



Education Inc.

How private companies are profiting from Texas public schools.

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IT'S NOT HARD TO IMAGINE Pearson's vision of utopia.

Pearson is a London-based mega-corporation that owns everything from the *Financial Times* to Penguin Books, and also dominates the business of educating American children. The company promotes its many education-related products on a website that features an idyllic, make-believe town. It's called [Pearsonville](#), and it looks like the international conglomerate version of SimCity. In this virtual town, school buses whizz through tree-lined streets, and the city center features skyscrapers and a tram. Tabs pop up to show you just how many Pearson products are available. A red schoolhouse features young kids using Pearson products to learn math (with Pearson's enVision Math) and take standardized tests online. Nearby, at the Pearsonville high school, students use the company's online instructional materials to study science. The high school also features online testing. Pearson online courses are available at the town library. At the model home, parents can use Pearson's student information system to track their children's grades. The "test centre," not

shockingly, provides even more testing options. It's a beautiful little town. A Las Vegas-style sign welcomes you, while a biplane flies through the sky trailing a Pearson banner behind it.

It's a computer-generated reality. But when it comes to Texas education, it's not far from the truth.

Pearson, one of the giants of the for-profit industry that looms over public education, produces just about every product a student, teacher or school administrator in Texas might need. From textbooks to data management, professional development programs to testing systems, Pearson has it all—and all of it has a price. For statewide testing in Texas alone, the company holds a five-year contract worth nearly \$500 million to create and administer exams. If students should fail those tests, Pearson offers a series of remedial-learning products to help them pass. Meanwhile, kids are likely to use textbooks from Pearson-owned publishing houses like Prentice Hall and Pearson Longman. Students who want to take virtual classes may well find themselves in a course subcontracted to Pearson. And if the student drops out, Pearson partners with the American Council on Education to offer the GED exam for a profit.

"Pearson basically becomes a complete service provider to the education system," says David Anderson, an Austin education lobbyist whose clients include some of Pearson's competitors.

With the prevalence of companies like Pearson operating in Texas and many other states, the U.S. education system has become increasingly privatized. In some cases, the only part of education that remains public is the school itself. Nearly every other aspect of educating children—exams, textbooks, online classes, even teacher certification—is now provided by for-profit companies.

Public education has always offered big contracts to for-profit companies in areas like construction and textbooks. But in the past two decades, an education-reform movement has swept the country, pushing for more standardized testing and accountability and for more alternatives to the traditional classroom—most of it supplied by private companies. The movement has been supported by business communities and non-profits like the Bill & Melinda Gates Foundation, and often takes a free market approach to public education. Reformers litter their arguments about education policy with corporate rhetoric and business-school buzzwords. They talk of the need for "efficiency," "innovation" and "assessment" in the classroom.

The mingling of business and education blurs the line between learning and profit-making. Some education reformers advocating for increased reliance on testing also lobby for the large testing companies. It's often difficult to tell if lawmakers stick with education policies because they're effective, or because they're attached to high-dollar contracts.

Take Anderson, who works for HillCo Partners, the high-powered Austin lobbying firm, and who represents many of the industry's heavy hitters, like Houghton Mifflin Harcourt. After a career in teaching and another at the Texas Education Agency, Anderson has been a part of the industry for years. One of his clients, Educational Testing Services, administers the test Texas teachers must take to get certified—which amounts to a coveted \$70 million contract from the state. Anderson explains that the privatization of education has developed organically. As lawmakers demand more from school districts—more testing, more data management, more data analysis—the districts have often turned to corporations to handle these complex components. Those relationships quickly become inextricable.

“You have companies that have grown up either by expanding business or adding new business to sort of fill that void,” Anderson says. “Well, once something is established, if a program has a set life, the company that is now doing that work wants to figure out a way to extend that beyond the life of that project. And as a result you get this burgeoning business-education complex that includes companies that once upon a time might have been textbook companies, or test companies, that now do so many more things.” Educating kids has become big business—an immensely profitable industry. As governments cut funding for schools and seek more “efficiencies,” the privatization of education is growing more ubiquitous. Think Pearsonville.

IN 1998, Pearson hired a new CEO from Texas, Marjorie Scardino. She joined a company with a diverse and haphazard set of interests; in addition to the *Financial Times* and Penguin Books, the mega-company owned everything from Madame Tussauds wax museums to a stake in investment bank Lazard. Scardino sought to focus the company on one broad industry—education. Soon after Scardino’s arrival, Pearson bought Simon & Schuster’s education businesses and opened a new, overarching company—Pearson Education. Two years later, in a controversial move, Pearson acquired the Minnesota-based testing company National Computer Systems for \$2.5 billion and began expanding into assessments. By 2004, Scardino ranked 59th on *Forbes’* list of the “100 Most Powerful Women in the World.” By 2009, she was 19th.

