major categories: educational management organizations and specialty-service providers. Educational management organizations (EMOs) are comprehensive in nature and include companies that manage entire school systems or entire schools. These firms typically assume full responsibility for all aspects of school operations including administration, teacher training, and non-instructional functions such as building

maintenance, food service, and clerical support (Beales & O'Leary, 1993). A second group of firms are known as specialty-service providers. These businesses contract to fulfill specific educational functions such as providing remedial services, creating the content of tests, and/or providing teacher-staff development.

PAST RESEARCH PERSPECTIVES

With a few exceptions, studies on educational contracting tend to be polarized around broader ideological arguments.¹ These arguments center on the role of the market and the role of government in the provision of public services, such as education, health care, and social services. Proponents decry the regulative excess of government in general and public school systems in particular, and call for school level and parental control over education dollars (cf. Finn and Hess, 2004; Flam and Keane, 1997; Hill, Pierce, and Guthrie, 1997; Lieberman, 1989). From this perspective, the contracting out of public services to non-government parties is a means for improving the quality of educational services while minimizing costs. This line of research has informed understanding of the internal conditions that lead local educational agencies to contract and its cost effectiveness.

Other scholars have also analyzed privatization on ideological grounds while putting forth different concerns (cf. Apple, 2001; Bracey, 2002; Giroux, 2002; Saltman, 2000; Smith and others, 2003). Namely, these scholars view privatization in education as part of a larger threat to publicly governed education. They focus on how privatization reforms concentrate wealth in the hands of big corporations. This research has informed understanding of how global trends, such as the rise of market ideology, have spurred educational privatization. Within this scholarship, one also finds some attention paid to the micro effects of privatization on school communities, in particular, the ways in which privatization reforms further exacerbate inequalities related to race, social class, and geographic location (cf. Lipman, 2004; Smith, 2004).

In spite of the sharp ideological differences, both research approaches reflect a limited view of educational privatization.² First, much of the literature assumes a zero-sum relationship between the private sector and the public sector (cf. Bauman, 1996; Lieberman & Haar, 2003; Finn & Hess, 2004; Giroux, 2002; Lipman, 2004; Smith, 2004). It views power gained by the private sector under privatization reforms as power lost by the public sector, or vice versa.³ Thus, from the proponents' perspective, when private-sector influence in education expands (as when districts contract with EMOs to provide services), the role and influence of government decreases. From the opponents' perspective, when the private sector expands

its role in public education, the health of the democratic system of governance is weakened. Both perspectives reflect skepticism about the possibilities for reforms that strengthen public governance of the K–12 education system while expanding private-sector opportunities within school systems.

Second, much of the literature fails to examine district-contracting activity in the context of broader federal and local policy developments. It assumes rather that districts decide to contract on the basis of whether a private contractor can perform the service more efficiently (cf. Coulson, 1999; Flam & Keane, 1997). It ignores how governmental agencies at the local and federal level may seek to encourage contracting in the absence of any firm evidence that outside vendors are more efficient. Departing from this approach, I examine changes in the educational industry in direct relationship to current Federal policy developments. I look at the ways in which Federal policy designs privilege certain kinds of expertise and create local demand for private contracting services. I also consider how educational privatization both is shaping and being shaped by locally designed efforts to improve instruction system-wide.

A third weakness of the existing research is that it treats for-profit organizations and not-for-profit organizations as occupying distinctly different universes. This view is particularly evident among scholars opposed to privatization. They characterize for-profit organizations as greed driven relative to not-for-profit organizations that are viewed as motivated by public service concerns (cf. Bracey, 2002; Smith, 2004). Not-for-profit and for-profit organizations do differ in significant ways (Rowan, 2001). Specifically, for-profit organizations can use revenue from government contracts to spur future profit-making activities; not-for-profit organizations cannot. These differences unquestionably influence how each kind of organization approaches its work. However, these differences may become less pronounced and less important in light of the policy changes I chart below. Both kinds of organizations are in a position to generate substantial revenues under NCLB. Both kinds of organizations are expanding the scope and scale of their work with local school districts. Therefore, I examine how both kinds of organizations are responding similarly to market trends and the wider policy import of their collective behavior for urban school systems.

THEORETICAL FRAMEWORK

To address the limitations of existing research, I draw on the concept of the organizational field developed by institutional theorists in organizational sociology (DiMaggio & Powell, 1991; Scott & Meyer, 1994). The activity of organizations within public education reform can be analyzed at many different levels: at a societal level, at the level of an organizational population

(e.g., school districts), organizational subsystem (e.g., department), or at the level of an organizational field (Scott, 1995). DiMaggio & Powell (1983, p. 143) define organizational fields as “those organizations that in the aggregate constitute a recognized area of institutional life; key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar products or services.”

The concept of the organizational field builds on the more conventional concept of industry—a population of organizations operating in the same domain, such as test development companies (Scott & Meyer, 1994). However, it expands this conceptualization to include organizations that demand and consume those services (e.g., districts that purchase standardized tests from companies), as well as other organizations that provide similar products or services (e.g., not-for-profit research and development centers that conduct psychometric evaluations of new tests). Organizations can be part of the same organizational field even if they operate in different parts of the country or if they have different legal status (for example, whether they are a for-profit or not-for-profit organization). From the perspective of the organizational field, marketplace transactions between consumers and suppliers represent critical influences on educational reform.

Research that adopts a field perspective on education reform implementation involves four core components. First, from a field perspective, the principal actors in public school reform include both governmental and non-governmental organizations, as well as for-profit and not-for-profit firms. Second, field analysts make interaction across these organizations the primary unit of analysis rather than focusing exclusively on interactions across governmental levels. Third, in considering the significance of these interactions for reform, field theorists seek evidence of changes in services and products, governance structures, and the establishment of new roles and organizational types. For field theorists, these more intermediary policy effects signal important shifts in the reform climate. Consequently, they view them as important in understanding the policy conditions that support organizational innovation. Finally, organizational field theorists pay considerable attention to the power of the state in shaping industry behavior and economic transactions.

