The Influence of Privatization on the Cost-Effectiveness of Delivering
School District Support Services

BY

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DISSERTATION
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SUMMARY

This dissertation was designed to develop a more robust understanding of cost effectiveness in the school district privatization context. Specifically, this study reveals that privatization is only cost-effective in certain scenarios given a set of mediating demographic factors. In addition to these factors, my research finds that there are other important concerns to school districts other than cost-effectiveness that may require consideration when deciding to utilize privatization like community or cultural contexts.

Using hierarchical linear modeling and interviewing this study reveals that cost-effectiveness of privatization is dependent on some particular school district factors. The quantitative analysis found that the number of school in the district, the food service expenditures, the percent free/reduced, and number of full time employees were found to be significant to the cost effectiveness of delivering school district lunch programs. In addition to these factors, the interviews find that there are other important concerns to school districts not measured by cost-effectiveness, like district and community philosophies on education, employee will and skill, and administrator control that may require consideration when deciding to utilize privatization. This cost-effectiveness-factor analysis extends beyond the traditional measurements like cost-efficiency that primarily focuses on lowering costs and leaves out measures of effectiveness and other important factors.

The findings help to increase the awareness of these factors and improve our knowledge base with respect to privatization and can help school districts and researchers make better decisions regarding cost-effectiveness, especially in the school food service context.
1. OVERVIEW OF DISSERTATION

1.1 Making the Decision to Privatize School District Services

The cost and requirements for operating school district services have increased over time, prompting many to seek out market-based reforms like privatization to improve. Privatization—or contracting out—is arguably able to combat these challenges in delivering school district services. An increasing number of school districts have targeted ‘hard services,’ like maintenance, student busing, or school food service for privatization because of its potential to reduce costs and streamline processes (Mackinac, 2008; Ralston et al., 2008; Globerman and Vining, 1996; Brown, 1995; Doyle, 1994). Yet the decision to privatize school support services is often done without complete knowledge of its influence on areas other than cost. This knowledge may mitigate desired outcomes.

School district administrators traditionally only consider the financial costs and leave out other factors that influence cost-effectiveness when deciding to privatize. Researchers remind us that successfully delivering school services does not just come down to cost considerations, but includes how effectively desired outcomes are achieved (Belfield and Levin, 2002; Levin and McEwan, 2000; Epple and Romano, 1995; Hunter, 1995). As indicated in the findings of this study, district administrators typically focus on a cost-efficiency model (cost per student) that does not take into account achieving program outcomes or other factors that may influence their decision. So while the overall costs are reduced, the effectiveness of the program may suffer. Consequently, school districts may benefit from a more comprehensive way to evaluate specific program outcomes with respect to costs when making the decision to privatize.
Cost-effectiveness (CE) analysis (Levin, 2001; Levin and McEwan, 2000) is a method for combining appropriate measures of outcomes with costs. This method compares alternatives against one another with the best results relative to costs being the ones that are most attractive for adoption. The strength of cost-effectiveness analysis does not rely solely on cost considerations; rather it includes an evaluation of how effective various implementation strategies deliver programs and services with respect to cost. The use of effectiveness measures takes into account other issues such as implementation feasibility or potential for program success. This process addresses the fact that while cost data is helpful in guiding decisions, it alone cannot determine final implementation strategy.

In addition to cost and program effectiveness measures, school districts also contend with other internal and external factors that may impact the decision to privatize. This gives school district administrators another layer of consideration when making the decision to contract services. These factors may include internal pushback from employees, differing philosophies of education, or how the final decision influences administrator control. By combining a cost-effectiveness analysis with factor assessment, school district administrators can gain a better understanding of the impact of privatization.

This research conducts a cost-effectiveness-factor (CEF) analysis on the decision to privatize school district food service programs, specifically those that participate in the National School Lunch Program (NSLP).

1.2 Why Utilize NSLP to Examine the Decision to Privatize

There are several reasons that make NSLP an excellent case for understanding how administrators make the decision to utilize privatization for school district services. First, over the past several years, the number of districts privatizing food service programs has steadily
increased outpacing other school support services (Weaver-Hightower, 2011; Levine, 2008; Mackinac, 2008; Ralston et al., 2008; Fleischhaker, 2007). Due to this trend, there is a significant amount of available data on the privatization of school district food services easing the ability to evaluate this service.

NSLP is a program with enough available data to conduct a thorough CEF analysis. Currently, there are almost 20% of the nation’s school districts choosing to outsource their school food service, and this number is steadily increasing (Weaver-Hightower, 2011; GAO, 2008; Mackinac, 2008). The National Center for Education Statistics (NCES) (2007), also found that non-instructional and support activities totaled approximately 50 percent of public education spending in elementary and secondary schools, causing many districts to turn to privatizing non-instructional school support services. Furthermore, while there are data showing that privatizing hard services like NSLP saves money in the short term (Levine, 2008; GAO, 2008; Mac Iver et al., 1998), there is little data on both cost and program effectiveness of making this decision.

Next, as a federal policy, NSLP has a number of regulations and mandates that make it challenging regardless of who manages its implementation. By the time this educational policy crosses through the multi-level educational governance structure much of the responsibility for implementation, including cost and responding to changing regulations resides with the school district. Therefore, the capacity of each the school district becomes prominent and inherently mediates how they are able to implement the policy in a cost-effective manner (Birkland, 2001; Florian, Hange, and Copeland, 2000; Ross et al., 1996; Murphy, 1971). These capacity issues have grown as the policy has changed over time and may be a significant factor when administrators make the decision to privatize.
Additionally changes in the NSLP’s requirements, mandates, and participants over time have mediated seamless implementation. In 1962, policymakers changed funding from grant aid to states to a guaranteed meal reimbursement, in 1988 federal monitoring of the NSLP required more stringent meal counting and claim procedures, and in the past year policymakers have increased the amount of fresh fruits and vegetables that children are required to be served daily (USDA, 2012; USDA, 2008; Levine, 2008; Gunderson, 2003). Additionally, the participation in the program has grown at a steady pace since its inception; from 19.4 million children in 1969 to almost 32 million in 2010 (USDA, 2010). Also in the last five years more school district communities are reporting high percentages of enrolled children eligible for free- and reduced-priced meals, increasing participation rates. Taken together, this list of changes illustrates how regulations have placed financial strain on school districts and may mediate how administrators make the decision to use private firms to manage the implementation of NSLP.

School districts desire a method for implementing NSLP in a manner that allows conflicting goals to be obtained, that offers an opportunity for the program to operate well, and for the heavy costs of the program to be alleviated. Privatization has increasingly been used by school districts and other public agencies to alleviate the responsibility and costs of owning, delivering, and directly managing services along with other capacity concerns (Savas, 2002; Globerman and Vining, 1996; Doyle, 1994; Brown, 1995; Moe, 1987). Yet, it is not clear if privatization can help school districts improve their ability to implement this policy.

1.3 Challenges with Privatization and NSLP

Many school districts are opting to privatize their food service programs through Food Service Management Companies (FSMC) without understanding the challenges that private organizations may encounter in during implementation. Paramount in this analysis is that
privatized programs are confronted with the same implementation challenges as self-operated ones, each struggling with delivering low cost, highly effective programs under changing NSLP regulations. Researchers have found that NSLP requirements for meals have become more stringent and costly, impacting any entity that manages its implementation (Weaver-Hightower, 2011; Levine, 2008; Mackinac, 2008). This may present a challenge to FSMCs that are primarily concerned with profits.

NSLP has a set of conflicting goals that may stifle successful implementation by any managing body. As defined by the USDA (2010), NSLP has four goals:

1. To promote the health and well-being of the nations’ children
2. To provide nutritious meals to promote improved learning
3. To increasing access and integrity of NSLP participants
4. To provide a quality meal at a minimal cost.

However, school districts, whether privatized or self-operated, may experience some challenges when attempting to successfully achieve these sometimes competing outcomes. For example, in an effort to achieve Goal 3, the program’s participation and regulation have grown and so have the costs associated with operating the program. This may offer a challenge in achieving Goal 4. Even if, school districts focus on Goal 4, they may struggle with providing both a quality meal and doing it at low costs. Also considering how the school district evaluates quality, it may not align with Goal 2 and what the regulations deem nutritious to promote learning. So regardless who operates the program, these competing goals will require attention.

An additional challenge for private firms implementing this policy is that social welfare program like NSLP also requires managing a human component. In this program implementers have to interact more with the student and staff population in the school district. Trying to manage this issue while focusing on profits may present a challenge to private firms because it is often not their primary focus. As a result, NSLP requires implementation strategies
that are able to manage both costs as well as factors that have considerations for individuals impacted by and working in the program.

Furthermore, the empirical results done by researchers and federal officials on the use of privatization have not shown consistently positive results. There is research that states privatizing services may not live up to its promises of improving programs outcomes and lowering cost (Mac Iver & Stringfield, 2000; Education Funding Research Council, 1998; Hart et al., 1997). According to a study done by the Government Accountability Office (GAO) (2008), an estimated, $860 million (8.6 percent) in school year 2005-2006 was paid improperly because of errors in the number of meals counted and claimed for reimbursement. More importantly, it found these errors stemming from both privately-managed and in-house programs, revealing that privatization is not consistently an improvement over self-operated programs. Other research has also found that the data showing progress made through privatizing is not overwhelmingly stronger than maintaining the service in-house (Mac Iver et al, 2000; Schmieder, et al., 1996). Subsequently, even if privatized delivery results in significant increases in program effectiveness, it is entirely possible that the same (or even better) results could be achieved at comparable or lower costs by school districts maintaining control.

The issues listed above provide administrators with factors that may mediate the decision to privatize NSLP. A CEF analysis offers an opportunity to examine costs, evaluate errors in adhering to program regulations, and includes other factors influencing the successful use of privatization for district food service programs.
1.4 Problem Statement

Using school district data and the perspectives of school superintendents, business managers, and school food service managers, this study is guided by the following research questions:

- How do school district administrators make the decision to privatize district services?
- In what ways is the cost-effectiveness of school district food service programs influenced by privatization?
  - Besides privatization, are there other factors influencing outcomes?

This research focuses on school districts in Illinois that privatize their school food service through the use of a FSMC, and are compared to school districts that did not utilize a contractor. Through regression modeling and interviewing this research conducts a CEF analysis of the decision to privatize district food service programs. As a reminder cost-effectiveness-factor analysis includes financial costs and measure of effectiveness, which for this study was adherence to NSLP regulations. Included with this will be other factors school district may consider that are not measured by a cost-effectiveness analysis, but are necessary to the decision to privatize.

With a desire to decrease the cost of providing NSLP, while maintaining program adherence, school districts have looked towards reforming their district food service programs through privatization. Increasingly, school districts have looked to FSMC as a solution to the rising cost and issues with program compliance associated with NSLP (Weaver-Hightower, 2011; Levine, 2008; Mackinac, 2008; Ralston et al., 2008; Fleischhaker, 2007). Still, the literature is missing information on how well privately managed NSLP has adhered to program regulations, in addition to efficiently in managing the financial costs. Moreover, the current research leaves out the influence of other factors on the decision to privatize and how its use may
be unwelcomed, or its favorability may be diminished over time. This research is crucial in the broader privatization context because as school districts look to decrease costs and improve the quality of programs, more developed tools of analysis will be required. The CEF analysis provides district administrators and educational researchers a more comprehensive way of evaluating the decision to privatize school district food services.
2. THEORETICAL FRAMEWORK

2.1 Introduction

The cost to operate school district non-instructional services has increased over time, prompting many to seek out market-based reforms like privatization to operate school district services. School districts lack the organizational capacity to maintain services at low costs and are unable to maintain effectiveness i.e. adhere to changing educational policies at the school district and school levels of implementation. Therefore, privatization is utilized by districts to increase their ability to implement programs and policies more seamlessly and to lower their costs.

School districts have begun to think more broadly about how they lower costs while maintaining quality of these services and having increasingly explored privatization. This study specifically seeks to expand the knowledge base around cost-effectiveness in the privatization context and how it along with other factors may influence this decision. A cost-effectiveness-factor (CEF) analysis can play a pivotal role in the final decision of districts with regard to strategies for implementation. One example of a policy/program that school districts have increasingly looked towards outsourcing is the National School Lunch Program (NSLP).

Currently, an increasing number of school district administrators are opting to privatize their lunch programs, yet they lack sufficient data to help them decide whether privatization is a good fit for their district. Armed with a more comprehensive analysis, school district administrators may find that privatization is not in their best interest. The following develops a framework for creating a more comprehensive tool for evaluating the privatization of school district food service programs implementing NSLP.
2.2 Understanding Privatization of School Support Services

The study of this decision will begin with a literature review on the privatization of school support services from a general public agency perspective. Then the discussion draws connections between public administration and school districts. This approach is taken because much of the research surrounding privatization of public services stems from this body of knowledge. There is some empirical data on privatizing ‘hard’ services in school districts (Mackinac, 2008; Segal, 2004; Schmieder, 1996), but the theoretical research is limited. Additionally, while it is understood that all school districts are not public agencies, contracting school services for any school district is likely subject to encounter similar organizational and implementation challenges.

2.2.1 Privatization in Public Agencies

Researchers have identified several factors influencing public agencies utilization of privatization for the implementation of programs and services. From a simply pragmatic perspective, privatization may lead to better cost-efficiency in public services (Levin and Belfield, 2003; Turner, 2001; Savas, 2000; Miranda and Lerner, 1995; Rothenberg-Pack, 1987). It should be noted that cost-efficiency is not the same as cost-effectiveness (CE). Again CE analysis compares alternatives against one another with the best results relative to costs being the ones that are most attractive for adoption. This includes an evaluation of how effectively various implementation strategies meet district goals with respect to cost. So CE is not only concerned with cost or the lowest cost, but includes the cost and particular pointed outcomes; or the best outcome given the money spent.
Another increasingly overriding reason public agencies are moving towards privatization is a growing sentiment that government is too large and untrustworthy. From this viewpoint, free markets would be a better option for the ailments of society (Hart et al., 1997; Boyne, 1996; Moe, 1987; Pack, 1987). United with this notion is the populist view that people should be allowed to address the needs of their community locally and not rely on the decision making of a large, distant, bureaucratic structures (Savas, 2000). Therefore, there would be an increased investment in the private sector through decreasing the amount of government dollars going to state-owned entities. While these social and economic perspectives provide both a useful lens to examine the foundational reasoning behind the use of privatization for reform, these theories will not be explicitly addressed in this examination. This overview is used here as context for understanding why organizations historically may choose to privatize and to provide foundational knowledge around the topic.

To accurately understand the way that privatization influences public agency services, researchers offer some definitions and provide rationales for its usage. From a general public agency perspective, privatization primarily focuses on utilizing private firms to perform functions for which public agencies still monitor and finance, with the policy aspects of programs remains in the hand of government officials (Hefetz and Warner, 2004; Brown, 1995; Doyle, 1994). This definition is useful for understanding privatization in public agencies; however when examining school district lunch programs there are other considerations. Private firms, or in this case Food Service Management Companies (FSMC), still are held accountable for adhering to the regulation and mandates in NSLP and can be contractually held responsible for violations (USDA, 2009; Turner & Simister, 2001; Thompson, 1986; Turner, 1986). So for the purposes of this research, there will be two definitions that indicate privatization’s primary
functions: (I) a shift of activities or functions from the State to the private sector; and, more specifically, (2) a shift of the production of goods and services from public to private (Savas, 2000).