Her timing was excellent. The education field was facing new and vehement demand for more testing and accountability in schools. Texas had been leading the way in state-mandated standardized testing, and by the time Pearson acquired National Computer Systems in 2000, the company had already signed a \$233 million contract with the Lone Star State. With the passage of No Child Left Behind in 2001, all states were required to use a standard test to determine how students were learning. Pearson continued buying testing companies, including the testing services division of Harcourt. Last year, Pearson signed yet another contract with Texas to create the latest iterations of the state’s testing system, the new and more rigorous “end-of-course” and State of Texas Assessments of Academic Readiness exams.

Pearson now creates the tools to grade the tests and the software to analyze student performance. That’s in addition to textbooks, remedial learning resources, GED courses and online classes. (Pearson officials refused comment for this story.)

But despite Pearson’s prevalence in nearly every sector of public education, state officials say they maintain oversight. The Texas Education Agency monitors Pearson’s test development and often works side-by-side with the company. Gloria Zyskowski, the deputy associate commissioner, says the agency communicates with Pearson almost daily. She says that TEA uses a transparent bidding process to contract the work and follows a strict series of steps to build and score the tests. In creating test questions, the agency recruits teachers and former teachers to sit on an advisory committee. Pearson employees facilitate advisory committees, but the company isn’t writing the test questions by itself.

But when the company—like many for-profits—wants to get its way in education policy, Pearson isn’t shy about deploying high-powered lobbyists. Pearson pays six lobbyists to advocate for the company’s

legislative agenda at the Texas Capitol—often successfully. This legislative session, lawmakers cut an unprecedented \$5 billion from public education, including funding for a variety of programs to help struggling students improve their performance on state tests. Despite the cuts, Pearson's funding streams remain largely intact. Bills that would have reduced the state's reliance on tests didn't pass. The Texas Senate refused to pass any bills that would have diminished the role of testing, a stance some Capitol sources attribute to Pearson's lobbying, while others give the credit to pressure from reform advocates.

Who's responsible may not matter. The interests of corporate lobbyists and reform advocates are often the same. It's difficult to separate the businessmen from the believers.

In a narrow sense, Pearson's lobbying efforts simply reflect a company protecting its profits. But in a wider view, Pearson is part of a larger education-reform effort that seeks to improve public education through free-market principles. Often that means non-traditional educational approaches like charter schools and online learning. The movement includes a lot of earnest folks, eager to improve public schools and do what's best for kids. But their efforts have earned a fortune for companies like Pearson. It's become difficult to determine where the educating ends and the profit-making begins.

"I'M GOING to stick my neck out, and don't take it personally." So began Houston state Rep. Scott Hochberg. It was close to midnight, and Hochberg was presiding over the ninth hour of a House Public Education Committee hearing late in the session. Hochberg, a Democrat, is widely seen as the Legislature's education policy guru. One of the final witnesses of the night was about to testify—Sandy Kress, another well-known name in Texas education circles. But before Kress spoke, Hochberg went on the offensive. "Dr. Kress, a question was asked of me last time you testified here," Hochberg said. "And that was whether you currently have any interests or any connections with any companies involved in the testing process."

It was an awkward moment. Kress is a giant of the education reform movement. As board president of the Dallas Independent School District in the early 1990s, Kress became a vocal and controversial advocate for testing. He's pushed for more standards and more assessment for decades and was a key architect of No Child Left Behind. He believes testing helps schools do a better job educating students. But he also lobbies professionally for the biggest testing company in Texas. Normally, he identifies himself as a representative of advocacy groups. This time, however, Hochberg wasn't going to let him off easy. Kress was there to criticize House Bill 500, which would have significantly decreased the stakes on new tests the state will roll out this year.

"We do have a relationship with one company," Kress said, "and you know, I'm not testifying on their behalf."

"But just for full disclosure, who is that?" Hochberg pushed.

"Pearson."

"So you, in your occupation as a lobbyist, represent Pearson Publishing, which, among other things, sells us these tests?"

"That's correct," Kress said.

"But you're not testifying on behalf of Pearson tonight?"

"That's correct," Kress said again—before beginning his lengthy argument against the bill.

In a sense, it was a debate over wording. The interests of testing advocates and testing companies like Pearson are often one and the same. Kress is the most prominent example of how big business and education policy have intertwined.