RESEARCH DESIGN

This theory directly informed the design of this study, both in terms of the data I collected and how I analyzed that data. For example, at the first level of analysis, I sought evidence of shifts in dominant services and products within government education contracting over the past twenty years. I drew on current market trend data from the education industry and annual reports (1997–2004) filed with the Securities & Exchange Commission by

publicly traded key suppliers. I used this data to identify four dominant domains of contracting out in the K–12 education sector: test development and preparation, data management and reporting, content area-specific programming, and remedial services.

In investigating these shifts, I collected data on the roles of both governmental and non-governmental organizations. To cross-check the trends reported by industry leaders and analysts, I analyzed the web-based policy documents of ten large public elementary and secondary school districts (student enrollment ranging from 60,000–360,000) located in different geographic regions of the United States. In each district, I reviewed current district mission statements and goals, district-wide and departmental strategic plans, and budget reports. Where available, I also reviewed district summaries of contracting activities, including current RFPs either recently awarded to outside contractors or pending.

In analyzing these documents, I sought confirming or disconfirming evidence of market developments reported by industry leaders. I also examined the role of Federal policy as a driver of these shifts. Specifically, I analyzed the legislation and regulations of the 2001 reauthorization of the Elementary and Secondary Education act, commonly referred to as the No Child Left Behind Act of 2001. In addition, I analyzed the marketing materials of key suppliers in the four areas identified above to explore the degree to which firms were using NCLB to market their products (see Table 1).

Table 1. Revenue Analysis of Leading Companies in New Educational Privatization. Based on percentage increase in annual reported revenues over three-year period in K–12 education services. Source: Securities & Exchange Commission.

Domain	Company Description	1997–2000	2001–2004
Test development & preparation	Develops content of exams and offers wide range of supplemental content linked to test preparation and standards alignment	40%	77%
Data management & analysis	Provides technology-enhanced assessment, data and instructional solutions for districts and states	19%	46%
Remedial services	Offers supplemental services in reading and mathematics for pre-school to adult learners both within and outside of school settings	86%	300%
Content area specific programming	Produces reading intervention content and training and professional development through customized consulting, and online courses	20%	150%

Note. In contrast to four specialty-service providers represented in the table, a leading EMO experienced a decline in revenues of 37% over the same time period.

The second level of analysis focused on understanding the relationship between these macro-level trends and reform dynamics within three urban school systems. Here, I drew on a larger qualitative research project of school-central office dynamics in systemic instructional reform. The three-year study focused on the meaning and consequences of district efforts to become more accountable to school-level needs for instructional support. Data collection included interviews, observations, and document analysis at the school and central office levels. Included were interviews with 82 cabinet-level and mid-level district staff representing a range of departments and levels. In addition, researchers conducted interviews with 185 school personnel representing 23 schools across three districts (11 elementary, 4 middle, and 8 high schools). The sample was limited to schools that served a high percentage of children from families living in poverty and represented a range of grade levels and achievement levels. School and central office interviews focused on district instructional goals, the perceived challenges to addressing these goals, and the resources used to address these challenges.

Data from across the three districts supported evidence on national trends of the importance of both for-profit and not-for-profit vendors in local reform implementation. Across the three districts, middle managers representing a range of departments reported relying on contracts with both for-profit and not-for-profit organizations to assist them in multiple aspects of reform implementation (Burch & Spillane, 2004).

Two years after the conclusion of this analysis, I returned to the field and resumed data collection in one district site, the Midvale Public School System. My goal in this third level of research was to understand more fully the significance and meaning of educational privatization for local reformers (at both the central office and school levels) by situating it in the context of one district's particular reform story. I selected Midvale purposely as a case study because of characteristics that made it a particularly good setting to explore the influence of NCLB on district-contracting activity. The district depends heavily on Title I funding, but until the introduction of NCLB, did not attach high stakes to student test performance. In developing the Midvale case study, I conducted a series of extended follow-up interviews with key informants including six central office staff and six school administrators.

THE NEW EDUCATIONAL PRIVATIZATION: BROAD TRENDS AND FEDERAL DRIVERS

In the mid-1990s, district contracts with specialty-service providers represented only a small slice of the privatization market in education (Murphy, Gilmer, Weise, & Page, 1998). However, in the past five years, specialty-service providers have become vital players in the K-12 education market.

Table 1 provides evidence of how revenues for specialty-service providers have accelerated under NCLB. Local education agencies now spend approximately \$20 billion per year on purchased services and products within the K–12 education market. While historically, standardized tests have been an important niche within the education industry (Rowan, 2001), products and services demanded under high-stakes accountability reforms have become the fastest-growing segment of the K–12 education market (Stein & Bassett, 2004a, b).

I use the term *new educational privatization* to refer to the growing market for products and services driven by Federal and local accountability mandates. Entrants into the field are likely to become pressured to adopt patterns of behavior that emphasize these products and services in order to achieve legitimacy as vendors and obtain needed Federal resources to pay for services. Four functions are central to the new educational privatization: test development and preparation, data analysis and management, remedial services, and content area-specific programming. Districts historically have contracted with outside vendors for services in each of these areas (Flam & Keane, 1997; Murphy, Gilmer, Weise, & Page, 1998). Table 1 identifies key suppliers and current leading companies in each of the four activity domains. In the following section, I give specific examples of the new products and services that these firms now offer. Through analysis of district policy documents and the financial statements of key suppliers, I present evidence of growing local demand for these services and the role of current Federal education policy in spurring demand and influencing field changes.⁴

TEST DEVELOPMENT AND PREPARATION

Local education officials historically have contracted with third parties to develop and administer standardized tests and to check the validity and reliability of test items (Murphy, Gilmer, Weise, & Page, 1998; Rowan, 2001). In the past five years, the market has become more active (Stein & Bassett, 2004a, b). Sales of printed materials related to standardized tests nearly tripled between 1992 and 2003, jumping from \$211 million to \$592 million.⁵ Key suppliers within this segment of the market include test content and exam providers, standards alignment providers, and psychometric evaluators, providers of test-delivery services. One of the four largest companies in the area of test development and preparation generated sales of \$4.4 billion and a profit of \$560 million in 2003 (Stein & Bassett, 2004a, b).