Public organizations continue to utilize contract services as a part of their overall administration and it is not surprising that this trend would eventually seep into public school districts. The theoretical potential of privatization to alter organizational capacity has increasingly prompted school district administrators to examine privatization as an option. Like other public agencies, private firms offer district administrators the option to relinquish control over service delivery, and arguably help improve processes and reduce costs. Next the framework will discuss the potential influence of privatization on school district service delivery.

2.2.2 School Districts and Privatization

School districts implementing lunch programs under NSLP regulations struggle with maintaining low cost food service programs. As school districts have gotten less support from federal and state governments, administrators have begun seeking out reforms to alleviate programmatic and financial strain. Crippled by federal and state cutbacks, it is not surprising that school districts have looked to contracting for assistance. Consequently, the opportunity for privatization to expand in school districts has steadily increased as school districts have remained saddled with more non-instructional responsibilities.

Due to this decreasing support, the use of private firms is an increasingly popular option for school districts, because when the relationship is built on contract. From the perspective of some district administrators under these types of management contracts accountability can arguably improve. Through contracting school districts are provided a detail of resource usage
and can set outcomes based on predetermined performance standards (Ascher, 1996). This type of relationship also aligns well with methods like cost-effectiveness analysis (discussed below) because it evaluates cost based on desired outcomes set by the school district.

Many school districts have found privatization or contracting to be especially beneficial in delivering services where direct management from a school official is not required. Take for example districts that do not contract meals, administrators may be require to be over-involved in the day-to-day management of school food service functions that do not allow them to focus on more pertinent issues (Mac Iver et al., 1998; Brown, 1995; Hunter, 1995). Allowing private firms to operate hard services like food service, this should allow administrators to focus more time on the task of educating children. As a result, school districts are utilizing privatization in many of their non-instructional areas as school officials feel that the management of these services is not directly essential to educating students and therefore can be delegated to private organizations. Moreover, they view it as a seamless way to improve the district’s organizational capacity.

2.3 Privatization and School District Capacity

School district administrators hope that privatization can assist them in stifling their rising program costs and in managing the changing regulations by helping them overcome issues stemming from their organizational capacity. Given the potential importance of organizational capacity at the district level for the effective implementation of federal education policies, its examination becomes necessary. The term capacity has several meanings and therefore requires some specific identification. According to organizational theory (Hatch, 2006; Bolman & Deal, 2003; Foster-Fishman et al., 2001; de Jong, 1996), capacity encompasses several items, some of which are listed below:
• The ability to create products or deliver services given the technical capabilities and infrastructure of the organization. This includes intangible components of organizations that aid in the delivery of services, the production of goods, and ability to strictly adhere to policy.
• Having the necessary staff and accompanying skills to attain outcomes and goals, and
• The fiscal flexibility and availability to finance desired outcomes and strategies.

The issues that exist with each type of capacity are not static and may fluctuate as changes in the policy occur, resulting in school districts having to adapt to policy changes (Fowler, 2008; Hatch, 2006; Goodlad, 2004).

When examining the implementation of school district food services, this research will specifically focus on the three areas outlined above and will define them in the following manner: 1) structural capacity, 2) human capacity, and 3) financial capacity. The structural component or the organizational coordination mediates the effectiveness of programs and policies by dictating the approach that school districts take during implementation. This dimension of capacity works to maximize the amount of production that can be obtained from a given set of resources and organizational arrangements (Moore et al., 1991) and when effective, results in improvements to program processes (Savas, 2002; Savas, 2000; Brown, 1995; Epple and Romano, 1995; Doyle, 1994; Chamberlin and Jackson, 1987). This is one of the primary areas where privatization should positively influence school districts.

Structural capacity is also designed to have direct influence on the achievement of organizational and program goals (Bass, 2009; USDA, 2009; Segal, 2004; Gunderson, 2003; Cyert & March, 1992). Consequently this facet of capacity focuses on the ability of districts to translate resources into expected outcomes. In addition, while there are a number of factors affecting a school district’s ability to use resources productively, this research assumes privatization is able to alter the structural capacity of school districts to implement lunch programs operating within the regulations of NSLP. The mandates and regulations found in
policies like NSLP ultimately will precipitate or exacerbate the ability of school districts to implement programs, consequently making the structural component especially salient to the process of implementation through privatization. With a structure designed around particular goals, again a method like cost-effectiveness analysis is useful as it evaluates cost based on desired outcomes.

Human capital serves as another component of capacity that school districts have to manage. Human capacity includes the skills, experiences, dispositions, etc., of individuals, serving at a variety of levels within an organization, each with varying mediating influences on the ability of school policies and programs to be implemented (Hatch, 2006; Bolman and Deal, 2003). District administration, food service managers, and food service workers all have varied mediating influences on the ability of school lunch policies and programs to be implemented and therefore require consideration during the implementation process. And while some capacity issues can be managed or improved through policy, the attitudes, motivation and beliefs that underline implementers’ response to goals is not as easily controlled by policy intervention (Tyack and Cuban, 1995; Weatherly & Lipsky, 1977). Whereas organizations can influence individual action, employees and staff still have their own will and skill, or professional capacity and thus will mediate policy implementation.

Regardless of whether chooses to privatize their food service or reform internally, once the decision to reform has been made, the district will also have to contend to the will, skill, and knowledge of its staff. Changes to policies and programs may contribute to levels of stress and to patterns of accommodation that can potentially deny school districts the opportunity and/or the ability to concentrate on successful implementation (Malen & Rice, 1994; Carnoy &
MacDonnell, 1990). These adverse feelings inherently will negatively impact the motivation or “will” of food service workers and managers.

Ground-level implementers’ influence reactions to program changes (will) and dictate how much training will be required (skill). In self-operated programs, staff may have more autonomy and be required to work in various roles, whereas privatized programs generally will structure the work for individual employees and silo responsibilities (Sebring et al., 2006; Segal, 2004; Savas, 2000). So program and policy changes may potentially mitigate implementers’ ability to coordinate and integrate tasks in ways that enhance the performance of the organization (Hatch, 2002; Hess, 1999; Newman & Wehlage, 1996). This becomes especially noteworthy for school districts that participate in the contracting process. Consequently, using private organizations may improve some aspects of school districts, but the structural and human capacity components will be ever present and will require consideration.

The growing participation and increasing regulations also potentially result in these fiscal challenges straining the financial capacity of districts to execute school district lunch programs. Financial capacity is directly related to the fiscal challenges associated with implementation and is determined by the ability of food service implementers—whether privatized or self-operated—to reform the program and implement it at an overall lower cost (Segal, 2004; Belfield and Levin, 2002; Kakabadse and Kakabadse, 2001; Savas, 2000; Schmieder, et al., 1996). These fiscal challenges have resulted in school districts looking for alternative methods for providing students a quality meal, at a minimal cost. Through economies of scale private firms may be able to lower costs (Mintrop, 2003; Hess, 1999; Spillane & Thompson, 1997; McLaughlin, 1987) and help districts to provide quality meals. Yet despite the potential of privatization, to alter capacity, contracting school district food service programs is not without its concerns.
2.4 Problems Confronting the Privatization of NSLP

When contractors’ work becomes intertwined with school districts it often blurs the distinction between the public school and the private organization. Public and private actors operate in two relatively distinct arenas (program success versus profit) and thus orienting their organizational behavior around separate frames of reference. However, there are times when school district and private firms cause this distinction to become blurred (Moe & Kosar, 2005; Lubienski, 2003; Goldhaber & Eide, 1997; Lieberman, 1989; Thompson, 1986). Moe and Kosar (1998) identify this as a hybrid organization; where there is a blending of public and private functions, and neither entity is clearly dominating. This may be a potential issue since private firms are primarily focused on profits.

This organizational environment can play an important part of because it influences what the goals should be and how they should be achieved, given available resources. As organizations continue to grow, they become more intertwined with their direct network and external environment. Given this fact, it becomes difficult for organizations to change because for them to change would require aspects of their network and environment to modify its processes as well. Thus, school organizations and their environment cannot be cleanly separated; they are each dependent on one another for survival and growth. This further highlights the nuances of organizations and the importance of choosing the best structure given environmental influence and constraints.

Moreover school districts are the direct reflection of the individuals that inhabit them and use them. Educators and outside interested parties participate in and facilitate the design of several aspects of school district structure, thus being in an influential position. The will and
skill of these individuals, or the district’s human resource input represent an important aspect of larger school culture and more importantly how policy gets implemented. Their discretion dictates the manner in which policies and programs are implemented. To maintain some continuity and to increase the chances of implementing a high quality program, school districts often try to maintain in-house staff. Consequently, employee buy-in is a salient concern to administrators when deciding to privatize school lunch programs.

Street-level implementers are essential to the implementation of any policy or program in school districts. They are the ones directly involved with the execution of policies and reforms in accordance with the school district’s particular environment (Tyack and Cuban, 1995; Weatherly & Lipsky, 1977), making their cooperation salient to successful implementation. There are times when school districts attempt to privatize school services, like federal lunch programs or transportation, and the employees may not view the decision favorably. And even while school districts make attempts to keep staff when moving to contracted services, employee resistance is one of the most difficult obstacles in the privatization process (Newman & Wehlage, 1996; Seidenstat 1996). In some cases, school lunch employees start exploring affiliations with a labor union in an attempt to improve their position in protecting wages and fringe benefits in an effort to fight off non-unionized private firms (Allen and Guthman, 2006).

Privatizing NSLP may also potentially result in a decrease in the direct control that officials have over employees. This decreased employee control also extends to control over program functions (Hart et al., 1997). When school districts are able to maintain direct control over their food service staff, there is an ability to handle issues directly without having to go through another level of management. But this reduction in direct control may increase
administrator ability to focus attention on other areas of district importance, a key tenet of privatization.

Additionally, both the knowledge and skill of administrators, along with the will and skill of food service staff mediates the successful implementation of privatized services. District administrators involved in the privatization process will vary from district to district as will their skill in managing the contracting process (Wong and Nicotera; 2007; Savas, 2000). For example, smaller districts are less likely to have multiple people involved in the process and most likely the responsibility will reside with the superintendent, assistant superintendent, or business manager (Mackinac, 2008). While privatization is not designed to increase the capacity of administrators, implementing it does require them to have knowledge and skills other than the ones required when the service is in-house. In particular, they need to have knowledge around the contract process to ensure that school districts are making a decision in the best interest of their long term financial health. As a result, the decision to privatize, selecting the appropriate type of contract and the management of that contract will be dependent on the administrator’s ability to successfully juggle these multiple roles.

Another area for school districts to account for when privatizing school district food services is that it may not benefit them because the competition expected through contracting may not always be realized. In certain areas, this could be caused simply by a lack of competition available supply the need. This lack of competition also may be a result of private firms not wanting to take on contracts where they do not foresee a profit margin. For many FSMC, their decision on whether to take contracts may depend on the size of the district and the potential for high student participation (Mackinac, 2008). There are times when firms may select a school district contract but may provide limited service quality for the business.
Hart et al. (1997) makes the claim that when the provider of the good is private firm there may be a trade off in whether the entity works towards quality of service or reduction of cost; essentially cost reduction has an adverse effect on quality. In general, private firms have a stronger incentive to work towards both, yet will focus on cost reduction and typically ignore the adverse effects it has on quality. Therefore, the case for privatization is stronger when quality-reducing cost reductions can be controlled through competition, and when quality is also made a priority. The hope is that market competition will improve the ability of the districts to deliver these programs (Savas, 2000; Prager & Desai, 1996; Kettl, 1993; Brown, 1995). However, depending on the location of school districts, there is often a lack of competition within some markets, resulting is then simply a replacement of one monopoly for another (Miranda and Lerner, 1995; Chamberlin and Jackson, 1987). Consequently, school officials are finding that contracting out services may not be the best option for their district because of available competition in the surrounding environment.

2.5 Methods for Analyzing the Effects of Privatization

School districts often make the decision to privatize their food service programs with incomplete empirical data to support the decision; however a cost-effectiveness-factor (CEF) analysis provides a way for making a more informed comparison between self-operation and privatization. This methodology expands administrators’ traditional methods for analyzing the decision to privatize. A more expanded approach than cost-efficiency, CEF adds more information to help administrators understanding privatization’s influence on cost, program goal attainment and other factors influencing implementation.
2.5.1 Cost-Efficiency Analysis

School district administrators and other public managers tend to focus on measures of cost-efficiency and do not take a more detail approach to evaluating implementation strategies like privatization. Cost-efficiency is the extent to which a program is expected to convert its resources/inputs (funds, expertise, time, etc.) into results in order to achieve the maximum possible outputs, outcomes, or impacts with the minimum possible inputs (Boyles, 2005; Levin and McEwan, 2001; Cyert and March, 1992). While this is a suitable approach for keeping costs down, it does not provide enough information for adequately evaluating privatization.

Under the privatization model in the school district context, only focusing on costs may potentially result in a reduction in program quality this may cause services to miss desired outcomes. For example in the school district lunch program, it may cost less to serve students liver every day and still allow districts to meet the primary NSLP regulations. However, because students do not prefer to eat liver, the participation drops. This results in a program that is efficient in terms of the money being spent to meet program goals, but because participation is low, the district may not meet its own (and NSLP) goals of having a large percentage of student participation each day. To address this, district administrators can move to methods of analysis that account for their predetermined goals.

2.5.2 Cost-Effectiveness Analysis

Cost-effectiveness (CE) analysis refers to a method for combining appropriate measures of outcomes with costs so that program and policy alternatives can be ranked according to their effectiveness relative to resource use (Levin, 2001; Levin and McEwan, 2000). In essence, the alternatives are evaluated against one another with the best results relative to costs and district goals being the ones that are most attractive for adoption.
The assumption that budgets contain the required information or that only information from budget statements are necessary is incomplete and potentially erroneous for comparison purposes. For example, how private organizations and school districts get to the bottom line cost may vary and without more of a breakdown of costs, discrepancies between line items may arise. Moreover, with food service programs, the policy implementation and program adherence aspects cannot be ignored when considering interventions. Thus, the estimation of costs requires a set methodological procedure that must be followed to obtain accurate and consistent cost estimates.

Typically, in education, the costs of programs are normally analyzed on an average cost per-student or per-participant basis, which is seen, as a way of comparing effectiveness per unit of cost among alternatives. When privatizing school lunch programs the analysis is not this straightforward and therefore cost-effectiveness measures are useful. According to Levin (2001), first the factors or ingredients are identified that are required for each alternative; this is achieved by determining what resources were required that accounted for the levels of effectiveness of each of the alternatives. This may include personnel (qualifications and time), facilities, equipment, and other inputs. Details on these factors are obtained from descriptive reports, observations, or interviews.