Kress is part of the large and very powerful education reform movement. The movement began in the early 1980s, when some parents and businesses grew concerned about how American students compared to global competition. Many became concerned that public schools weren't sufficiently educating poor and minority children. Kress, among many others, called for more standardized testing and pushed districts to show how children in different racial and economic categories were performing. The movement eventually yielded the No Child Left Behind Act in 2001, requiring that schools not only test students every year, but that schools show progress in closing achievement gaps. The federal law required states to use standardized tests, but allowed states to decide which test to use—leaving testing companies to battle it out for state contracts. The testing hasn't yet done much to close the achievement gaps, but it has given schools a tremendous amount of assessment data on each student.

"The bottom line is we have a heck of a lot more transparency than we did before," Kress says. "It's worth all the gold in the world to know how your child is doing year by year."

The broad movement goes beyond testing. Many reform advocates see themselves as pushing against the educational status quo, and contrast their "innovations" with traditional public schools. Challenges to the old system are necessary, many reformers argue, because school districts aren't going to change of their own accord—and many schools have been failing to educate too many kids.

The movement advocates for charter schools and letting parents pick which schools their children attend. But most of these new directions stem from testing and student data. The data is generally required to prove both problems and solutions. Philanthropies like the Bill & Melinda Gates Foundation give out multi-million-dollar grants to help school districts gather and track information about students. The tests, reformers say, are key to understanding what works and what doesn't.

The emphasis on testing opened the door to more for-profit companies. In addition to the big testing contracts, No Child Left Behind requires schools that fail to meet requirements three years in a row to offer free tutoring. Companies soon rushed in to fill the need. By 2008, according to a PBS documentary, tutoring for standardized tests amounted to a \$4 billion industry. Charter schools can subcontract their entire operations to for-profit companies.

Kress doesn't understand why people are so worried about the role of for-profit companies in areas like testing. "School districts have for a long, long time relied in a good substantial part on the private sector," he points out. "The private sector has always made things for the school and sold them to them, whether it's school desks or built their schools." In the education world, whether it's testing or other products, Kress says, "the companies are there to serve their customers. And their customers are a combination of the agency and school districts out there."

Andrew Erben, who serves as president of the Texas Institute for Education Reform, says the more private companies take an active role in public education, the better. "I think it's a great idea for businesses to get involved in the advocacy and maybe in the delivery of some of the education products," he says.

Without pressure from outside advocates, Erben worries, school districts wouldn't do nearly as much to improve. "I think the education establishment wants to protect the structure and function of the current system," he says. "Any innovation or deregulation is met with some resistance."

This market-based approach to education has become increasingly controversial. Teachers groups never liked the reliance on high-stakes testing. But recent opposition to testing and other "innovations" has come from all quarters, including advocates who once were reformers but who now wonder what the changes have accomplished.

"We may have kicked over the canoe when it came to testing," says former state Commissioner of Education Mike Moses. He is hardly anti-test—as commissioner in the late 1990s, he sought to gradually expand testing to every grade between third and 11th, and he still believes testing is an important tool for evaluating and diagnosing schools. But he also concedes that the emphasis on testing may have gone too far. "I used to be called a reformer," he says. "I don't know that I'm called a reformer anymore." Moses, now an advocate at the education advocacy group Raise Your Hand Texas, worries that the increasingly high stakes of the tests has made them too powerful. "I think that the testing programs have grown to a level that they get their own momentum," he says. "They kind of perpetuate themselves."

Others are more strident in their criticism of testing. The problem, opponents say, is that from testing to charter schools, the reform movement has begun to pick apart public schools as we know them in favor of the private sector. "The current movement distrusts educators," says Ed Fuller, an education researcher and [vocal critic](#) of standardized tests who just left the University of Texas for the Pennsylvania State University. "They're trying to create a system that's educator-proof. The way you do that is to have testing and accountability, more and more and more of it. Because we don't trust educators to do what's right, to make good judgments about what kids know and what they can do."

Fuller points to the book *Measuring Up* by Harvard professor Daniel Koretz, which argues that students learn test-taking strategies that pollute testers' ability to see what the students actually know. "The whole issue is that any test at the kind of level that it's at, especially with it being multiple choice—you can sit down and teach a kid how to pass it without them understanding the concepts behind the test," Fuller argues. He's particularly critical of the number of multiple-choice questions that Texas state assessments feature, but says few in the Legislature want to hear about the drawbacks of such exams. The combination of Pearson's power and reformers' influence, he says, makes it difficult for legislators to assess testing's efficacy.

But as Texas prepares to phase in an entirely new testing regime, designed by Pearson, many in the reform camp argue that the new tests will address some of Fuller's concerns. Unlike the old tests, called the TAKS, the new tests will align with specific courses in high school and put a heavy emphasis on testing kids to determine if they're ready for pursuits in the work force or higher education. TEA official Zyskowski says the new tests will include several essays and written responses and fewer multiple-choice answers, especially in math. "We'll also look at data about how students at varying levels of performance on those tests do in their first year in college," she says. The agency is also going to compare students' performances on the state tests to performances on the ACT, SAT and AP tests.