In the past, vendors' role in test development and preparation mainly involved creating the content of tests and materials designed to increase students' test performance (Murphy, Gilmer, Weise, & Page, 1998). Under

the new educational privatization, the role of vendors has expanded to include aligning tests with other aspects of districts' reform agendas (Stein & Bassett, 2004a, b). Test development and preparation vendors now offer districts full-service test development solutions that include customized products and services for teachers, students, and school administrators. In advancing into this market, large firms (both profit and not-for-profit) are leveraging their roles as test-content creators to create libraries of test simulations that allow educators to assess students regularly without waiting to see how they perform on standardized tests. With the introduction of these new products and services, test developers have expanded their role from designers of assessments to designers of systems for monitoring compliance with standards and designers of pre-packaged interventions.

According to industry analysts, district demand for standards-alignment services is at a high level (Stein and Bassett, 2004a, b). One leading provider reports contracts with over 400 school districts nationwide, representing more than 3,200 schools and 1.2 million students (EdMin.com, 2004). Providing supporting evidence of this trend, district reform plans reviewed for this study were peppered with references to the importance of "standards-alignment systems" in helping districts achieve instructional goals and eliminate the achievement gap. District rationale for the purchase of the alignment systems echoed the marketing pitches of test development preparation firms, in their emphasis on achieving more efficient progress toward test score targets and facilitating communication across different stakeholders.

NCLB has helped firms providing test development and preparation services to make fast inroads into local markets (Stein and Bassett, 2004a, b). Prior to NCLB, many districts had adopted state standards or developed their own standards, but did not attach stakes to standards progress. NCLB significantly raised the stakes on standards progress by introducing sanctions for schools and districts that fail to make adequate yearly progress toward standards in reading and mathematics. This policy creates increased incentives for districts to assess frequently and early and to identify which students and schools are at risk. Revenues for firms providing test development and preparation services also appear to have accelerated under NCLB as reflected in Table 1.

Test development firms have sought to use NCLB mandates to attract new business. Major suppliers of test development and preparation firms explicitly reference the No Child Left Behind Act on their Web pages, and several named the law as spurring revenue in their recent financial statements. In addition, they all have links to the Department of Education's Web site on No Child Left Behind, and include in their marketing materials references to how their products can help districts comply with NCLB.

DATA MANAGEMENT AND ANALYSIS

New products and services related to data analysis and management also have emerged under the new educational privatization. Districts historically have contracted out aspects of data analysis and management, while keeping other elements of the work in-house (Flam & Keane, 1997). During the 1990s, most district technology spending went toward computers and Internet hook-ups, a reflection of the Clinton administration's eagerness to wire schools for the "Information Age." Today, most districts are relatively well-equipped with hardware—so districts are free to spend more of their technology budget on software.

Suppliers have responded aggressively with new products and services. Key suppliers include for-profit and not-for-profit score analyzers and firms specializing in the design of computer-based information management systems. Most leading suppliers now offer data interpretation services in addition to compiling raw scores. The firm disaggregates raw scores by various student populations (e.g., special education, African-American) or skill areas (e.g., reading comprehension). In addition, rather than simply providing the overall school community with a raw score for each grade level, many firms now provide different stakeholders (e.g., parents, individual teachers) with customized printouts that pinpoint individual students' strengths and weaknesses.

As part of their expanding portfolio of assessment solutions, other firms now offer districts hardware and technical support in redesigning their entire student information system to become, to quote one firm's marketing pitch, "more results-oriented." These firms work with districts to move all data (individual student records, school enrollment data, and achievement patterns) onto a centrally hosted software application. The intent is to create an information system that affords users (teachers, administrators, principals) working in disparate schools or departments access to a common core of data.

The policy documents of medium to large school districts reflected a growing demand for data management and analysis products. Districts described plans to evaluate instructional reforms in relation to more sophisticated outcome measures that were disaggregated by subject area, grade-level, and racial and cultural group. In addition, several district plans described efforts to improve the management of their information systems. Their strategic plans emphasized the importance of developing systems that, to quote one district plan, "monitor outcomes instead of activities and that integrate student and operational management systems into a seamless whole." In their annual reports, several districts also described making staffing changes (e.g., creating new positions with primary responsibility for managing the new system).

As in the case of test development and preparation, NCLB appears to be helping to drive the market for new data services and products. As displayed in Table 1, one firm specializing in technology-based instructional solutions for districts and states saw revenues accelerate nearly three-fold since the adoption of NCLB.

Under NCLB, states, districts, and schools for the first time are required to report standardized test data by student subgroups. Because nearly every district and school participates in the Title I program, these mandates have contributed to a higher volume of business for vendors in this area and encouraged firms to invest in new technology (Stein & Bassett, 2004a, b).⁶

REMEDIAL SERVICES

The new educational privatization also has brought expanded opportunities for not-for-profit and for-profit providers of remedial services. Here, I refer to firms that contract with districts to provide remedial services to students who perform poorly on standardized tests. In the past, districts contracted with outside firms to provide educational services for students whom the district believed it lacked the expertise to instruct (Murphy, Glimer, Weise, & Page, 1998). For example, districts contracted with outside vendors to provide instruction for students with severe behavioral and emotional disabilities. They also contracted with vendors for foreign language instruction and driver education.