2.5.2.1 Measuring Costs in NSLP: The Ingredients Method

Given the differences between types of policies, programs, and interventions, all of these factors may not be required for analysis. In order to identify the key factors necessary for cost-effectiveness, researchers should be clear about the level of analysis and scope of the change (Levin and McEwan, 2002; Borman and Hewes, 2000), and there are ways to simplify this
process. School districts can focus on only the incremental or additional factors that are required for various interventions instead of including all costs. Additionally, Levin and McEwan (2001) provide five categories to organize factors, dividing them into groups that have common properties; they use the breakdown of: (1) personnel, (2) facilities, (3) equipment and materials, (4) other program inputs, and (5) client inputs.

Although the categories identified above are not all encompassing, they do provide a solid foundation on which to build cost-effectiveness studies. The ‘personnel’ category refers to all administration and staff required to dedicate a specific amount of time towards the implementation of programs. In addition to their time, the level of qualification should also be considered; essentially there is a difference between the amount of time and salary required for a manager versus a staff worker. ‘Facilities’ category refers to the necessary space required to implement programs, however many educational interventions often will utilize existing space, as with the case of privatizing district lunch programs. However, with school district food service programs, the place and space is typically the same for both private and in-house programs and as a result, the ‘facilities’ category will not be a factor utilized in this study’s final analysis.

Again, cost-effectiveness is chiefly concerned with the differences between interventions and all options would be subject to the same available facilities. The ‘equipment and materials’ category identifies specific resources needed to implement programs-classroom, computers, ovens, and other supplies- while ‘other program inputs’ is a category for capturing particular resources which do not fall under the previous two categories. Lastly, ‘client inputs’ are resources provided by the recipients of the program like, books, uniforms, transportation, food,
or other student services. Many interventions may not require client input, and with regards to implementing school lunch programs are often not consistent across school districts.

Once factors have been identified and organized, acceptable values for each will need to be determined. Through utilizing market prices, acceptable values for factors can be determined (Levin, 2001; Borman and Hewes, 2000; Levin and McEwan, 2000); nevertheless, it is also important to determine how the burden of costs is distributed between private vendors and public entities. Take personnel, for example, the particular style of implementation selected dictates how this cost is analyzed in cost-effectiveness analyses. In Illinois, they have primary options for privatizing school district lunch programs (ISBE, 2009): privatize all aspects of food service, allowing private vendors to manage staff and produce food; or contract out the production of food, maintaining staff as employees. The option selected will determine what values are placed under particular entities, and influence the qualifications and time utilized.

Once costs have been identified, the other vital component of accurately evaluating cost-effectiveness is through an examination of privatization’s influence effectiveness of implementation practices.

2.5.2.2 Measuring the Program Effectiveness of NSLP

Some school districts have found the effectiveness claims made by private firms have fallen short of expectations. In many cases, privatization has not improved the financial capacity of school districts to implement programs and services more effectively and in accordance with program regulations (Henig, 2002; Levin and McEwan, 2002; Ascher, 1996; Epple and Romano, 1996; Brown, 1995; Chamberlain and Jackson, 1987). In the study mentioned earlier by the General Accounting Office (GAO) (2008) found that 13% of school districts utilizing FSMC had
been paid improperly because of errors in the number of meals counted and claimed for reimbursement. It was also found that the audit processes of privatized school lunch programs tend to illuminate larger issues surrounding management processes utilized by school district and FSMC officials (GAO, 2008).

Program effectiveness can be measured by a number of different factors and outcomes, but the measures used are dependent on the program being evaluated (Doran et al., 2011; Segal, 2004; Belfield and Levin, 2002; Hart et al., 1997; Epple, 1996; Lieberman, 1989). For school district lunch programs a non-exhaustive list of crucial factors to evaluate effectiveness include; participation volume; participant satisfaction, including but not limited to administrators, parents, and students. Formal audits performed by managing bodies like the state or the federal entities provide a normative way of evaluating effectiveness across various types and sizes of districts.

However, Levin and McEwan (2000) remind us that while this information is helpful in guiding, it should not determine decisions and other issues such as environment and implementation feasibility should be considered in the decision process. Providing a balanced measurement tool, utilizing state or federal audit findings offers administrators an established method for evaluating the effectiveness of privatization in NSLP. CEF aids in this process.

2.5.3 Cost-Effectiveness-Factor Analysis

Through cost-effectiveness analysis, school districts gain a more detailed picture of the outcomes of privatization with respect to cost; however school administrators may find that an assessment of the internal and external factors are also useful in making final decisions. Cost-Effectiveness-Factor (CEF) analysis is a process that recognizes that the decision to change implementation strategies may not be purely a cost driven decision. It recognizes that other internal and external factors play some role in how decisions are made (Hatch, 2006; Henig et
al., 2003; Malen, 2003). Subsequently, cost-effective analyses may not provide enough necessary information to make a more informed decision.

Each school district may have several factors influencing the selection of privatization that a cost-effectiveness analysis by itself does not include. These factors may be internal or external and may influence how administrators think about using privatization. Internal factors like dissatisfaction from employees, an educational philosophy that does not embrace privatization or administrator loss of program control may influence administrator decision-making. These, along with other potential internal influences, can alter how administrators approach this decision and through CEF analysis it offers them an opportunity to make this evaluation prior to settling on privatization.

Including a factor analysis also helps administrators evaluate external influences or other interested parties attempting to influence decisions around privatization. An influence from the community is pertinent to note because school district are often subject to their demands. Considering schools as an open system, they will often conform to the demands of the external environment (Hatch, 2006). Given this, members of the school board, parents, and others in the community may not want a private firm serving their student’s meals because of their own perceptions of FSMCs. So while, cost-effectiveness analysis does provide a more in-depth, accurate procedure for evaluating the differences between interventions beyond the current available data, it is important to remember that cost-effectiveness analysis cannot measure how resources or other opportunity costs are transferred to other areas of the district. As a result, evaluating both the internal and external environment may assist administrators’ decision when privatizing.
A variety of factors from competing organizational agendas, to the potential for disgruntled staff, to a reduction in administrator control, offers some caution to school district administrators when making the decision to using contract their food service programs. By providing school districts with more useful data on other factors mediating the implementation of NSLP, officials can make more informed decisions on whether or not privatization is the option for their district. And as Levin and McEwan (2000) remind us, cost analysis alone cannot tell us whether a particular alternative is relatively more desirable than another, researchers should incorporate information other measures of program effectiveness or methods for comparing interventions.

2.6 Conclusions

This chapter was organized to provide school district administrators and researchers information on how the privatization and other internal and external factors may influence the decision to privatize school district services. Through a cost-effectiveness-factor analysis district administrators can more comprehensively evaluate using privatization as a method for improving school district food service programs.

When utilizing privatization to implement NSLP, districts may find that overall private firms are no better than reforming internally (Henig, 2002, Ascher, 1996; Epple and Romano, 1996; Brown, 1995; Chamberlain and Jackson, 1987). As a result, district officials understand that matching the correct implementation strategy is essential to the success of privatization. Regardless of who operates NSLP, a well-functioning organizational structure is notable for the school district’s food service program to function in a cost-effective, program adherent manner. For example, when changes occur to nutrition standards and regulations, school districts have a
limited amount of time to respond to these changes, and require the proper structural capacity to comply.

This power to approve changes in procedure or innovations in school functions can have a profound impact on the outcomes of privatizing NSLP. From the school district’s perspective, FSMC should be not only aware of new policies, but be swift in handling updates to district procedures. Yet private organizations often fall short of expectations, because they have eliminated established organizational hierarchy, often impeding swift changes in the school district’s policies (Rosenbloom et al., 2000). As a result, while private firms may be potentially cost-effective, they may fail to be responsive to programmatic or policy changes which ultimately mitigates program adherence.

While contracting may have the ability to lower costs, there may be sacrifices made over the duration of the contract. Even in times when privatized delivery results in significant increases in program adherence or cost-efficiency, it is entirely possible that the same (or even better) results could be achieved at comparable or lower costs by school districts maintaining control (Mac Iver & Stringfield, 2000). Essentially, researchers have found that the decision to privatize has been made with little solid evidence of sustained positive outcomes (Mac Iver et al., 1998; Brown, 1995; Hunter, 1995). Consequently, school districts utilize cost-effectiveness analysis to determine whether there is a benefit in privatizing or if it is in the best interest of the district to manage the function. The outcome is essentially based on the selection of the right intervention or implementation strategy along with the correct measures of effectiveness and the inclusion of all important costs.

According to the ISBE (2009) and USDA (2008), when a school district contracts their food service, the FSMC prepares, serves, and manages the meals controlling day-to-day
operations of federally funded school meal programs. However, ISBE also offers districts the opportunity to contract out the production of meals using the FSMC as a vendor. In this role, the management company provides the meals only (prepackaged, pre-plated) and does not manage any aspect of the school food service. The USDA (2010) has since revised its legislation and deemed that if a school district contracts any aspect of the school food service program, it is considered to be under the management of a FSMC. Regardless of the option selected, without the appropriate evaluation tool it is difficult to ensure that the best decision has been made to ensure that cost-effectiveness and program adherence improve. As a result, this research focuses specifically on privatization and compares that to outcomes achieved in self-operated programs through cost-effectiveness analysis.

FSMC are expected to improve the implementation of school lunch programs by improving processes and cutting costs; yet is it not clear whether the expected outcomes of privatization are achieved. First, private organizations are still held accountable for following NSLP’s policies and often times these policies may result in additional expenditures on the part of the district food service program. Therefore, privatization will not necessarily improve the ability of school districts to meet the goals of implementing the multiple, and sometimes competing, policy goals of NSLP and still achieve improved cost-effectiveness. Moreover, while there is some initial reduction in district food service budgets when privatization is implemented, it is not clear whether these savings are maintained over time. This presents an essential challenge for policy implementation since an evaluation of implementation can only happen after a policy has had an opportunity to produce analyzable results. To this end, this research will serve as a tool for school districts in understanding how to evaluate the decision to privatize.
3. METHODOLOGY

3.1 Introduction

The research focuses on school districts in Illinois that privatize their school food service through the use of a Food Service Management Company (FSMC). For comparison, school districts of equivalent size (range of schools) were randomly selected that did not contract with a FSMC. Through regression modeling and interviewing, this research evaluates the following research questions:

- How do school district administrators make the decision to privatize district services?
- In what ways is the cost-effectiveness of school district food service programs influenced by privatization?
  - Besides privatization, are there other factors influencing outcomes?

This study uses a mixed method research design since both quantitative and qualitative methods were required for this study. Specifically this study utilizes a cost-effectiveness-factor analysis (CEF) which includes school district demographics, the total costs of school district food service programs, the outcomes of state audits, and information from district administrators about the decision to privatize the program.

An exploratory, comparative, descriptive design is used because it is useful when researchers are not clear on what specific variables are necessary to examine, when the topic is new, or when the topic has not been addressed with the particular perspective currently being utilized (Creswell, 2008). While there is research that discusses the privatization of school services, (Mac Iver and Stringfield, 2000; Mac Iver, Balfanz, and Plank, 1998; Brown, 1995; Doyle, 1994) and more specifically the privatization of school lunch program (Mackinac, 2008; Segal, 2004; Schmieder, et al., 1996), they do not
provide data on decision-making, cost effectiveness, nor does it include how the influence of other internal and external may dictate decisions.

Mixed methods are typically used when both quantitative and qualitative data and both types of data, together provide a better understanding of the research problem (Creswell, 2008; Creswell & Plano Clark, 2007). So this research benefits from qualitative methods like interviewing because the decision to privatize is not only described through quantitative analysis (Brown, 1995; Thompson, 1986; Geertz, 1973). More importantly, qualitative methods are especially useful when privatizing services because they have a significant social and/or human component (Brown, 1995). Therefore, some of the outcomes of privatization may not be discerned without the descriptive details of qualitative data.

3.2 Participants

Beginning with the school districts that participate in NSLP, a stratified sampling technique is utilized to select participating school districts. This method is conducted in such a way as to guarantee appropriate numbers of subjects for subsequent subdivisions and groupings during the analysis of data (Metler & Charles, 2010; Creswell, 2008).

School districts in IL have two primary options for privatizing their district food service (ISBE, 2009): privatize all aspects of food service and allow private vendors to manage staff and produce food, or contract out the production of food, maintaining staff as employees; both were included. As of the 2010/2011 school year there were currently 263 school districts in Illinois that privatized their food service programs in one of these ways. Data for school districts utilizing FSMC during this time period were obtained from the Illinois State Board of Education (ISBE), ISBE’s Freedom of Information Act
The first stratification of participants focuses on districts with two to seventeen school buildings. This represents the range for 82% of the school districts in Illinois that privatized their food service and provides a sufficient sample while eliminating outliers. School districts with one school building do not have the same organizational challenges as districts with multiple buildings and thus were not included in the sample. Additionally, the organizational challenges of school districts with more than seventeen buildings can be captured by districts within the sample that have more than ten buildings.

Another crucial stratification is that interviewing be limited to those ISBE identify as having contracted for seven years or less. This presented the first real challenge to selecting sites. Based on data from ISBE, there were a limited number of school district that privatized within the last 5-7 years (28) and the even less that met the above criteria (19). Additionally, there were some inconsistency between data sources and the information provided by the district, as a result, one district in the study had privatized for more than seven years. However, all of the administrators interviewed were long-time employees and had intimate knowledge of the decision to either privatize or to remain self-operated. Their familiarity with the decision to privatize stemmed from both working with their predecessor prior to taking the position and from archival data from meetings on the topic.

The final sample consisted of the following: 2 districts that privatized their entire food service program (FULL), 2 districts that only privatized the production of meals (VEND), and 2 districts that remained self-operated (SELF) (Table I). Each district in
the sample was identified by their Core Based Statistical Area (CBSA) and Urban Centric Locale (UCL), and both serve as a method for determining a school district’s potential access to private firms by its connection to high-producing economic areas.

<table>
<thead>
<tr>
<th>School District ID</th>
<th>Number of Schools</th>
<th>Full Privatized (FULL), Vended Meals (VEND), Self-Operated (SELF)</th>
<th>Urban-Centric Locale</th>
<th>CBSA Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>11111</td>
<td>3</td>
<td>FULL</td>
<td>Suburb: Large</td>
<td>Chicago-Naperville-Joliet, IL-IN-WI</td>
</tr>
<tr>
<td>22222</td>
<td>11</td>
<td>FULL</td>
<td>Suburb: Small</td>
<td>St. Louis, MO-IL</td>
</tr>
<tr>
<td>33333</td>
<td>3</td>
<td>VEND</td>
<td>Suburb: Large</td>
<td>Chicago-Naperville-Joliet, IL-IN-WI</td>
</tr>
<tr>
<td>44444</td>
<td>4</td>
<td>VEND</td>
<td>Suburb: Large</td>
<td>Chicago-Naperville-Joliet, IL-IN-WI</td>
</tr>
<tr>
<td>55555</td>
<td>5</td>
<td>SELF</td>
<td>City: Small</td>
<td>Chicago-Naperville-Joliet, IL-IN-WI</td>
</tr>
<tr>
<td>66666</td>
<td>4</td>
<td>SELF</td>
<td>Rural: Distant</td>
<td>Decatur, IL</td>
</tr>
</tbody>
</table>

Table I: Final Sample of School Districts

A CBSA is an area defined by the Office of Management and Budget (OMB) based around an urban center of at least 10,000 people and adjacent areas that are socio-economically tied to the urban center by commuting. Although an attempt was made to ensure a variety of districts was a part of the sample, five of the districts benefitted from access to the Chicago, Illinois or St. Louis, Missouri Core Based Statistical Areas (CBSA). UCL is a classification system for identifying school district locations as rural, town, suburban, or urban.