For Kress, the new tests are a victory. “That didn’t come from Pearson. That didn’t come from Harcourt,” he says. “That came because colleges and businesses and parents are saying we want our children to get good-paying jobs.”

Kress argues that despite budget cuts, testing shouldn’t be reduced because it’s the best way to tell where the problems are. “The assessment is what gives you the knowledge, the tools,” he says, comparing the process to diagnostic medical work like blood testing. That sounds convincing, but what do we make of the fact that Kress is also paid to further the financial interests of the nation’s leading testing company? Pearson doesn’t think testing should be cut either, but for less high-minded, more bottom-line reasons.

Testing has given communities an inside look at what is and isn’t working in schools. Efforts to erase achievement gaps between races have drawn attention to those gaps, while pressure to perform ensures that schools don’t ignore struggling students.

But after more than a decade of high-stakes testing and billions in testing contracts nationwide, it’s not clear if kids are learning more or just learning how to take tests. The achievement gaps are still with us.

Some reformers are now turning their focus to a more radical approach: virtual schools.

The idea of learning on the computer seems modern and high-tech. But it also removes students from the last vestige of truly public education—the school building itself. With no school building and no state-employed teachers, some of these new virtual schools redefine the very idea of public education.

IN AUGUST, the Texas Public Policy Foundation, an ultra-conservative think tank, sponsored a [panel discussion](#) on the future of virtual learning. The room was packed with staffers for state lawmakers and company representatives. The idea of learning outside a traditional classroom has potentially widespread appeal for home schoolers, and high achievers and rural students whose high schools don’t offer AP statistics or Chinese classes, part-time students juggling jobs and coursework, and even, as Republican state Rep. Jerry Madden suggested, for kids locked up in prison who could spend their days earning credits. There are currently two ways that Texas students can access virtual courses. In 2009, the Legislature created the Texas Virtual School Network, a catalog of online classes available to high school students throughout the state. The network was a favorite talking point for Gov. Rick Perry on the campaign trail in the 2010 governor’s race, and presumably will be again as he runs for president. The state allows high-performing school districts and state-run educational service centers to offer online high school classes on any state-recognized subject. When a student enrolls in an online course, the student’s home district pays for the course. For example, a student in the small Muleshoe ISD in West Texas could take a virtual class offered by the larger Spring Branch ISD near Houston, and Muleshoe would pay for it. Though the virtual classes are offered and paid for by public school districts, many of the classes themselves are contracted out to private companies.

The other way students can take virtual classes is through one of three full-time virtual schools in Texas. These schools offer all-day online education as early as third grade. These virtual schools may appear to be part of a publicly funded school system, but they are allowed to subcontract their operations to for-profit companies specializing in virtual learning. For instance, the Texas Virtual Academy was, until recently,

technically part of a charter school called Southwest Schools. (Texas Virtual Academy is now operating out of a different charter school.) But Texas Virtual Academy is more private than public. Its curriculum is handled by the company K12 Inc. Even the teachers are employees of K12 Inc. Students take online courses offered and taught by employees of for-profit companies.

Yet David Fuller, the head of Texas Virtual Academy and a K12 employee, refers to his school as “public.” “The wonderful thing is that because we are a public school, we’re going to receive the same make up as any other public, bricks-and-mortar school,” he says. In fact, the only thing public about Texas Virtual Academy is its funding.

Texas Virtual Academy was also rated “unacceptable” by state standards for last school year, and some advocates have concerns about virtual schools’ effectiveness, particularly for young students. School testing expert Ed Fuller argues that virtual schools and courses have serious limitations, particularly for at-risk kids. He cites a recent study by Stanford’s Center for Research on Education Outcomes, which studied virtual schools in Pennsylvania and found they underperformed traditional schools.

While the verdict on virtual schools is still out, reformers like Erben, an advocate with Texas Institute for Education Reform, hope to see virtual education expanded. It’s much cheaper, by and large, than traditional classroom instruction and, according to proponents, offers more innovative ways for students to learn. As the state struggles with long-term budget challenges, virtual learning will likely become an increasingly appealing option for lawmakers looking to save money—or increase “efficiencies”—as the number of students continues to rise.

Lobbyist David Anderson remains worried. “Ultimately in public education,” he says, “when you have something as significant as the education of the child or of a generation of children, you want to make sure that, to the greatest extent possible, decisions are being made based on reliable and valid information, and decisions are being made for the right reasons.” He says students and parents must now contend with a business-education complex in which industries perpetuate ideologies, and ideologies keep industries afloat.

Anderson compares it to the military-industrial complex that President Dwight Eisenhower warned of. Which makes sense, since Pearsonville does have a 1950s feel.