Now, a growing number of districts are relying on outside vendors to provide remedial instruction to students who continue to attend regular classrooms during the day (Sunderman and Kim, 2004).⁷ With services paid for by the district, the students receive remedial instruction through after-school or summer-school educational programs located on or off school grounds and designed and staffed by outside firms. Through these changes, vendors are assuming central responsibility for the education of a newly created category of students—students who fail to perform well on standardized tests. While new Federal policies define eligibility rules and mandate participation, outside vendors design the remedial curriculum as well as hiring and training remedial teachers.

In 2003, for-profit tutoring companies took in \$4 billion in revenue. By 2005, revenues could exceed \$5 billion. Sylvan Education Solutions is perhaps the most prominent firm nationally to contract with local education agencies to provide these services.⁸ It operates school- and community-based tutoring centers nation-wide, and has been approved to receive Title I funds under NCLB in 25 states. While Sylvan was the leading provider of supplemental education services even before NCLB, its revenues have accelerated since the enactment of the law as reflected in financial statements filed with the Securities and Exchange Commission. A medium urban school

district spent approximately \$3.2 million during the 2004–2005 school year to provide after-school tutoring to students (Carr, 2005).

NCLB also has played a prominent role in spurring industry opportunities in the area of remedial interventions. Prior to NCLB, there was little Federal funding available to districts for after-school programming. NCLB creates funding for remedial services in two ways. First, the law outlines a sequence of progressive consequences for underperforming schools and districts. NCLB requires school districts to spend up to 20% of their Title I money on both the transfer and tutoring options at high-poverty schools. Continuation of Federal funding is contingent on schools' ability to make Adequate Yearly Progress (AYP). Schools and districts have a much bigger incentive than in the past to "remediate" quickly or at the very least, signal that they are serious about trying to do so. In addition to funds provided under Title I of NCLB, the 21st Century Learning Center provides funds (over \$300 million in 2002) for after-school programming.

As in other areas, vendors of remedial services have sought to leverage NCLB mandates as part of their marketing strategies.

CONTENT AREA-SPECIFIC PROGRAMMING

Content area-specific programming is the fourth area attracting new industry opportunity. Content area-specific programming refers to both products (e.g., books, CD-ROMs) and services (e.g., workshops, conferences, and consulting) that focus on improving student learning and/or teacher and administrative practice in core subject areas such as reading, mathematics, and science. Districts have historically contracted with external professional developers for some aspects of in-service teacher and administrator staff development. Under the new educational privatization, districts are investing an increasing amount of their professional development dollars in outsourcing content area-specific services (Stein & Basset, 2004a,b).⁹ The top four vendors specializing in instructional materials in literacy and mathematics in this area reported sales for 2003 in the range of \$1 million to \$2 million.

Not-for-profit and for-profit organizations are equally represented among lead suppliers of content area-specific programming, with revenues for non-profit companies reaching \$1.57 billion in 2003 and revenues for for-profit providers reaching approximately \$1.62 billion. Vendors are capitalizing on professional development demand through customized online professional development services that teachers can access from their classroom. For example, one key supplier of content area-specific programming, Wilson Academy Literacy curriculum, allows teachers to download and print literacy tools such as word cards, decodable stories, and student notebook pages. More intensive packages offer teachers online

trainer feedback and college credits possibly leading to recertification. Through these services, the vendor becomes a *de facto* district staff development office in providing not only instructional materials, but also ongoing technical assistance to teachers seeking to improve their practices. Moreover, vendors are assuming this role in high-priority content areas.

NCLB is helping to drive district demand for content area-specific programming as reflected in Table 1. A firm that produces reading intervention content and training and online courses experienced revenue growth of 150% in the three years following the adoption of NCLB, relative to 20% revenue growth in the three years preceding the adoption of the law. Under the law, accountability is measured by students' performance on standardized tests in reading and mathematics. With Federal funds tied to improvements in these areas, districts have a much greater incentive than in the past to concentrate resources in these areas. Districts that have failed to make AYP are steadily becoming important consumers of content area-specific programming. In 2002, because only 36% of its 430,000 students made the reading standard, Chicago paid \$84,000 to a vendor of online literacy curriculum. Similarly, Las Vegas, a city that also has reported a significant percentage of students failing to make AYP in mathematics, is paying \$1.1 million for instructional software.

DEPARTURE FROM PAST PRACTICES

In sum, over the past decade, the content as well as the boundaries of the field of educational privatization have shifted significantly. First, established practices are giving way to the emergence of new products and services. In the past, districts' contracting out for technological services was limited to basic data-processing functions such as payroll or very basic scoring of standardized tests into raw scores. In contrast, the majority of products and services encompassed within new educational privatization rely on new technologies. The technologies that are central to market activity under the new educational privatization include both Web-based and offline resources. These resources include new learning technologies to help districts diagnose and remediate skill gaps, administer tests, and/or provide interactive Internet-based professional development. They also include new management tools aimed at improving organizational efficiency by helping administrators at different levels exchange data more efficiently and leverage outcome data for program planning.

Second, educational privatization is typically thought of as freeing educational services from governmental regulations or creating new markets as alternatives to government-delivered services (Belfield & Levin, 2002). As

described above, changes in the field of educational privatization have increased firms' resource dependency on the Federal government.

As discussed below, companies involved in the new educational privatization view the mandates of NCLB as driving industry growth and explicitly market their products as helping educators comply with NCLB mandates. Reflecting this influence, the new educational privatization further elevates the role of standardized tests and test preparation materials. In addition to integrating technology, the majority of products and services are designed to help districts comply with mandates related to the scoring and reporting of standardized test score data and to avoid possible sanctions for poor test score performance.