It is also crucial to mention that the final data set excludes some relevant data. Chicago Public Schools (CPS), the nation’s third largest district was removed from the
data set. There is one primary reason for this exclusion; CPS has schools that are both self-prep and that use both methods of privatization. However the specific information on the number of schools in each option is not available.

My closeness to members the population also impacted the final sample selected for qualitative review. As a Principal Consultant for the past seven years with the Illinois State Board of Education, I am charged with auditing child nutrition programs in southern Cook County and Northern Will County; this includes school districts participating in the NSLP. Assignments to Consultants within the Nutrition and Wellness Division are regional and fairly static. School districts participating in the program are required to be audited every five years; consequently any school district that I have reviewed over my years of employment were excluded from the sample to ensure ethics rules are not violated, to decrease opportunities for coercion, and to increase the trustworthiness of the findings.

3.3 Sample Data Collection Procedures

One of the strengths of this study is the ability to collect a wide range of quantitative data. Again, the primary sources of quantitative data for school districts were obtained from the NCES, IIRC, ISBE, and ISBE’s FOIS websites for school years 1999-2000 to 2009-2010. However, the research also relies upon qualitative data through semi-structured interviews.

The primary individual(s) at each district directly involved with the school food service program were interviewed; this list of individuals includes, but is not limited to: superintendent/assistant superintendent, business managers, and food service directors. Interviews are utilized to gain insight on why school districts selected or did not select to
privatize their district food services and to determine how this decision has allowed them to manage the challenges of maintaining cost-effectiveness. Additionally, interviews provide information on other factors, like additional time and resources or will and skill of staff, may have impacted the decision to privatize or mediated cost-effectiveness.

3.3.1 School District Demographic Data Collection

This research began by collecting data required to accurately determine cost-effectiveness. Consistent across research findings (GAO, 2008; Ralston et al, 2008; USDA, 2007; Moe & Kosar, 2005; Savas, 2000; Mac Iver & Stringfield, 2000; Mac Iver, Balfanz, & Plank, 1998; Brown, 1995; Doyle, 1994), there are five variables that impact the implementation of district services and policies: the number of students, the school district total budget, the school district food service budget, school district percent free/reduced, and the volume of participation. Along with the type of contract, the number of schools, the CBSA and urban centric determination, these variables were analyzed to determine their influence on cost-effectiveness. The final analysis has cost-effectiveness as the dependent variable. These factors may potentially influence how districts make the decision to privatize school district food service and how they achieve cost-effectiveness in the program (Table II).
### Table II: Variables Important to Privatization of School District Lunch Programs.

<table>
<thead>
<tr>
<th>NCES/IIRC/ISBE Variables</th>
<th>Measures/Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of schools</td>
<td>Nominal</td>
</tr>
<tr>
<td>Number of students</td>
<td></td>
</tr>
<tr>
<td>School district total budget</td>
<td></td>
</tr>
<tr>
<td>School district food service budget</td>
<td></td>
</tr>
<tr>
<td>School district percent free/reduced</td>
<td>Percentage (SY 2008-2009)</td>
</tr>
<tr>
<td>Urban Centric Identification</td>
<td>Ordinal</td>
</tr>
<tr>
<td>Core Based Statistical Area</td>
<td></td>
</tr>
<tr>
<td>Contract type</td>
<td>Ordinal</td>
</tr>
</tbody>
</table>

3.3.2 **The Ingredients Method: Cost Effectiveness in NSLP**

As a reminder, cost-effectiveness analysis compares two or more educational programs according to their overall effectiveness and comparative costs in accomplishing a particular objective. As Levin and McEwan (2002) state, this analysis stems from the notion that every intervention uses resources or ingredients that have valuable alternative purposes. By devoting these resources to particular activities, implementers are sacrificing gains that could be obtained if they were used for other purpose. Essentially, each decision comes with costs that represent a sacrifice of a forgone opportunity and it is this notion of opportunity costs that lie at the base of cost analysis in this evaluation (Levin & McEwan, 2002; Levin, 2001).

In order to define these costs and move towards determining cost-effectiveness, the total costs of each intervention program need to be outlined. The total costs are defined as the total value of all the resources required for a particular intervention (Levin & McEwan, 2002). One way of getting to these costs is through the ingredients method. The ingredients method (Levin, 2000)-also called factors here-relies upon the notion that every intervention uses resources that have a value or cost.
As defined by Levin and McEwan, the identification and specification of factors is often facilitated by dividing them into five main categories that have common properties. They use the breakdown of: (1) personnel, (2) facilities, (3) equipment and materials, (4) other program inputs, and (5) client inputs, but some alteration to these groups are required for this study. Additionally, it is essential to separate the inputs of a specific intervention from the ones required for a more general program. So when privatizing school lunch programs, only the incremental or additional factors that are required for its FSMC implementation were evaluated.

The ‘personnel’ category refers to all administration and staff required to dedicate a specific amount of time towards the implementation of school lunch programs and remained the same. ‘Facilities’ category refers to the necessary space needed to implement programs. The ‘facilities’ category is not relevant to discuss for the purposes of this study. Again, cost-effectiveness is chiefly concerned with the differences between interventions and all options would be subject to the same available facilities and would use them in the same manner. The ‘equipment and materials’ category refers to resources or hard input needed to operate the program (i.e. computers, ovens, freezers, etc.). The ‘other program inputs’ section encompasses all other program factors that do not fall under the previous categories. There are no ‘client inputs’ that are in the sampled school districts implementing school lunch programs and thus they were not included. All of the ingredient information was either obtained or verified with school district officials. The ingredient categories used in this study are outlined in Table III.

Also to identify the critical factors necessary for cost-effectiveness, researchers should be clear about the level of analysis and/or scope of the change (Levin & McEwan, 2002; Borman & Hewes, 2000). This research focuses its analysis on the school district
level because this is the level where the implementation is managed and where costs are incurred.

Accurately determining cost-effectiveness also requires obtaining specific information with regard to each school district’s specific environment, as the above method may not provide all of the factors needed to calculate cost. For example, the number of personnel utilized a factor dependent on the infrastructure and organization of school districts as well as individual schools is vital to determining overall costs. To evaluate this, number of full-time and part-time staff was collected during district interviews. Additionally, the number of students eligible for free- or reduced-priced meals may potentially have some impact on total cost; therefore this data was also collected from the 6 school districts selected for interviewing. Still, Levin and McEwan (2000) remind us that cost analysis alone cannot tell us whether a particular alternative is relatively more desirable than another, and thus researchers should incorporate information on measures of program effectiveness.
<table>
<thead>
<tr>
<th>Factors for Measuring Cost Effectiveness</th>
<th>Self-Operated</th>
<th>Privatization – Vended Meal Only</th>
<th>Privatization – Meals &amp; Staff</th>
<th>Measurement</th>
</tr>
</thead>
</table>
| **Personnel**                          | Roles: business manager, food service manager, food service staff  
Time Commitment: full time staff, part time staff | Roles: FSMC manager, business manager, food service manager, food service staff  
Time Commitment: full time, part-time | Roles: FSMC manager, business manager, food service manager, food service staff  
Time Commitment: full time, part-time | Number of employees is an average based on industry knowledge. Personnel costs include the full market value of what it takes to obtain persons with the qualities and training that are desired (Obtained from district administrators) – measured in dollars |
| **Equipment and Materials**            | The cost for additional inputs needed to operate the program | The cost for additional inputs needed to operate the program | The cost for additional inputs needed to operate the program | Any new equipment that was purchased for the implementation or improvement of the program was included. This information was collected from district administrators. |
| **Other Program Inputs**               | Only expenses included are those no longer incurred once privatization is implemented | Only expenses included are those no longer incurred once privatization is implemented | Only expenses included are those no longer incurred once privatization is implemented | Difference between what district pays and what FSMC would pay. The market values were utilized for all amounts. – measured in dollars |
| **Additional Factors Identified in the Literature** | N/A | N/A | N/A | Number of schools, Number of students, district total budget, district food service budget, district percent free/reduce, Urban Identification, Core Based Statistical Area |

Table III: Ingredients Used to Measure the Costs of School District Food Service Programs. Only additional or incremental factors have been listed. Table includes additional factors identified by the literature as salient to the privatization of school district lunch programs.
3.3.3 Measuring Effectiveness: Program Adherence

While there are a number of ways to measure effectiveness, ISBE audit data provides a standard measurement consistent across all districts. This was used as the factor to measure effectiveness (called program adherence). The data to determine this particular effectiveness measure were obtained from audit findings issued by ISBE called the Coordinated Review Effort (CRE). CRE is conducted by ISBE as prescribed by the United States Department of Agriculture (USDA) and is a comprehensive on-site evaluation of all School Food Authorities (SFAs) participating in the NSLP (ISBE, 2011).

Administrative reviews of all SFAs are conducted, at a minimum, once every five years, and the review process includes the evaluation of the critical areas. There are two performance standards that serve as a measure of compliance for program regulations and the general areas of the review (ISBE, 2011; USDA, 2010). However, per USDA regulations, FSMC cannot participate in managing all areas evaluated by the CRE and consequently its implementation only impacts specific performance standards (Table IV). Other areas identified in Table IV that do not align with Performance Standards are included because they are areas that FSMC also influence. Given the available data and the timeframe of the study, only one ISBE CRE was collected for school districts.

Additionally there may potentially be other measures of effectiveness that may mediate the cost-effectiveness of school district lunch programs, yet at this time they are unknown. Other effectiveness measures typically are dependent on the environment and culture where policies and programs are implemented. The hope is that through interviewing other measures of effectiveness may be found to support the data in the ISBE CRE audits.
<table>
<thead>
<tr>
<th>Performance Standard</th>
<th>Area Evaluated by CRE</th>
<th>Measures/Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Counting &amp; Recording Daily Meal Totals</td>
<td>Dichotomous variable</td>
</tr>
<tr>
<td>2</td>
<td>Meal Pattern Requirements</td>
<td>Dichotomous variable</td>
</tr>
<tr>
<td>N/A</td>
<td>Meal Service Portions</td>
<td>Dichotomous variable</td>
</tr>
<tr>
<td>N/A</td>
<td>Menus Planning</td>
<td>Dichotomous variable</td>
</tr>
<tr>
<td>N/A</td>
<td>Maintenance of Food Production Records</td>
<td>Dichotomous variable</td>
</tr>
<tr>
<td>N/A</td>
<td>Food and Beverage Requirements (Part 205)</td>
<td>Dichotomous variable</td>
</tr>
</tbody>
</table>

Table IV: Performance Standards and other variable measure by ISBE CRE; variables are all operated by FMSC when school districts privatize

### 3.3.4 Factor Assessment Data Collection

The research utilizes interviews for the purpose of gaining a deeper understanding of other factors that may influence the decision to privatize school district food service programs. Interviewing allows participants to explain their unique perspective thereby allowing researchers to become more intimately connected to the thick descriptions of their environment (Yin, 2009; Patton, 2001; Geertz, 1973). Described as the interview guide approach (Patton, 1990), the interviews are outlined and follow a specific, logical order with all participants getting asked the same questions (Table V). When necessary, additional follow-up questions were posed to school officials to allow them the opportunity to elaborate on short answers. The research questions were also utilized as a way to further elaborate and contextualize the preliminary quantitative analysis.
## Interview Questions

<table>
<thead>
<tr>
<th>FSMC</th>
<th>Non-FSMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td></td>
<td>What would you say is the primary reason or goal for privatizing services?</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
</tr>
<tr>
<td></td>
<td>In what ways did school district or community politics play a role in the decision making on the implementation of NSLP?</td>
</tr>
<tr>
<td>3.</td>
<td>3.</td>
</tr>
<tr>
<td></td>
<td>Have there been instances in which the FSMC has been less compliant or difficult to manage?</td>
</tr>
<tr>
<td>4.</td>
<td>4.</td>
</tr>
<tr>
<td></td>
<td>In what ways do privatized food services benefit the school district? Negative drawbacks?</td>
</tr>
<tr>
<td>5.</td>
<td>5.</td>
</tr>
<tr>
<td></td>
<td>How do managing contracted services fit into your role?</td>
</tr>
<tr>
<td>6.</td>
<td>6.</td>
</tr>
<tr>
<td></td>
<td>Have you had any training on NSLP or developing contracts with FSMC?</td>
</tr>
<tr>
<td>7.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>What makes up the differences with in-house versus privatized delivery that is not explicitly documented?</td>
</tr>
<tr>
<td>8.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In what ways has privatizing NSLP allowed time, funds, or resources to be transferred to other areas of the district?</td>
</tr>
<tr>
<td>9.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Is there anything else about the use of FSMC that you would like to share?</td>
</tr>
</tbody>
</table>

Table V: Interview Question Table

An invitation was sent to each school district randomly selected for interviewing from the stratified population of school districts. The invitations were sent during August via email and hard copy letter. Again individuals directly involved with the school food service program were
asked to participate; this list of individuals includes, but is not limited to: superintendent/assistant superintendent, business managers, and principals. Each school district had 1-2 interviews depending on the structure of the school district program. Administrators were given a week to respond with questions and potential time frames for scheduling interviewing. If a response was not received, phone calls were placed to districts to obtain further information. In cases when no was reached after two weeks or if the administrator declined participation, another school district was randomly selected from the stratified population. After a school district agreed to participate, they were asked to submit a letter of support on their district letterhead. Once two school districts from each group accepted the invitation to participate (total of six), interviews were scheduled from August through October for 1 hour time blocks.

3.4 **Data Analysis**

3.4.1 **Cost-Effectiveness**

Once data for costs and effectiveness are determined, cost-effectiveness analyses can be conducted. Cost-effectiveness analyses are calculated by using ratios for each alternative and then ranking in order of either effectiveness. To calculate a cost-effectiveness ratio (CER), the cost (C) is divided by its effectiveness (E):

\[ CER = \frac{C}{E} \]  

(3.1)

This ratio is interpreted as the cost required to obtain a unit of effectiveness. Once performed, the ratios can be ranked by the level of effectiveness for the least cost, or the highest effectiveness for a given cost. This is an essential step in being able to accurately interpret the results. However, it is beneficial to pay attention to the scale of alternative because this can
skew the analysis of the outcomes. This is especially notable for this research since the sizes of the district budgets in the sample vary.

3.4.2 School District Interview Data Analysis

After each interview, analysis began on the same day to ensure continuity and engagement with the research data collected. The interviews were analyzed for patterns or themes present in the interview data. Shank & Villella (2004) identifies this process of building themes from specific examples in the data, as a thematic analysis. This process includes four key steps:

1) Data should be transcribed into text form,
2) Text is then studied for patterns and ways to determine code the data,
3) Text and codes are analyzed so patterns and themes can be developed, and
4) Answers to research questions can be presented based on themes found.

Once the transcriptions are complete, school district administrators are given the opportunity to review their transcript, make any corrections or add information. This process described as member checking, provides both accuracy and credibility to the qualitative data (Creswell, 2012).