Lastly, under the new educational privatization, vendors and districts share partial responsibility for critically important aspects of public school governance, including agenda setting, the monitoring and interpretation of reform outcomes, and professional development. Structuration of the field has led vendors and school systems to explore new forms of collaboration and also potentially new forms of field domination. Districts have historically relied on outside vendors for functions related to standardized tests such as test preparation and score reporting. But now, districts are also paying outside vendors to assist them in the overall design and operation of accountability reforms. District vendors establish broad parameters of what they are willing to pay for services. Vendors adjust costs to increase their competitiveness in the bidding process. The firms that once simply developed the tests now also play an important role in designing the interventions for failing students and schools. Firms that once simply provided raw test score data to district administrators now make decisions that shape how schools and districts will interpret that data, and even the structures through which they communicate. Firms that once served students with severe emotional and behavioral needs now are responsible for educating students whose only "special need" is their poor performance on standardized tests. Firms that once specialized in unique kinds of programming (e.g., driver education, foreign languages) have become the major source of professional development and instructional materials in critical subject areas such as reading and mathematics. Furthermore, as reflected in marketing materials and interviews, the executives of both for-profit and not-for-profit firms are defining their mission as integrally connected to the goals of high-stakes accountability reforms, and specifically the No Child Left Behind Act, rather than viewing their work as distinctly separate from the reform agendas of public school bureaucracy.

These combined developments reflect fundamental changes in the field of educational privatization. Over time, interactions between local school systems and non-governmental organizations have introduced new products and services that elevate the importance of standardized tests and new

technologies in public education reform. The interactions have stimulated new forms of collaboration between firms and local school systems. These changes can partly be explained by the expanded influence of the Federal government through the introduction of new mandates and financial incentives.

SITUATING NEW EDUCATIONAL PRIVATIZATION IN LOCAL REFORM EFFORTS

Local actors such as school systems do not just reproduce field dynamics, but rather help produce them and also transform them through strategic behavior (Suchman, 1995). In this next level of analysis, I situate my broader discussion of new educational privatization in relation to one district's particular reform history. My analysis focuses on the role and interests of four categories of field actors: firms providing test development and administration services, firms providing data management and analysis services; district administrators, and school leaders. My case study contributes to organizational field theorists' treatment of agency by investigating how local actors both responded to broader field dynamics and in the course of their interactions, further shifted the content and structure of educational privatization in the district.

The Midvale School District is one of the 100 largest school districts in the United States. In 2002, it enrolled approximately 100,000 students across 202 schools. Like most school districts, the Midvale Public School System has historically contracted with outside vendors for both instructional and non-instructional services. Like many districts across the country, the school district now finds itself in a kind of perfect storm. On the one hand, declining state and local budgets are forcing cuts in district-level support. Simultaneously, the district faces increasing pressure under the No Child Left Behind Act to make rapid progress toward state-adopted standards and to develop the internal reporting capacity to demonstrate progress. The pressure is intensified by the fact that Title I under NCLB represents an important funding stream for the district. The district received close to \$65 million in Title I funds in 2004. Because of its dependence on Title I funding, the district is under pressure to comply with mandates or lose the funding.

These factors make Midvale a rich setting to examine various interactions among NCLB, market developments within the education industry, and local reform. Midvale has focused on improving student achievement through increased accountability for over a decade, with the development and introduction of district-wide standards and grade-level expectations. Three core objectives have anchored Midvale's instructional reforms. These

are data-based decision-making (using student outcome data to make more informed instructional decisions at the classroom, school, and district levels), academic press (sustained effort at the classroom, school, and district levels to improve the quality of teaching and learning for all students), and reform coherence (finding ways to help different district initiatives converge rather than compete).

Midvale's work on these objectives can be categorized into two basic phases: the first occurring in 1995–2000 and the second in 2000–2004. Midvale middle managers relied on outside vendors in both phases of the work. The broad focus of contractors' work in each phase involved helping the district revamp its student assessment system. However, the products and services that were the focus of that work differed significantly in each phase as described below.

PHASE I ACCOUNTABILITY REFORMS

In 1996, the district adopted a balanced assessment system that incorporated multiple measures of student performance that included classroom-based assessments and system-wide performance assessments in addition to standardized norm-referenced tests. Two veteran district administrators described the classroom-based assessments as an effort by the district to motivate teachers and students to pursue in-depth conceptual learning around academic content. Performance assessment items typically took the form of real-life problems that required students to apply academic content knowledge. According to several reports, this goal reflected the long-standing reform culture in the district—a culture that frowned upon reliance on standardized tests as the sole measure of school accountability and that recognized the school and the classroom as critical units in instructional change.

After the school board approved the new assessment system, Midvale middle managers contracted with a for-profit company, Assessment Inc., to assist with the development of new assessments and provide training and technical support to teachers and district administrators. The firm was an established provider of performance-based assessments. Central office staff and the staff of Assessment Inc. shared responsibility for the re-design of assessments. The outside vendor provided assessment models and technical support to district staff around the use of assessments. In addition to hiring the firm, the district convened working committees of middle-grade teachers to assist with the scoring and development of new assessments. The teams worked over the course of two years to adapt the sample assessment models provided by the firm to more accurately reflect the district's new learning standards. Central office staff also established a

testing schedule for performance-based assessments and designed teacher guidebooks.

Other organizations provided supportive roles in the development of the assessments. For example, the district also hired a not-for-profit advocacy organization to evaluate the balanced assessment initiative and identify recommendations for improving its effectiveness. The completed evaluation advised the district to expand the use of assessments to other grades and provide systematic training and support for teachers in the use of assessments. An informal network of principals, the Midvale Principal Collaborative, also played an advisory role to the district and Assessment Inc. in the design of assessments. For example, as one principal (a member of the collaborative) recalled, the collaborative offered recommendations on how to make assessments developmentally appropriate for middle-school students and devised strategies for integrating the assessments into the district's middle-school curriculum. In sum, while the superintendent and school board were the initial designers of Midvale's accountability reforms, the meaning of these reforms depended significantly on interactions between middle managers and the for-profit and not-for-profit vendors with whom they contracted.

PHASE II ACCOUNTABILITY REFORMS

In phase 2 of the work, the district continued its emphasis on strengthening its assessment system and contracted with outside vendors to support this agenda. However, the focus of the contracting began to shift in anticipation of the high-stakes accountability reforms legislated under the No Child Left Behind Act. The work moved from a tri-part focus on standardized tests, district-wide performance assessments, and classroom-based assessments to a more exclusive focus on norm-referenced standardized tests. In interviews, district staff identified NCLB as helping to drive these changes. Before NCLB, the district's accountability approach had been low-stakes. In other words, while the district focused on student performance, its reforms did not include consequences for poor performance. NCLB brought consequences for standardized test performance and new reporting requirements and demands for district administrators as emphasized by the following Midvale administrator, "For the first time, people really have to take these tests seriously; that's good, but NCLB also has meant for us in the district lots of new reporting requirements, and lots more reporting requirements."

In the face of these new demands, the district turned to outside vendors, and according to two district administrators, began to spend a significantly higher sum of money on the purchase of outside products and services. The district first contracted with a local software company to help it redesign its

information system. District staff members involved in that exchange described the company as local and relatively responsive to district demands. District staff worked to build a personal relationship with marketing executives: for example, by inviting them over to their houses for barbeques. As one administrator recalled, "These things were important because it helped us become more than simply another customer, and helped the firm get to know us as a district."

The small company eventually was bought by a much larger national firm. The large firm had contracts with hundreds of districts, and according to a district staff's report, was much less responsive than the first firm. As one administrator explained, "With this company [the large firm] we quickly realized that we have zero chance that company executives are going to care about what Midvale needs. There are these things called fit analysis in which the district and vendor is supposed to sit down and talk about how a product should be customized, but are they going to listen to us? Why should they?"

As part of the contract, the district continued to maintain responsibility for training and support in the new system. It created several new positions in the office of research and accountability, both of which were funded with Title I funds. The individuals hired to fill these positions described their job as leading workshops for administrators and teachers to familiarize them with the new system and its capabilities. However, according to one district administrator, the new information system also required skills that district staff did not necessarily possess. To address this need, the district hired another firm to design and run programs on the new system.

In sum, over time, the meaning of accountability reforms in Midvale as defined by district policy and practice evolved. The evolution of Midvale's accountability reforms is partially explained by shifts in the interaction between district administrators and outside vendors. In phase 1, the key supplier was a small locally based company whose staff had opportunities and the incentive to get to know the district and be responsive to its concerns. In phase 2, the key supplier was a large firm that responded to the district's concerns about software by providing them with a telephone number to call for customer support. The evolution is also partially explained by the influence of Federal policy on these interactions, and the new demands that NCLB placed on district staff in the form of timelines and reporting requirements. These shifts generated significant new resources and dilemmas for school administrators and educators involved in the day-to-day work of implementing accountability reforms. I explore the outcome of these field changes in relationship to three aspects of Midvale's original instructional agenda: a) data-based decision-making, b) reform coherence, and c) academic press.

DATA-BASED DECISION-MAKING

In many respects, the developments charted above moved Midvale closer to its goal of becoming more data-based in all aspects of its instructional decision-making. Specifically, work with outside vendors helped the district upgrade its information system in ways that allowed district administrators to work more creatively and efficiently with student outcome data and use this data as the focus of their interactions with school staff. One district administrator reported that the new information system allowed him to pinpoint possible sources of poor school performance by combining, for example, parental characteristics with student achievement data. Another administrator commented on the ways in which the new system increased system-wide access to data through a Web-based interface, commenting that "...the old system was static; only a few people had the right software on their machines. Now with the Web-based interface and software, it's easier to get to; one doesn't have to be at the right computer; even if you're in a school, you can still get the data."

However, while technologically sophisticated, the new system may also have had the unintended effect of reinforcing district-wide inequities around the access and use of data. The new system included a built-in security system (a standard feature of the software) that gave district administrators and vendors ownership over the data and more authority to manipulate it in the ways that they wanted. Teachers were classified as only casual users of data. As casual users, teachers had the capacity to print out other peoples' reports, but only limited authority to query the data. In this sense, the new technology may have served to perpetuate a certain dysfunctional hierarchy by ignoring teachers' needs to retrieve and interpret data as questions arose. The complexity of the new system also tended to benefit individuals who already had some capacity to use the system. These individuals gained even more knowledge resources through the system's enhanced analysis capabilities. For example, according to central office staff, principals working in high-performing schools tended to be the most active users of the new system. For example, they came to the workshops offered by the district or sent their staff. They also used the technology in the context of district-mandated school improvement plans. In contrast, principals in low-performing schools were much less active users of the new technology.

The problem was not that the district purchased the new technology as opposed to developing it on its own. The problem resided instead in the absence of any meaningful dialogue between vendors and district staff about the fit between the new software and district reforms. Teachers and school principals had complained for many years that the district's technology tools were not user-friendly. The district had created an educational

technology taskforce to address the issue. However, vendors were not represented on this committee. As the market for the new educational privatization intensified (and small firms were bought by larger firms), opportunities for substantive district-firm dialogue were further diminished.

REFORM COHERENCE

Consensus has grown on the importance of aligning district policies and practices with the larger goals of improving student achievement (O'Day & Smith, 1993). In some respects, the changes charted above helped the district in its agenda of building more coherence into its reform activities. Outside firms assisted the district in better aligning district assessments with newly adopted standards and professional development. The system helped the district in its agenda to make sure that materials, tests, standards, and expectations supported classroom instruction. Furthermore, the design of the new information system enabled a more integrated use of data. In particular, it allowed for different kinds of data (e.g., student outcome data, parental characteristics) to be combined and updated regularly.

While strengthening the cohesion in policy *design*, the work of vendors did little to address the problem of social cohesion in the district, in particular relationships between district administrators in different departments and between district administrators and school administrators. While a significant number of people in the district believed in the importance of standardized tests and high-stakes consequences, there were others who did not. In particular, district staff specializing in literacy encouraged the use of classroom-based assessments and worked with school staff to develop and use these assessments. In contrast, mathematics staff members were more comfortable and supportive of the use of standardized tests and new technology.