Patterns and themes were identified in accordance with the framework of the study. Table VI identifies the constructs for this study and provides both conceptual and operational definitions for each. Also included in this table are the indicators or measures for each construct, illustrating how factors found in interviews were organized and evaluated for the study.
<table>
<thead>
<tr>
<th>Construct</th>
<th>Definition Conceptual/Operational</th>
<th>Indicators/Measures</th>
</tr>
</thead>
</table>
| Privatization           | **Conceptual:** A shift of the production of goods and services from public to private (Savas, 2000).  
                         | **Operational:** If a school district contracts any aspect of the school food service program, it is considered to be under the management of a Food Service Management Company. USDA (2010) | --School district utilization of a FSMC  
                         |                                                   | --Implementation Style  
                         |                                                   | --Competition  
                         |                                                   | --Service Quality |
| Coordination Mechanisms | **Conceptual:** Federal education policy implementation becomes much more decentralized and individual school districts have the responsibility for implementing policy mandates in their schools (Fowler, 2008).  
                         | School district administrators find themselves in direct control over the “street-level” workers who have significant influence on how well district lunch programs are implemented (Lipsky, 1980).  
                         | **Operational:** When a school district contracts their school food service program, it alters the manner that programs are delivered and where the responsibility for compliance resides USDA (2010). | --Cost-Effectiveness Measures  
                         |                                                   | --Interview Answers  
                         |                                                   | --Relationships  
                         |                                                   | --Politics  
                         |                                                   | --Service Quality |

Table VI: Constructs for Interview

As a reminder, all analysis took place within 2 days after each interview with researcher reactions done immediately after the interviews. These analysis groups were developed through the interview process and were shaped both in an effort first understand the interviews, breaking them down into common themes, and to be able to compare self-operated to privatization implementation practices. Table VII breaks down how all interviews were organized.
### Factors Mediating Privatization & Coordinating Mechanisms

<table>
<thead>
<tr>
<th>Costs</th>
<th>Concerns about the cost of delivering or managing food service programs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>The influence of relationship building and maintenance on decision-making with respect to privatization or changes in the program</td>
</tr>
<tr>
<td>Service/Implementation</td>
<td>Discussion about success and challenges in providing food service to students</td>
</tr>
<tr>
<td>Community/Politics</td>
<td>The role that parents, politicians, the school board, and other interested parties mediated implementation practices and decision-making around privatization</td>
</tr>
<tr>
<td>Competition</td>
<td>Marketplace influence on service and cost</td>
</tr>
<tr>
<td>Food/Quality</td>
<td>Discussion on food preparation and/or the quality of the food served to students</td>
</tr>
<tr>
<td>Employee</td>
<td>Concerns about how employees mediated decisions on implementation practices and privatization</td>
</tr>
</tbody>
</table>

Table VII: Categorization of Constructs Found in Interviews

#### 3.4.3 Determining Salient Factors

After collecting data for cost-effectiveness and program adherence, the ingredients or factors for the sample were analyzed through causal inference, in a non-randomized manner, utilizing Hierarchical Linear Modeling (HLM). Given that the treatment variable cannot be randomly assigned to school districts (the dichotomous variable Contract), this study is focused on a hypothesis which is best addressed in the context of a nonrandomized study. Typically an Ordinary Least Squares (OLS) regression analysis is suitable when determining the impact that a particular variable may have on an outcome variable (King & Minium, 2008; Goldhaber & Eide, 2003). OLS is also useful when the dependent variable is a quantitative measure and many scholars that analyze the impact of school inputs on outputs and efficiency have primarily relied on estimation approaches like OLS (Goldhaber and Eide, 2003). However, OLS regression modeling is not useful when there are differences in the sizes of the variable (in this case school
districts) being compared (Meyer, et al., 1987). Moreover, since the school district variables we have identified are nested within geographic areas-rural, town, suburban, and urban-this distinction may influence the outcomes of cost-effectiveness. Thus, simple OLS regression may pose some analytical challenges and accordingly its outcomes may be unreliable.

In order to account for this issue with OLS regression modeling, HLM may prove to be useful for research involving causal inference in a non-randomized study (Raudenbush & Bryk, 2002). With the non-randomized treatment variable of privatization, its impact on school district food service budget is better achieved through HLM. This is because HLM allows researchers to analyze individual subjects of study may be classified or arranged in groups which themselves have qualities that influence the study.

In this case, the individuals (school districts) can be seen as the first level of units in the study and the groups (geographic location) into which they are arranged are second level units. As a reminder, the factors analyzed in the initial analysis are the following: Level 1-number of schools, number of students, school district total budget, school district food service budget, school district percent free/reduced, the outcomes of the ISBE audit findings and a variable for contract type; and in Level 2-the location variables Urban Centric Locale (UCL) and Core Based Statistical Area (CBSA), and school district type (elementary-only, secondary-only, or both). So for this study, school district factors are nested within geographic areas in Illinois.

For this study, the two-level model, where school districts are nested within geographic locations, we can represent the level one school district model as:

\[ Y_{ij} = \Pi_0 + \sum_{p=1}^{p} \Pi_p X_{ij} + \epsilon_{ij} \]  

(3.2)
where $Y$ represents the cost-effectiveness of school district food service programs (dependent variable), $\pi_0$ is the total food service budget adjusted by school district variables, $X$, and the corresponding coefficients, $\pi_p$ while $\varepsilon$ has a normal distribution with mean zero and variance $\sigma^2$.

The predictive variables include: contract type, number of schools, total student enrollment, school district total budget, school district food service budget, and percent free/reduced. Then to connect the school districts and geographic locations, we can represent the locations through a level two location model:

$$
\Pi_0 = \beta_{00} + \sum_{q=1}^{Q} \beta_{0q} W_{qij} + r_{0j} \tag{3.3}
$$

In this model $\beta_{00}$ is the cost-effectiveness of school district food service programs for location, $\beta_{0q}$ is average effect of covariate, $W_{q}$, on food service budget with corresponding coefficients, $\beta_{0q}$ and $r_{0j}$ is the random effect of school $j$ and has a normal distribution with mean zero and variance $\tau_\pi$. These sub-models articulate relationships among covariates within a given level and, in turn, express how variables at one level influence relations occurring at other levels (Raudenbush & Bryk, 2002).

The final model for this study is selected based on their Akaike Information Criterion (AIC) scores. AIC is a measure of the relative goodness of fit of a statistical model. The AIC offers a relative measure of the information lost when a given model is used to describe reality. Essentially, this tool helps to describe accuracy and complexity of the model. The AIC is calculated by the following:

$$
\text{AIC} = \text{Deviance} + 2^* (\text{number of parameters}) \tag{3.4}
$$

The model with the smallest AIC value is the “best” in terms of being able to describe the true population distribution underlying the sample data.
3.5 **Reliability**

The reliability of the analysis is concern with regard to findings. This is particularly difficult given the number of school districts involved in the study and the extreme variance that can exist between them in terms of operation. Yet, within the context of this study, those differences can be minimized through some of the statistical techniques. The HLM analysis benefits from the use of doubly robust methods. This involves using some combinations of general modeling approaches to estimate average treatment effects (Raudenbush & Bryk, 2002).

3.6 **Trustworthiness & Validity**

To address issues of trustworthiness and credibility particular strategies were employed for the described methods. First, triangulation, the use of multiple data collection strategies can provide a more accurate explanation and interpretation of social behavior through analysis from several different perspectives (Cohen et al., 1989). Moreover, it offers additional validity by enhancing both the quality of the data and the accuracy of the findings (Fetterman, 1993). For interviews, protocols were utilized in an effort to standardize questions across subjects. Additionally, through member checking, those involved in the interview process had the opportunity to review over the findings for issues with analysis.

Lastly, it is essential to address issues of researcher bias. As an employee of ISBE, I have developed opinions about privatization and school lunch policies and procedures. My view germane to this research is that privatization, in general, does not improve school services, and primarily serves as a tool to reallocate time resources of administrators without reliable empirical data to support its true impact on services and long term costs. As a Principal Consultant, I have
an inside perspective to issues of privatization and school lunch programs. Therefore, this allows me to have a strong foundation to enter schools and evaluate these programs, but doing it from perspective of this study. This familiarity might make it easier to analyze contextual issues. However as a researcher, I must be careful not to impose my prior assumptions about privatization, NSLP, or school districts in Illinois.

3.7 Limitations

The purpose of research should not be to generalize but to create deeper understanding of the phenomenon being studied. Moreover, in general most research lacks the ability to generalize to the larger population (Stake, 1995; Yin, 2009). So while, this study includes all the school districts that privatize their school food service in Illinois, the purpose of this study is not to generalize the findings to other states. Nevertheless, given the number of cases being quantitatively analyzed, this study offers a unique look into privatization from a longitudinal perspective and has information to offer other states interested in studying this or other programs that are privatized.

This study is also limited by length of time to complete this study and the ability to conduct in-depth interviews with each district. Lastly, while there are no ‘client inputs’ in school districts, some may utilize parents or volunteers in tangential way for their program which may improve their cost-effectiveness with or without privatization.

3.8 Delimitations

The study was confined only to school districts in Illinois that privatize their food service through FSMC and that participate in NSLP. It purposefully excludes Chicago Public School,
the nation’s third largest district and the Arch Diocese of Chicago, the state’s second largest district. Additionally, the study provide perspective on the issue of privatization only as it relates to school food service, excluding other programs and policies, and other school officials not involved with the program, such as teachers, school administrators, specific students, and parents.

The quantitative data utilized were from school years 1998-1999 through 2009-2010. Data for school districts utilizing FSMC during this time were obtained from ISBE’s Freedom of Information Act website and is limited to the quality of the information contained on this website. Other quantitative data were obtained from the National Center for Education Statistics (NCES). As for the interview data, it was collected during the summer and fall of 2012 and is limited to individuals who are currently serving in administrative roles.
4. INTERVIEW FINDINGS

4.1 Introduction

This chapter will primarily focus on the first research question, using interviewing to determine how administrators make the decision to privatize school district services. Additionally, this chapter may also inform the second half of the second research question and provide insight on other factors potentially influencing the cost-effectiveness of school district food service programs. Specifically, the following will provide information on how particular internal or external factors used by administrators mediated the decision-making around privatization. Through the interview process school district administrators discuss how the decision to privatize was made, and offer other factors that they found relevant but may not have gone into their decision-making process.

The interviews illustrate that the administrators in the sample recognize that factors other than program costs and measures of effectiveness are pivotal to maintaining a high quality food service program. However, administrators admitted that these variables were typically not included in their final decision-making. And while interviews also revealed that school district administrators are concerned with cost-effectiveness, their focus is primarily centered on cost-efficiency.

The findings from the interviews help to increase our understanding of factors that administrators consider when privatizing school district food service programs. For example, two districts in the study were new to NSLP and selected the ease contracting versus building their program internally. This is not a distinction made in the existing literature. Some of the administrators discussed how issues of district size and expected volume of student participation,
influenced how they examined the decision to privatize. A significant determinant to the decision to privatize not generally addressed in the existing literature is the influence of the district’s or community’s philosophy on the decision to privatize. This was a factor for both districts that contracted and those that did not. Despite the desire to relinquish the task of day-to-day management, both sets of administrators discussed the importance of maintaining some level of control over district services to ensure low costs and quality service.

The individuals interviewed were very open to discussing their district food services and the reform option of privatization. The final sample had six school districts and a total of eight people were interviews. Each school district had a different organizational structure and then, one or two people were interviewed (two people at two of the districts). Three of the administrators interviewed were not in their positions when the actual decision was made, however each one worked closely with their predecessor and had corroborating documentation to support the answers provided. This provides triangulation of data, increasing the validity of these participants. The demographic information for each district was collected from the district’s website, the State of Illinois website, the Illinois Interactive Report Card website, and from the city websites where the districts are located.

The following provides highlights from each interview, focusing on information that is relevant to answering the research questions. At the end of each district interview, a summation of the major points from the interview is provided. In the discussion section, the common factors are highlighted and connected to the research questions and to cost-effectiveness-factor analysis in the privatization context. The hope is that there will be places where this research aligns with current research and also expands our understanding by offering new information.
4.2 School District Interviews

4.2.1 School District 1(SD1) - Fully Privatized

In SD1, the superintendent was interviewed and will be referred to as Administrator 1. She is a career educator but had only been with the district for one full year. Prior to this, she spent four years as a superintendent at another small, rural school district. Despite only being with the district a short time, she was fully aware of the decision to privatize their food service program. The year that the decision was made she worked closely with her predecessor on making the transition to a privatized service because she was aware that she would be in the district the following year. She made clear that this decision was made to quickly provide students with healthier meals even though the district had the structural and human capacity to run the program.

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<td>Percent Free and Reduced</td>
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This district is entering its fourth year under a fully contracted food service program and the management company hires all new staff and prepares all meals.

Table VIII: School District 1 Information

Prior to privatization, the school district contracted with local fast food companies, or local restaurants, and asked the students to bring their own meal once a week. From the onset of this interview, it was clear that Administrator 1 felt that their current process was better than what they were doing before. Although she was not present when the initial decision was made,
she was well aware of the sentiment of the administrator at the time as they were close colleagues. She discussed the decision in the following way,

I think that they didn’t have the past experience with [NSLP] because it was something new, so that would be a whole new learning curve for them to do something that they’d never done before and think they did it for simplicity reasons. (1)

Still without a detailed analysis, she reported that district officials were well aware of the pitfalls of moving to a self-operated program. In fact she noted, “It has to do with benefits; I think if they cost it out…that would be the reason…it was just the quick implementation of all that.”

The privatization decision was easy to make because there was a sentiment in the community that the administration would do what they felt was best.

It was actually the school administrators that led the charge to reform the district’s food service program because they were disappointed with the current food their students were receiving. Administrator 1 recounted the attitude of her principals,

They wanted to participate in the federal lunch program. One of my principals has been here for 12 years and I think she wanted to see more nutritional food come in. Because McDonald’s was one day, Pizza Hut was another day, so there were no regulations being followed, just a lunch was being provided. (2)

From the perspective of principals and the school board, they felt that this implementation process is working well and is a marked improvement over the past food service program. Administrator 1 explained it further in this way,

It doesn’t cost us any money to have the program, essentially we’re breaking even we have the income which goes to paying off equipment. Like in transportation I’m doing deficit spending, in food service I’m not. And I’m providing services that was better than what we had before and for kids that may not have food at home. (3)

Despite this success, she was not willing to fully relinquish control and made it a point to stay involved in the implementation of the food service program.
Even with a FSMC running the school district’s food service program, Administrator 1 still wanted procedures in place to ensure the district was operating a successful food service program and to ensure contractor compliance. Through consistent contact with private food service management, Administrator 1 stated she was able to ensure that the district was getting the best possible service. As she described,

What I try to do is to meet with my management company once a month…so I treat them the same even though they are a third party, now I don’t discipline their employees, for that I go through their director. But if we have a problem, I am able to address it in our monthly meeting. (4)

In addition to these meetings, just as with most other school districts in this study, Administrator 1 pressed the food management company to keep people from the surrounding community. She told me, “I know that they prefer people being local because they are right now looking for substitutes, like if somebody is sick. All the people I’ve met are from the community.” Administrator 1 understood the needs of her district and the importance of a well-running, nutritious food service program. In her own view, “times have changed, so we try to provide the nutritional value for kids that don’t get or can’t afford it.” Yet she tried to balance this need to provide a quality program with the other pressing needs facing the district.

As we continued to talk about the contrast of operating the program in-house versus privatizing, she had the following to say,

I don’t have to do the hiring and firing, so administratively it’s less of a headache for me. Plus it’s more cost-effective. I’m not worried about my budget, I know what’s coming in and going out. They do all the regulations and making sure everything is crossed and dotted on the list and so I don’t have to do that. (5)
She went on,

So for example, if there is a discipline issue with one of my bus drivers, I’ve got to stop my day and deal with that issue with the bus driver. And I there is a discipline problem with [the food service] employee, then the management company deals with that. So all I have to do is report that to a manager and that’s their problem. (6)

Given her limited time she was not genuinely interested in exploring a self-operated program, even if in the long run it might operate better or cost less. She even compared the headache of self-operating transportation stating that, “All these buses that are going by, I gotta make sure they’re trained, I gotta make sure they’re at work, I make sure they get substitutes, it’s mostly on me.” This also presented a potential reluctance for Administrator 1 to change from the current program.

With respect to program effectiveness, it was clear that evaluating the program effectiveness was not a priority. Again even as the Administrator 1 discussed cost-effectiveness, she admitted that her analysis was cost-efficiency model. For her analysis, it remained focused on keeping costs down and not necessarily outcomes. She described her approach,

I look at annual savings. I look at what my budget looks like and what we actually spent on that. And so I try to just look at the whole program annually. So if it’s not making money like transportation, I’ve gotta look at what’s happening down the road. Right now this is one that’s cost-effective so I’m not really looking. (7)

There was some credit given to the FSMC service that was being provided and how it contributed to the success of the program. She noted that the private organization was able to implement, in an extremely quick amount of time, a fully functional lunch program. Again, Administrator 1 reminded me several times that in comparison to their previous service it was much better. This also contributed to her not focusing on program effectiveness.

As we approached the end of the interview it was clear that as the primary central office administrator, Administrator 1 had to make a trade-off between her time and what she could
reasonably manage at a high level. There were some minor concerns with service and food quality but because the kids are now getting an opportunity to receive a nutritious meal, this was not concern for her. Moreover, as it currently stands there are no glaring issues with SD 1’s FSMC and thus Administrator 1 does not feel there is a need to evaluate it for change. She spoke at length about why she focused her attention in a particular manner,

In the end the outcome is still going to be the same; you are serving kids nutritious meals. I know that I need to focus on curriculum, so if there is one thing that I can outsource and it meets my needs I’m going to do that because it’s not costing me any difference. Now if we start going in the hole and start deficit spending then I’m going to really be looking over what we can do differently. And if it’s cost-effective I don’t have to worry about that because my primary job is keeping an eye towards the money. (8)

Finally, there was a lack of concern for areas where privatization could be hurting the district. When pressed about this, she immediately went to time. She explained how there was a real time savings for her through privatization, and Administrator 1 discussed it in a very explicit manner,

Well that time would be taken away from other things that I would already be doing. So yes, I wouldn’t be able to spend the same time on curriculum, classroom visits…things that are really our focus. So it wouldn’t take away time, I would just have less time to do those things…there is just more time to deal with the things that we are really here for. (9)

Consequently, Administrator 1 truly felt as if her district benefitted from using a FSMC and that given the current outcomes and service, the process has been helpful for them. She expressed her philosophy in the end in the following way,

If it’s working, why would we look at changing? But again it comes down to costs. And then it’s gonna come down to time. If there are a lot of staff problems, then you may want to look at outsourcing. Because right now we’ve got to be fiscally responsible because it’s the taxpayer’s money, so I would rank it in terms of cost, outcomes, and then time. (10)
4.2.1.1 **Summary**

Prior to contracting the district meal services, SD 1 was not in NSLP and this ultimately shaped the administrator’s perspective on the decision to privatize. They were having fast food companies bring in food each day which many found to be unhealthy and did not follow any federal child nutrition regulations. This prompted the district to move to a privatized service to improve the quality of their program. The decision was made to move to privatization as it allowed the district to improve the quality of food being offered to students in a short amount of time. Administrator 1 stated that since the district did not have experience in NSLP they opted for privatization when starting their program. She also expressed that privatization would offer her relief from the day-to-day management issues, something she welcomed because she worked at a smaller district with less administrative staff. However, while the change to privatization was welcomed, Administrator 1 still felt that her participation through monthly meetings was an integral part of program success.

These factors from Administrator 1 highlighted some reasons why smaller school districts, with small administrative staff may use privatization over self-operation when beginning a new program. While there was mention of cost-efficiency, the primary reasoning for using privatization was the ease of using a FSMC to start a new program, but the administrator still remained involved in aspects of the food service finances and quality.

4.2.2 **School District 2 (SD 2) - Fully Privatized**

Although Administrator 2 was not present when the decision to privatize was made, his understanding of the district community and history of the school district, made him an acceptable person to discuss the decision to privatize the district’s food services. Administrator 2 had spent his entire career in the district, holding a number of teaching positions, working as an
assistant principal, and was a high school principal prior to his work as business manager. These positions offered him an understanding on how privatization can influence a district at multiple levels and he used this perspective throughout the interview when offering his insight. Additionally, Administrator 2 was trained by his predecessor who provided him with detailed reasoning behind privatizing their services. He also noted that this information aligned with board meeting notes and other correspondence on this topic.

The interview began with Administrator 2 instantly talking about the financial aspects of utilizing a food service management company. He remarked, “It started out as purely a financial decision back then. At the time they actually started with food service management strictly from the management level and you still had district employees.”

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This district has been a fully contracted food service program for seven years and the management company hires all new staff and prepares all meals.

Table IX: School District 2 Information

So with finances being one of the primary concerns of the school board, the goal was to keep costs down while maintaining quality. This focus was exacerbated by Administrator 2’s background,
As a business manager I come from the education side not the business side…so we also look at it from the standpoint that our business is education. Our business is not food service, or custodial, or and so besides the financial aspect there’s the aspect of having people where that is their industry, that is what they know. (1)

The second part of the above quote sums up how SD 2 and the administration felt about their role in delivering food service internally. Therefore, this perspective made the privatization of their food service primarily a fiscal matter. However, Administrator 2 did mention other benefits.

Along with this financial focus, there was the ability of the district administration to relinquish direct control over the food service staff. Although, the district was still struggling with this aspect,

We’re a little bit unique because at the time when they moved over to a management company, part of the agreement was that district food service employees, would remain district employees until they resigned or retired. And we’re several years later and we still have six district employees. (2)

Still, he stated that while the politics of utilizing a FSMC were minimal, Administrator 2 confessed that, “There’s some political aspect to using a contractor, absolutely, but beyond that for us it’s primarily dealing with some employees that are ours.” This statement highlights one reason why this district moved towards privatization; they did not want the responsibility of managing ground-level employees. Administrator 2 welcomed the ability to redirect issues because it would allow him to focus on more pressing educational issues.

While overall happy with their selection, Administrator 2 did recognize some challenges in dealing with a private firm. He admitted, “There is some potential for pitfalls, you don’t know everything that’s going on. You do give up some control.” In fact, there were some parents and school board members that were not entirely comfortable with outside contractors. He explained his role in dealing with parent and school board concerns in the following way,
The way I put when people ask me what I do with the food service contract is that I’m the liaison and so I will address those concerns as I need to. But like we said, having someone with such a vested interest in the district makes a big difference in getting those things addressed quickly. (3)

Administrator 2 also commented on the lack of competition that existed for the school district’s business, making it difficult to bargain over price or other service concerns. He noted that the lengthy process often discouraged or eliminated private firms before the actual ‘competition’ even began. The issue, as he put it, was, “you have to send everything to ISBE and let them take a look at all contract aspects, which can make for a long process. Administrator 2 expounded on this point with a story,

This last time around we did have some more interest in our program; we had 4 companies including Aramark that said they were interested in bidding. We sent out the bid specs and only 3 showed up to the pre-bid meeting and the one who didn’t [show] sent a letter stating they appreciated the opportunity but they would not be bidding….we had always thought we were going to have 3 bidders, but on opening day 1 of those 3 declined to submit a bid and we ended up only with 2 bidders. And [our current company] was low by, I think it was $150K so it really wasn’t that close. (4)

Still from his perspective it did not wholly feel like a competitive process. And with so little competition, he admitted that he was not necessarily clear if the process always yielded the best possible price or best program.

Administrator 2 then provided some intangible reasons why a contractor situation was favorable for his district. There were some areas where the district truly realizes the benefit of contracting, although all benefits were not easily measureable. As he recounted,

Workman’s comp issues, that’s one area… it’s not something where you have a tangible cost although we could get that information, but we know that there is some cost savings there. Also, those things raise your insurance costs and potential claims for a food service employee. (5)
He noted that there was some time advantage to having a food management company operating their program, yet it was difficult to measure this time in his current position. Administrator 2 remarked, “as an assistant principal it really affected my time; however the level I’m at now, it probably doesn’t impacting my time that much.” So there are some “time savings” present, but it was tough to pinpoint from his perspective, but was undeniably present. Moreover, as director of financial services, there were aspects that could not be ignored by him. He offered the following example,

I might get a little more involved if there’s a commercial freezer that cost quite a bit that need to be replaced. Like if something goes down they will ask me if there is money in the budget to handle it. When you get into the budgeting side and work comp that would be the real difference that I would see. (6)

Still he admitted these items were a rarity and honestly did not assume a great deal of his time.

According to Administrator 2, for this district privatization was good option. In the end, he gave this final assessment of the decision,

I’ve been in districts where all the staff was in-house and I can’t say whether I think one is necessarily better than the other, but being in this role, strictly from an education standpoint, I prefer leaving that up to what I call the experts and let them do that work. As long as they have an understanding that we’re here to educate and they are providing a support service and that’s not demeaning it in any way but it’s important that they do what we hired them to do so we can do what we’re supposed to be doing. (7)

4.2.2.1 Summary

As the largest school district in the sample, this interview offered a perspective on districts that privatize because they have an educational philosophy that non-educational services should be directly managed by professionals in the field. Administrator 2 felt that services that are not directly connected to education are considered auxiliary and should be handled by professionals in the field. This perspective provided several reasons why this district opted to use
privatization. First, Administrator 2 admitted that because the school district viewed food service as separate from education, finances can be the driving force behind privatization; and this was the case for SD 2. Also with a FSMC, the district administration is able to relinquish much of the day-to-day management of staff to focus on more educational issues. So for them it is about managing the relationships and outcomes, not the staff. Furthermore, he felt that service delivery and the quality of the program through privatization are supported by relationships between the district, the private firm, the community, and other surrounding school districts. In short, the SD 2 administration and school board philosophy is that they are not in the business of managing buses, food service, or custodial, but educating students. This interview provides an understanding why districts with a particular educational philosophy may opt to not maintain an in-house food service program. And just like SD 1, it also highlights the desire for district administrators to be involved with the financial costs and service quality.

4.2.3 **School District 3(SD 3) - Vended Meals Only**

Administrator 3 was serving in his third year as director of finance and operations for SD 3. During his first year working in the district he was confronted with the decisions about reform the district’s food service program. His background influenced his perspective on utilizing FSMC with his entire career in education spent as a business management. In this district, Administrator 3 did not play a significant role in the day-to-day management of the program and therefore, another interview was also done with the food service director. The food service director was also a career food service professional and had worked in the field for over fifteen years, twelve of them with SD 3. The following will use the perspectives from both interviews (Administrator 3-1 (Director of Finance and Operations) and Administrator 3-2 (food service manager)).
Before the interview began with Administrator 3-1 he already spoke of the challenges of working in a small district. From competitive pricing to service options, small districts do not influence the options that many FSMC provide. This would undoubtedly mitigate the competition available in the school district’s area. He spoke about it in this way,

Even though, I wasn’t here at the onset, I knew what they went through for a small district it is extremely hard to find a vendor because there aren’t that many that work with small districts. (1)

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This district is entering its fourth year under a private contracted vended food service program, but still maintains its own staff as district employees.

Table X: School District 3 Information

As a result of being so small, this district suffered from not having full participation from all vendors in the area. As he noted, “It’s really not cost-efficient for the larger vendors like FSMC 1 or FSMC 2 to come in and do the job for you. It’s really difficult for them to make money.” Yet, knowing this challenge, the district actually focused on other primary goals. In Administrator 3-1’s words,

Our primary goal is to get the food here on time…and I guess make it palatable for the students, which is probably the biggest challenge with all the nutritional changes this year. So I know my board is asking me to look at other vendors right now, because they don’t think a vended meal is something that looks good. (2)
However, Administrator 3-2 also mentioned that even if putting in all the equipment could be done there were some other challenges.

Both interviewees recognized the financial difficulty in trying to go fully self-operated. In the interview with Administrator 3-2 she exclaimed, “We don’t have a cooking kitchen in any of our buildings so it would be difficult to have the program completely done on-site.”

Administrator 3-1 spoke about it in the following way,

One building is big enough to put a kitchen in but it costs a lot money to put in…whether it’s the electric or the gas and then you have to have the cleaning stations and all that. I mean it can be done. We are looking at new vendors for next year possibly so I’m going to have to go out and look that too. (3)

Furthermore, Administrator 3-2 stated, “cooking from scratch, it takes a lot of time and effort too…not to mention staff time,” neither of which she was confident that the district was really willing to commit. As another service option the district was potentially looking at other local partnerships. Administrator 3-1 stated that while seeking out a new vendor, he would also be looking at an intergovernmental agreement with a school district right them to see if they could cook for us that day and just bring it over.” This practice help to keep the volume at the supporting district high, while providing a service to a neighboring district.

A resounding theme throughout the interview with Administrator 3-1 was the notion that food service is an extremely difficult area to please everyone. While Administrator 3-2 did not really share this sentiment, she did recognize the politics and challenges in dealing with children, their eating habits, and subsequent parental reactions to their kids’ displeasure. In her words,

Food service is weird, half the kids will like something and half the kids won’t like it. And if they go home and complain to their parents, and [the parents] just think it’s all bad. However over the years we have been able to work through those issues. (4)

Essentially, many of the kids in the district have become tired of the current vended, TV dinner style meal and the number of students eating has dropped off. This inherently negatively
Administrator 3-2 talked about some of the challenges in dealing with this dynamic,

Sometimes you’ll hear parents say, we’d buy more lunches, but we don’t like it or my kid won’t eat it...And then in a K-8 district like this one, it’s harder to come up with a lot of different things to offer kids. Right now we only offer one meal [per day] and that’s it. (5)

As a result of this wavering satisfaction with the service, Administrator 3-1 was beginning to explore other implementation options. But he confessed that this was a task that he was not was looking forward to undertaking and talked about the financial challenges making changes could present. He began, “Then I would have to hire and fire people more than I do now and it’s really hard to get workers to work those hours because it’s 3-4 hours at best.” He continued,

And again if we want to change or don’t like what they’re doing we can switch over to another vendor versus us doing it ourselves then we have the startup cost of all the equipment. We have all the extra people we have to hire. We have to do the ordering of the food, which is a pain. (6)

Despite his dismay at making any change, the school board and the parents are pushing for a new program. Albeit both administrators admitted that since beginning a privatized program, the overall reaction from parents is that the current service is better than feeding kids fast food.