As policy emphasis on standardized tests increased (spurred by new technologies), ideological differences between mathematics and literacy departments heightened, putting increased strain on inter-departmental relationships and reducing levels of inter-departmental interaction. Literacy coordinators boycotted meetings and workshops. Mathematics coordinators and staff in research and accountability organized "secret" departmental meetings that excluded literacy staff.

While the tensions between the two departments were long-standing, the expanding role of vendors in district practices exacerbated these tensions. When tensions between departments mounted, the district hired a consultant from a large publishing firm to lead a weekend retreat aimed at resolving inter-departmental conflict. According to several district staff who participated in the seminar, the retreat proved to be a disaster. The consultant who led the seminar simply used it as another opportunity to pitch

the firm's products. The consultant lacked a basic understanding of Midvale's culture and traditions. Thus, her actions and statements at the retreat did nothing to strengthen the staff's sense of connection to one another and to the district's larger vision.

ACADEMIC PRESS

In some respects, the changes charted above also may have helped the district intensify its focus on academic achievement. Where the system was once designed around procedural data (compliance with mandated activities), it now revolved around student outcome data. The data was broken down into student segmentations, which many schools found useful. One principal described the progression, "Before there wasn't much engagement in the results. All we got was whether students passed or not. We didn't get individual results; we didn't get a breakdown and so we didn't know what they were getting and what they weren't getting based on the score." In phase 2, assessments became more closely aligned with standards, so that assessments tested the depth of knowledge implied by standards rather than simply rote knowledge.

As described above, the key supplier in phase 2 was a big firm specializing in products and services related to standardized tests. The size of the firm and its product focus threatened to dwarf the "other half" of the district's balanced assessment system—specifically its commitment to performance-based assessments and classroom-based assessments. According to several teachers, in phase 2 of the work, school communities had access to a wide array of products and services related to the scoring and analysis of standardized tests. These products and services were made available to teachers as part of the district's contract with the vendor. Classroom-based assessments became the responsibility of a small department in the district. Relative to the firm, the department's technical support strategy was much less aggressive. Teachers reported that there were virtually no tools and services available to support them in using classroom-based assessments. Several teachers perceived this as a problematic development in terms of the districts' larger goal of improving instruction since both performance-based assessments and classroom-based assessments can be appropriately used by teachers in instructional decisions about individual students. For example, teachers may use these assessment results in grouping students or in identifying areas in which particular students need additional or different instruction. A Midvale reading teacher talked about performance-based assessments in this way: "They [performance-based assessments] are sort of structured instruction, in what I feel is a positive way. That's really the point of performance assessments; [it] is to try and push instruction in a positive direction." Standardized tests cannot be used in

the same way because they do not capture changes in individual student progress over time.

The significance of these developments—the rise of standardized tests in the district and the de-prioritizing of performance-based assessments—needs to be considered in light of prior research on the effects of high-stakes accountability reforms on children of color and poverty. Researchers have consistently shown that children of color and poverty are most likely to bear the burden of reforms that elevate standardized assessments over formative assessments (cf. McNeil & Valenzuela, (2001) Under NCLB and the new educational privatization, this condition may worsen as a larger proportion of district funds are consumed by purchasing products and services related to standardized tests.

DISCUSSION

In this final section, I consider the value of examining broad national trends and local dynamics of educational privatization through the lens of the organizational field. Table 2 provides a general description of the framework and its advantages.

The framework is derived from existing literature on organizational field analysis, but has yet to be widely applied to the case of K–12 education. Therefore, what follows reflects an assessment of the framework’s potential to strengthen future research. First, the lens of the organizational field illuminates the influence of Federal policy on local patterns of educational

Table 2. Some Advantages of Using Organizational Field Analysis to Study Educational Privatization

Advantage	Description
Federal and state policy as integral context (rather than backdrop) for local privatization activity	<ul style="list-style-type: none"> • Use of legislation in vendors’ marketing strategies • Trend analysis of market activity in relation to policy adoption
How interactions between suppliers and consumers shape market activity and reform implementation	<ul style="list-style-type: none"> • Interactions between governmental and non-governmental organizations (profit and not-for-profit) as central unit of analysis • Evidence of impact of interactions on reform design and administration
Significance of market shifts for targets of governmental policy	<ul style="list-style-type: none"> • Embedded analysis of privatization activity in context of ongoing reform efforts • Effects of market shifts on services and products available to school communities

privatization. From this perspective, wider policy developments such as changes in Federal reporting requirements and/or new state mandates are integral to how school districts interact with for-profit and not-for-profit organizations. Public policies such as NCLB consist of goals, problems to be solved, and implementation structures. The design of the policy (e.g., its testing and reporting mandates) has created the impetus for vendors to develop new products and services that they anticipate will be paid for with Title I dollars.

In the case study, while central office staff exercised control over funds, new Federal mandates raised the stakes on standardized test performance and encouraged districts to purchase new products and services in order to comply with the law. Specifically, the law introduced consequences for standardized test performance and significantly increased reporting requirements for districts around these tests. Normally, in response to added pressures, the district response would be to build its own bureaucracy (Meyer & Rowan, 1977). Deadlines and complex reporting requirements introduced under NCLB make this less of an option for districts. As one administrator quipped, "This stuff [NCLB-related requirements] could never be an inside job; we don't have the know-how to create these systems." The influence of NCLB was further evidenced in explicit references to NCLB in vendors' marketing strategies and in the growing demand for their services as reflected in district planning documents.

The influence of Federal policy is likely to be overlooked in accounts that view educational privatization narrowly as a movement away from government regulation and centralized governance. The new educational privatization is, in fact, being spurred by an expanded Federal role in educational policy. The lens of the organizational field helps us capture this crucial dynamic by acknowledging the overriding influence of the state in spawning new forms of education industry.