At this point in the interview, Administrator 3-1 began to talk to about the dynamics of working with food service staff. He remarked how their status as part time employees made them relatively easy to replace but also at times difficult to maintain. The following is some of the information he shared,

They are all part time so you don’t have to do dental or medical insurance. And you fire them fairly easy, we wouldn’t do that but if you have a problem you can just let them go. And they’re not in a union so it’s less hoops to jump through. (7)

Still there was a caveat. While the district embraced the assistance of the vendor to prepare its meals, it was not comfortable going with a privatized staff. As he put it,
You don’t know what kind of people you’re getting in your schools. It’s just based on whoever the company can hire at the time, where if they’re our people, they’ll take a better ownership of the school. (8)

This philosophy arguably prevents the district from going to a fully contracted food service program. Even when asked about FSMC keeping the current staff, he felt as if once those people left, he would have no way of controlling other hires. As he spoke, it was clear his concern was about the safety and continuity of the school environment. However, Administrator 3-1 admitted that he relied on Administrator 3-2 for much of the cohesiveness and management of ground-level staff. He talked about the role she played in the following way,

We only have one full time person and half of her job is managing one of the cafeterias at the schools and half of her job is doing the ordering, making sure the menus get posted on the website, taking orders in, etcetera (9)

As a result the Administrator 3-1 has an opportunity to focus his attention on cost considerations and quality of implementation the district was receiving from the vendor.

Now more than half way through the interviews, both administrators focused their answers towards issues with service delivery and quality. For example, Administrator 3-2’s spoke about the support the vendor provided the district in implementing NSLP. As she stated,

If you have vendor doing that work, then they have to keep up on the laws…So from a service aspect it’s very easy….we expect them to know because that’s what the district pays them for. (10)

Despite this benefit, Administrator 3-1 knew that he would have to spend time trying to figure out a new service option for the district. Again, this change was being made because parents and the school board did not favor frozen vended meals and wanted fresher options for students. And when asked about how he would decide which way to go, Administrator 3-1 put it this way,

It’s a quality issue…Either way it goes it’s going to be a lot of work because I have to see how a new process would fit into our current model. Because if we start changing things, I have to make sure there are no other effects down the road. Or more people we need. (11)
As both interviews came to a close, Administrators 3-1 and 3-2 discussed further just where they saw the district benefitting from implementing their service under a vended meals contract. Administrator 3-1 admitted that the cost will probably stay the same and went on saying,

A lot of management we didn’t have to worry about because you’re paying for all that, which is a good reason to go with a food service provider because you don’t have to do all that managing and making sure you have all the codes met. (12)

This was clearly a sentiment shared by both as Administrator 3-2 shared her perspective on how using a more self-operated option would impact her role and why she embraced the food service management company,

If I was running the food service program in-house I’d be worried about ordering or some school saying they didn’t get something for lunch. You would have to stockpile your supplies…And again that’s why I don’t see an issue with going with contracted food service because you know what you want in the end; good looking, good-tasting food. (13)

In the end both administrators came from the standpoint that they were not in the transportation business or in the food business, and both remarked, “We’re in the education business.” Administrator 3-1 ended focused on costs, in his final words,

Assuming both quality or cost is going to meet the nutritional value, then it’s gotta be cost because I don’t think I could sell to our board a higher cost right now because everyone is hurting for money. (14)

4.2.3.1 Summary

Prior to the decision to privatize, SD 3 was forced to have cold sandwich lunch days and get food from local fast food chains. However, the district administration, parents, and school board were not in favor of this service and wanted to provide their student with a higher quality food service program. This prompted the district to utilize privatization for several reasons.
First, we again find a school district that is new to NSLP leaning towards privatizing their food service program. And being new to the program gave SD 3 some apprehension about doing an in-house food service program. Since they were new to NSLP Administrator 3-1 expressed that the district felt as if they did not have the staff to operate the program in compliance. Additionally, Administrator 3-1 admitted that the start-up costs for beginning a new in-house food service program can be cost prohibitive, especially since the school district lacked the infrastructure to have a self-operated food service program.

Finally, Administrator 3-1 highlighted that small districts do not require as much planning in terms of service delivery, and they are limited to both the FSMC that will take on their contract and to the level of service delivery provided by these companies. Essentially, because they were a smaller school district, Administrator 3-1 stated that they must take the service that is given to them by contractors. For smaller school districts, the lack of service control may make administrators cautious when considering privatization. Over the past four years their experience working with a vendor to implement NSLP has left them dissatisfied and they have begun exploring other options, including self-operation. For the parent community and the school board, this exploration should include moving towards meal program that is not frozen, but cook fresh daily. The challenges with quality may prove to be an influential factor moving forward.

### 4.2.4 School District 4 (SD 4) - Vended Meals Only

Administrator 4 spent his entire career as business manager and after twenty-five years of working with one district, he retired from working full-time. He has been working in District 4 for the past four years on a part-time basis and has had a longstanding relationship with the District 4 staff and community from his years working at his last district. In fact, the district that
used to provide meals to District 4 was Administrator 4’s previous employer. For someone that has worked in school districts a long time and now as a part-time employee, Administrator 4 viewed privatization from a decidedly pragmatic perspective. He made it abundantly clear that privatization was a decision about costs, but he was not convinced it was the right way to go. His experience over the years working with contracting and food service made him an insightful interviewee.

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<td><strong>Percent Free and Reduced</strong></td>
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This district is in its fourth year under a privately contracted vended food service program, but maintains its own staff as district employees.

Table XI: School District 4 Information

From the beginning of the interview Administrator 4 discussed the importance of volume and its influence on the decision to privatize. He continually stressed that without a particular volume, self-operation or privatization may not operate in a cost-effective manner. As he stated,

I would not necessarily privatize if I were able to have the volume. Food service is all about volume making. It’s about subsidy. It depends on the type of district you’re in, whether you’re low income and you have a high government subsidy, it’s easier to make ends meet. (1)

The questions of volume and subsidy were resounding themes throughout our interview and for important reasons. For example, if a self-operated school district had to make 500 lunches to breakeven but was only serving 350, this becomes a problem. However if, some of they are able
to subsidize some of the lunches with free/reduced students this would help their budget. Still while, he recognized some of the strengths that existed when using a private organization, he asserted that their economy of scale was truly their primary benefit. Still he noted that despite scale, even a private firm deals with issues of volume and subsidy. He went on to explain other relevant considerations for anyone looking to privatize school district food services,

Now whether you do your own service or whether you privatize has a great deal to do with the individuals’ ability to manage his staff. There are primarily 2 ingredients that go into evaluating food services: you’ve got costs on one side, cost consists of labor and food costs…On the other side and you’ve got your income. Your sources of income will be what you charge the students and how many free lunches you serve, how many reduced lunches you serve, how many paid lunches you serve, and what kind of participation you get from the federal government. (2)

He admitted that if cost was the only concern, privatization would win. But his opinion on contracting did not solely reside in the numbers.

Throughout Administrator 4’s career as a school district administrator, he has always managed the food service program and enjoyed the control. This history resulted in a great deal of reluctance in going with a private vendor and shaped his overall view of the contracting process. However, unlike many other districts, SD 4 was forced to move from an inter-governmental contract (they get meals from another local school district) to one where their meals came from a vendor because they found out late that the contract with the school district would not be renewed. So the selection of privatization was not his first option. As he explained it,

Well I prefer a bulk meal that’s freshly cooked every day. We are with a vendor now that provides very good service…and good food, but its frozen food and I don’t know how long it’s been frozen. I tell you I am not enamored with bringing in frozen food. I prefer to have food cooked in the morning, bring it over and serve the kids fresh cook meals. (3)

Also through maintaining some level of control, he knew the district could hire the right people. He put it this way,
It’s imperative that you control, that you pay attention to what you’re doing; that you buy well; you pay attention to your hire, and you have good people that want to work and do work and that you don’t hire any more people than you need. (4)

With a privatized service this would not be something that the district would have been able to fully control because in a full management scenario, the FSMC would hire the people.

Administrator 4 then began to speak about the importance of the district retaining the management of its staff in-house and the role that they played in the program. In general, he was dedicated to ensuring that the school supported the community and the community was represented in the school. As he stated,

I prefer to have people in the community, so that the money stays in the community. We have good people that have worked with us for a number of years; they’re housewives locally, parents of some of our children. You don’t need to pay for someone else to come in. That makes all kind of sense to me. (5)

This statement made it exceedingly clear that Administrator 4 was dedicated to keeping the community in the school, and it was a value that would carry forward even as people retired or changed jobs. Administrator 4 also discussed the importance of having good school level management control of operations. From his perspective, “it’s all about having a good person in the building able to manage the staff, control the numbers. Management staff paying attention to what they’re doing is the key to the whole thing.” Each of these accounts illustrates that SD 4 and its administration carry both a philosophy of community in the school and managerial control. However Administrator 4 was not shy about relegating the role that this staff actually plays in the overall process,

I have a housewife that I call the head bookkeeper. I give her 3 hours, 3.5 hours per day and they put together their totals and send this to me...they don’t have to make the menus, we get those from the vendor. Basically I’m just managing some people to put the food in the oven, take it out and serve the kids. And take the tickets from the kids and do the front-end accounting. (6)
This sentiment would lead one to believe that Administrator 4 ultimately felt that it certainly did not matter which implementation method was utilized. Nevertheless, when pressed about this the answer went back to volume.

As Administrator 4 began to speak about volume again, the conversation took on a different tone as he gave some deference to the community demographics and how this also impacted volume and cost-effectiveness. This new dialogue on volume focused on two key characteristics: the size of the district which impacted the number of kids eating every day and the amount of poverty in the district or the number of kids eligible for free and/or reduced priced meals. As he noted, “It depends on size. You have a small school of about 200 kids you couldn’t possibly cook in-house, you would have to go outside; you couldn’t possibly do it. There’s a breaking point when you’re large enough.” Yet, there was a caveat,

And depending on the poverty level, if you have a district that’s mid-size, say 1200. You probably could make that do, cooking yourself, if you had a lot of high poverty and got a lot of federal money. Take the same population, 1200 with no poverty or low poverty and you have to charge a lot more. (7)

Yet, it was this issue of poverty or low income that in many ways became one of the primary determinants of district’s ability to be cost-efficient. As he stated,

Now there may be wealthy districts, that it doesn’t make any difference. They want the meals cooked in-house and they have only 1200 kids and so what they pay $3.00, $3.50 for lunch, not a big deal. If your goal is to provide something to the kids in the community that they can afford, that’s where the numbers games comes in you may need to privatize but it depend where the line is drawn with volume, type of community, and what you have to charge… Now these numbers can change if you have a high level of poverty in the district, where you’re getting significant support for free meals because you’re getting almost $3 per meal from the state. (8)

From his standpoint he wanted to feed all the kids because he knew they all needed it. He felt that the policy constraints prevented him from letting the program benefit all students.
He then began to discuss how privatization impacted his time and how this would impact future decision-making. As the business manager, his direct involvement with vendors was limited. So while he did not manage the day-to-day, he still felt that his involvement was important. Administrator 4 made certain to maintain a watchful eye on processes and the financials. As he told me,

I don’t deal with the vendors; we contract with the vendors. I have a head bookkeeper, that I give fringe benefits to, to do a little extra work, she acts as a liaison with vendor. If there’s a problem, I don’t want 6 people, 4 people calling me. The people at the schools call her. (9)

Administrator 4 did not view his role as a day-to-day administrator of the program but as a facilitator of the process. He allowed his staff to control most of the program making the difference between self-operated and contracted minimal from his perspective,

We have a problem with the menu, we want to change the menu, the delivery was late, or whatever we let her know, she will call the vendor and make arrangements. I do the bid when we need to do the bid, and I don’t need to see them for anything else. Unless there’s a problem, then I get involved. (10)

And yet Administrator 4 was still not reluctant to get drawn in to program operations especially when the financials he received were not as expected. As he told me,

I wanted know what the staffing was, what we spent on staff, I wanted to know the cost for food. I watch that all the time. And when that was getting out of balance and what it shouldn’t have been, then that’s when I would say to her, ‘You’re not operating this [right] and something has got to change.’ Didn’t really have that problem though, we had really good control. (11)

Again it seems as if Administrator 4, primarily remained hands-off, and this seems to be the case with the other vended school district in the sample. Nevertheless, he still could not wholly remove himself from program operations. He shared a story about staff members saving food to take home which in the end cost the district money and it resulted in Administrator 4 spending
extra time watching the meal service which helped end this practice. For him it was all about controlling costs and not necessarily the practice itself.

Administrator 4 then admitted that given the lack of available vendors to compete for contracts in his area, privatization might actually work out better for the school district. He explained it this way,

You could be the best manager in the world but if you’re only serving 10 kids, there’s no way that you can cook a meal for 10 kids and sell it for 2 bucks. And if you have low volume, this is when you can potentially make privatizing work, up to the point that you have adequate volume that allows you to keep the price low. (12)

For him it all came down to providing the best quality meal at the lowest price. And when pressed about taking a side his answer was, “I don’t want to choose, they’re not mutually exclusive. I’m not going to give up quality for costs. I’m gonna take quality, and I’m going to price it fairly for the kids.” Moreover, he admitted that some of this could be due to competition,

When we put the contract out, we only got 2 or 3 vendors back. If you send a RFP out and you only get 2 people back, you’re not really getting a sample of the market. If you got 10 or 15 people back it would be a lot more competitive and a lot more to choose from. (13)

At the end of the interview, it was clear that Administrator 4 was not a fan of privatization even though he found himself in the midst of it. Still for him the style of implementation did not matter, it was the ability of the district to be able to control service to the point that they could control costs. Even when asked about the impact of privatization on cost and time, he was reluctant to give it much praise. Staying with his theme of control,

I don’t think it saves you time or money necessarily. No, as far as I’m concerned I like to control in-house when you can because we have control of cost. Why would I hire a guy to do something I can do?...The savings, when you get into things like food service, when school districts begin looking, and I think they’re short-sighted because they’re overlooking the ability to provide quality for costs. (14)
He went on about the privatization, “Where do you save when you bring in outside help…what happens is your pension and your benefits go down.” However he noted that this only mattered if a district had a high number of full time staff getting fringe benefits. Finally, he admitted that although he preferred bulk food that was freshly cooked daily, a private vended meal also had some advantage,

If it snows or a truck breaks down on the way to deliver, you got no lunch that day, or a very late lunch. The nice thing about having it in a freezer, delivered twice a week, that it doesn’t make any difference if it snows, or rain, or a trunk breaks down, and you’re not dependent on that guy to be at the door right before the lunch period. There is an advantage there. (15)

4.2.4.1 Summary

This school district moved to a privatized service because the school district that delivered their meals decided that they could no longer provide meals to them and given the short notice, they elected to move to a vended meals contract. This makes SD 4 particularly interesting to examine because we have a district that finds itself in a contracted situation it never wanted. The interview with Administrator 4 provided some insight into his perspective on privatization and some of the outcomes that the change had on the district. Administrator 4 expressed that there was place for both privatization and self-operation, but his preference was to keep it in-house because from his perspective, you increased the chances of have a better product. Essentially, from his experience, maintaining control of certain aspects of the program can ensure that costs and service quality are well-managed.