Second, the organizational field perspective draws attention to how interactions between suppliers and consumers shape educational privatization. In the national trends charted above, key suppliers are influencing the field via the introduction of new products and services. However, consumers in the field, such as schools and school districts, are further influencing field developments by purchasing the new products and customizing them to meet local needs. Consider another example of how interactions between districts and outside vendors shape reform implementation. In making bids for local contracts, vendors try to adjust costs to make themselves more competitive in the bidding process. They do this by introducing cost-saving measures, such as by increasing the ratio of students to instructor in the case of remedial services.

To date, scholars of educational privatization have paid scant attention to more complex forms of governance emerging from educational privatization,

choosing instead to view educational privatization as a zero-sum conflict out of which either the public sector or private sector will ultimately emerge as victor. Offering an alternative perspective, the case study illuminates how the interchange of suppliers and consumers is contributing to new patterns of governance within urban school systems. For example, increased emphasis on outcome data is helping to redefine the role of central office staff in Midvale from a focus on monitoring school activities to a focus on monitoring student outcomes. As central office staff members become more outcome-focused in monitoring activities, the role of vendors in district accountability reforms will continue to shift. Where districts once relied on vendors to report raw test scores, they now are also contracting with vendors to perform more sophisticated analyses and become more responsive to the needs of diverse stakeholders, e.g., parents, in the reporting of data.

Finally, the lens of the organizational field illuminates the ways in which the meaning of educational privatization can shift over time, as reflected in both analysis of national developments of educational privatization and in the case study. Working at the level of the organizational field, scholars can investigate changes in the norms and routines of activities such as government contracting and the importance of these shifts for individuals and groups that are the target of government policy. Districts historically have contracted with vendors in areas such as test development and preparation, score reporting, professional development, and supplemental services. The new educational privatization has not changed this. What *has* changed are the products and services defined within these contracts.

CONCLUSIONS

Future research on educational privatization needs to focus on three critical areas: empirical data on national trends, its effects on inter-organizational behavior in local settings, and effects on the capacity of local communities to improve instruction. First, empirical work is needed to document and describe national and regional patterns in the new educational privatization (Rowan, 2001). The education industry now includes a growth support network of industry analysts who support outside vendors with market analyses. Much of this research focuses on the activity of suppliers and how they are seeking to obtain a competitive edge.

There is very little trend analysis being done on the demand side of the education industry. Part of this has to do with the fact that district-level financial reporting practices make it difficult to discern what instructional services districts are buying and how their spending priorities are shifting. District contracts with outside vendors potentially could offer additional insights. However, districts generally report and archive vendor contracts

by a key code or vendor name, making it difficult to identify patterns in government contracting by function.

Policy researchers also need to pay more attention to the effects of educational privatization on local school governance. The research is either silent or offers superficial treatment of how educational privatization can open doors for outside vendors to exercise political influence over the design and administration of local accountability reforms. What new forms of collaboration and domination have emerged as reflected in district contracts with vendors? What new tensions are emerging across districts as educational privatization gains a foothold as a policy strategy? For example, unlike districts, supplemental services providers are not required to hire highly qualified teachers nor are they forbidden from refusing students on the basis of language or cognitive abilities. How are districts and vendors managing these tensions as well as the others explored above? What kind of expertise is being legitimated in the wake of these developments? More data is needed on the legal structures and mechanisms in place that either support or prohibit shared governance and accountability (between districts and vendors). Research on these issues can inform local understandings of how to ride the wave of new developments while attending to potential risks in doing so.

Focused research on policy processes and effects at the district level can lay a stronger foundation for more in-depth analyses of the effects of educational privatization on school communities. To date, much of the research constitutes evaluation studies conducted at considerable distance from the steady work and day-to-day realities of urban school reform. The conclusions of the research are quite optimistic about the potential of the new educational privatization to help schools and students. Closer analyses of the new educational privatization from the vantage points of teachers, students, and parents may illuminate an alternative perspective than the one currently offered either by the academic or policy-making community. Policy researchers need to pay more attention to developments within the K–12 education market, the role of Federal and local educational policy in these shifts, and the implications of these shifts for the students who are the intended beneficiaries of government policies.

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Notes

1 For exceptions, see Belfield & Levin, 2002; Murphy, Glimmer, Weise, & Page, 1998; Rowan 2001.

2 Some scholars have argued for an expanded conceptualization of the public sphere. However, in this article, I equate the public sphere as mainly represented by the state.

3 This problematic framing is also reflected in the growing number of college level texts on privatization reform (cf. Bauman, 1996).

4 Market activity also is intensifying in the area of home-schooling. Several major test publishers and supplemental service providers have begun to target individual parents in their promotion of services and products under new educational privatization. See Apple, M. (2004) for further exploration of the relationship between recent education policy and the home-schooling market.

5 In contrast, from 1993–2003, the school food-services industry, traditionally considered a dominant domain of K–12 education contracting, has only realized increases in revenues of 3.2%.

6 The critical role of NCLB in driving these changes is further evidenced in the marketing materials of firms specializing in data management and analysis services. The marketing materials of all leading suppliers of data management and analysis services reference NCLB's mandates that schools and districts make Adequate Yearly Progress (AYP).

7 As with the other areas, new technology is integral to government contracting for remedial services. In urban areas, private tutoring companies are creating online instructional programs that permit larger class sizes and reduce staffing costs. In addition, a growing number of exclusively online tutoring companies now market services to districts in rural states, where demand for remedial services may exceed supply of on-site providers.

8. For example, Sylvan has renamed its tutoring programs as “No Child Left Behind Tutoring Programs” and has redesigned its Web site to highlight the links between the firm's services and NCLB mandates (Sylvan Education Solutions, 2004).

9 District demand for content area-specific programming is evident in system-wide objectives to improve student performance and teacher practice in reading and mathematics. In their descriptions of professional development strategies, several districts articulated objectives that echoed firms' descriptions of new products and services. For example, they talked about the importance of varying models of professional development delivery through Web-based systems and strengthening technical support for content-area specialists through online communication systems.

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