Based on Administrator 4’s experience in-house management with the correct volume, and balanced with cost and program management, was superior to privatization because the district controls their staff, buy their own food, and can more directly influence the quality of purchases. For example, the district has maintained its entire staff by using the vended option,
and this allowed the district to have more direct control over cost and effectiveness. Administrator 4 also thought the district benefitted from having members of the community working in the school district because it strengthened the communal environment of the district and if there were issues with quality or waste, he could address them directly. In summary, Administrator 4 found that privatization fared no better than self-operation. Moreover, the felt the loss of some of the direct control decreased the district’s ability to be truly cost-effective.

4.2.5 School District 5 (SD 5) - Self-Operated

In general SD 5 administration is against privatization. This stems from their holistic approach to education, viewing food service as a significant part of what they should be providing students in the district. In this district, there was a need to interview both the assistant superintendent of financial services and the director food services as they both played a role in the management and direction of district food service programs. The superintendent had been in his position for 10 years and has worked his entire career in this district, but not only as an administrator. His time working as a teacher, principal, and now superintendent has given him a unique perspective on education and has shaped his perspective on privatization. The food service manager has worked her entire career in food service, moving up in the ranks to become a food service manager. Over the last 4 years she has worked in this role with SD 5. The following will use the perspectives from both interviews (Administrator 5-1 (assistant superintendent), Administrator 5-2 (food service manager)) to review why this district generally shies away from privatization.
Right from the onset of the interview with Administrator 5-1 it was clear that the education community influenced SD 5 as he spoke with great pride about his district.

We’re unusual. We’re a large school district, a very traditions-based district. There’s a lot of history here and there is a great support base from the community that’s been long-standing…there’s always been a lot of community support for this district. (1)

While it was clear that decision-making was not directly controlled by the community, their influence on how the school district operates and implements programs were apparent and historically-based. Even when the decision to privatize came up at a board of education meeting, the district administration maintained its position, focused on internal reform and a belief in the capacity of their staff. Administrator 5-1 explained,

Whether that’s transportation, custodial/maintenance services, or food services is that we’ve always taken the position that if we can get our own people, the people that we pick, into those areas, to provide the services, treat them fairly, compensate them, then we’re going to see a return in services that’s going to be much better quality (2)

Moreover, the reoccurring theme of control also gave weight to how they viewed the implementation of food service that was highlighted in his interview,

There’s a control factor with respect to food service. Those employees report directly to [Administrator 5-2]…certainly I’m not trying to in any way diminish the [food] service providers that are out there, or discount the work that they do for schools or any entity, that’s why they’re successful in what they do. But it’s the factor of the quality of services that we would get and then the ability to manage those services to the end. (3)
Administrator 5-2 echoed this sentiment as she explained the districts’ approach to remaining cost-effective through their ability to maintain a certain level of control.

Well I think that’s one of the nice things about our district too is that we have a bit more control over the a la carte prices, and we’re able to work within the costs and increases that we’re seeing…While there are increases that are coming to us, we have some flexibility to work within those: we can train our staff, we can you know we can make adjustments with the food that we’re buying. (4)

This philosophy of control and ability to effectively manage around cost and industry changes actually set the tone for both interviews, as both consistently went back to this idea of “our way is better.” This was also highlighted by the notion that a management company would not enter into a contract unless they could gain a profit, an idea that both felt would result in a reduction in overall quality.

As the interviews continued, they spoke about how the district works to ensure high service quality. Each felt that high quality is directly tied to the strong relationship between the district’s administration and the staff, and increased attention on training. This works because staff members are willing to comply with the district environment, this would increase the likelihood of NSLP policy compliance. Administrator 2 offered a comprehensive understanding of this, illustrating how building employee capacity was paramount to program compliance.

Our staff is really receptive to what we ask of them…we do monthly trainings with the managers and then they relay the information and make sure practices are being followed. We teach them. We have a lot of people that come to us very skilled and we have others that have never spent a day in a kitchen. And in both scenarios we teach them. I have people working in my production areas that have never cooked a day in their life and are excellent cooks or bakers at this point. (5)

With a commitment to training SD 5 is able to not only provide a quality meal, but they are able to do it with people from the community. Administrator 5-2 stated that these outcomes allow the district to control rising costs of their food service programs.
Despite the district’s attention to training and quality, financial issues arose challenging the district’s overall cost-efficiency, and yet privatization was still not utilized. When probed about the possibility of using privatization to improve costs, Administrator 5-1 made it clear that the district was not so tied into the community that contracting would never be considered. As he put it,

…it certainly can always come up. We have looked at budget reduction measures, and we have…I would take you back to 2004-05. We were at a critical crossroads financially as a district…At that time we looked the potential of privatization in those areas. And frankly we took it off the table because it would be a short term cost saver. (6)

So even under fiscal duress, this Administrator 5-1 found that in the long term, it would not be in the best financial health of their district. Moreover, he felt that if the district really needed to make hard financial choices, then he could go to his staff and work with them on coming up with resolutions. In his words,

Before we privatize, whether its transportation or food service, I’m gonna go to the employees. And I’m gonna say, ‘I don’t have many choices, I need to reduce the costs by X.’ And I would do that and allow those key insular groups to have input and say, ‘is this something we can do.’ (7)

Again from this district’s perspective, a commitment to staff allowed them to reorganize, retrain and improve. This sentiment resonated throughout both interviews.

Administrator 5-2 believed that if the staff worked together, problems could be solved in the best interest of the students. For example, she boasted about their ability to make better use of products which in the end would allow them to produce quality meals at a lower cost,

We have celery and you know you would usually cut the top off, people would throw it away, and we don’t do that. We’re able to make use of the product and we’ll put it in soup that we’re making. Where in a contracted situation, I’m going to make the assumption that a lot of the products are made from convenience methods versus scratch, so we’re able to make better use of our food and the people that we have to keep our costs down that way as well. (8)
Yet, even as costs became a concern the idea was reform, not replace. The district administration sought to take current practices and improve upon them to make them function more efficiently. Administrator 5-2 also shared the following story with me,

If you go to the store and look at a bag of whole carrots versus a bag of pre-washed baby carrots, the costs is probably doubled for the same quantity and because we’re able to train our employees we’re able to control our food costs in that aspect because we can buy in bulk and prepare. (9)

So with training focused on building capacity, SD 5 was able to provide a quality meal at a lower cost. As Administrator 5-1 put it, the school district realizes that privatization can be a quick fix but not a long term solution and, “after a while you pay a low costs, maybe for a couple of years but then you’re underneath a contract, and now you’ve made a decision and it’s hard to go back”

By this point, both interviews made their way back to the issue of control and the importance of being proactive in efforts to reform services. Administrators 5-1 and 5-2 both recognized the changing demographics of the school and the need to address this before it became an issue. Administrator 5-1 talked about it in the following way,

We have seen a significant change in our demographics so certainly the increase in free and reduced eligible students, that points to again the most important part for many of those students and I believe that the nutritionist point to the data that states there is a direct relationship to healthy eating, kids, and learning. Having control allows us to adjust to these changes and respond to all student needs. (10)

Again, as if in the same interview, Administrator 5-2 spoke in greater detail about these changes and their ability to respond,

And actually we also have an open campus as well, so we’re always competing with the outside. But we’ve seen a decrease [in kids going outside] because of economic times maybe…I also think that the flexibility we have in responding to community and student needs we’ve changed the look of the menu quite a bit to provide a greater service to students that are eating on those lines. A few years ago we noticed that our demographic was changing significantly. For example, it used to be we had a couple of standby vegetarian options, now we have it on the menu every day. Little things like that we have some control over. (11)
Even more importantly, was the district’s ability to be proactive in these changes, not necessarily waiting until they must be implemented but making changes gradually which also worked to keep cost over time relatively low. Administrator 5-2 went on to discuss this,

A lot of these are things that we were doing already. Like I said we were maximizing what we were offering in the past. I think some districts are probably going to see a significant cost increase. We will see one, but I don’t think it’s going to be as drastic. (12)

Again every decision and outcome that occurred within this district stemmed from the fact that they had an educational philosophy that placed food service, not as some external program, but as a vital part of the core of their district. For example, both interviewees discussed how the district was able to use their food service program to assist other districts by vending their meals and by providing catering for district functions. Administrator 5-1 summed up this district’s overall perspective when he stated,

Part of the opportunity for kids is to be provided with a great meal, a home-cooked meal it also is to be able to provide those teachers and their students with a safe and clean environment, a classroom. I’ve been around IL schools, I’ve walked the halls. I invite you to come into our schools, anyone of our schools. We have schools; they’re aged those are not brand new schools, but they look brand new. Just from a cleanliness standpoint. There’s something you get back from that. When I have my own buses, with their name on the side of the bus, not First Student, not Davis-Myer, whoever else the contractor is. That’s my bus, my bus driver and my mechanic is working on that bus. I know that bus is safe. I can tell that bus driver, stop what you’re doing and come back over here, pick up that kid, and you maintain your own fleet. So, I’m just saying is that there’s value to these things from a business official’s standpoint, it’s the whole program. (13)

Essentially, the food service program was not just something that was ancillary to the district’s functioning, but a vibrant part of the whole educational program and a sense of pride for the community at-large.
4.2.5.1 **Summary**

The administrators at this district expressed three crucial factors that guided their decision not to privatize. SD 5 believes that it is their role to provide students with a high quality, good tasting meal, and they would be doing them a disservice using a FSMC because they were not confident that a private firm could do this more effectively than the district’s staff. This idea kept them away from privatization because despite the benefits that contracting can offer financially; it also has a reputation of degrading quality which the administrators believed to be true. The SD 5 administrators approach to school services and contracting stemmed from this perspective. First, they felt that keeping staff that had a relationship with the students was paramount to the overall environment that the district wanted to preserve. Administrator 5-1 was adamant about the belief that private firms can damage the communal environment of the district. Additionally, they felt that they could operate a better program through proactive reform and training versus privatization. The administration was committed their way of operations and ensured that their staff remained a central part of the district community. Because from their perspective, the staff was integral part of success and maintaining low costs and a quality service.

4.2.6 **School District 6 (SD 6) - Self-Operated**

In this small district Administrator 6 served as superintendent, assistant superintendent, and business manager. He was a career educator having spent time as a teacher, assistant principal, principal, business manager, assistant superintendent, and superintendent. This was his third district and tenth year holding the position of superintendent, and he has spent the last four years in SD 6. Throughout the interview, he offered a lot of insight using his transportation
contracting experience to give context to why the district maintained a self-operated food service program.

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This district has elected to maintain a self-operated for the food service program despite running a loss annually.

Table XIII: School District 6 Information

What was clear about my interview with Administrator 6 was his continuous highlighting of the importance of making sound fiscal decisions, which from his perspective was accomplished by controlling costs. As he put it, “cost is a big issue because we often have very little control over it.” This focus essentially guided his approach to making decisions about the implementation of services. He spoke a great deal about how important it was for decisions to be placed through a financially responsible lens, but he often found that other decisions had to be made that impacted his ability to make decisions that were in the best educational interest of the students. One educational decision he embraced was a change in the district structure. In his words,

We plan to consolidate in the next two years and this consolidation will have a big impact on transportation. Right now what happens is my buses do this all day long (points fingers in opposite directions)...When we go down to two buildings we are going to stagger times and have the buildings...we’ll do 2 routes; instead owning 20 buses like we do now through Venom, instead of using 20, we may able to reduce it to 12...which will reduce costs. And with food service we will be able to cut down on staff and consolidate our efforts. (4)
Yet, there were other decisions that financially made sense, but were not great for the education of the children. He spoke in detail about the impact of the State of Illinois cutting money from his transportation and the impact this had across the district,

It came out the lights, it came out of… I had to cut $550,000 this year, this calendar year… all my aides are gone. Bad, bad educational decision, but it was necessary. I was the bad guy here. I had to tell ‘em, ‘I’m sorry I can’t give you an aide.’ Every aide we cut saves $20K and every teacher we cut save $50K, salary and benefits. But cutting teachers also increases class sizes. Now, I really don’t want to do that sort of thing, but I gotta make the budget smaller. (5)

Moreover, he made it very clear that the long term health and stability of the district was paramount to any small group of individuals. This was especially apparent when prodded about balancing employee and community will, and privatization. As administrator 6 plainly put it,

You know I do take the benefits for 7 people over the benefits for the district? Unfortunately, that’s a tough decision that I have to make every day. Letting go of staff is tough, it’s very tough. But it’s something I’m willing to do. (6)

Although willing to make these tough decisions, he was not shy about placing a majority of the blame on the school board or district politics. From his perspective the school board is easily swayed by parental unrest. He provided the following story,

One phone call to a board member can change, and this is the honest to God truth, can change everything in a school district. One person contacting one board member; or one person contacting seven board members because you know why, those board members come to me and say, ‘people are telling me… or I’m hearing’. And I say, ‘well how many people told you this?’ “Well I had two phone calls,” well we’ve got 4000 people in the district, is that really a good representation. Meanwhile you’ve got 5 principals and an administrator saying, we’ve got to do this. (7)

The story went on to discuss how the school board, placed the responsibility for cuts on him and when teachers, supplies and sports were cut by Administrator 6, the school board caved under parental turmoil. Reluctantly he admitted that this has caused him to make decisions first from a financial perspective, than from an educational perspective.
Administrator 6 then began to discuss some scenarios when contracting could make the
district better or save money. Yet, the lack of available vendors to contract their other food items
made him reluctant to engage in the practice. As he explained,

Every year we are required to bid our milk. We only ever have one supplier, Prairie
Farms, because they’re in [this town], we’re close. It’s not like we’re gonna get Dean’s to
come out of West Chicago to do it...and then with bread, we only have one bread
supplier...And our bread actually comes out of Springfield. It used to come out of [this
town]. (8)

So without available competition there was a fear that the district would not receive a price
comparable to their current self-operated program. Moreover, with the impending school
consolidation he was hopeful that this would lower their costs.

Despite the focus on fiscal responsibility, it is also important to mention that there was a
genuine concern with whether or not kids were eating. He expressed how close the school
community was and that each child and employee in the district was all part of an extended
family. As a result, his decisions never lost sight of the community perception of what was best
for its children. Administrator 6 expressed it this way,

Now in terms of food service, we haven’t looked at that and say, ‘We’re losing too much
money we need to discontinue, or we can’t feed the kids in the junior high because we’re
not making enough money.’ That’s never ever gonna be a question. (9)

And, when queried about the possibility of privatization to improve costs, Administrator 6 stated
that he would not rule anything out, but admitted he was hesitant to explore that option unless
absolutely necessary. As he reminded me, “Remember I told you in my previous district I had a
privatized service that we got rid of…it was a cost and service issue; a quality issue.” And when
probed about whether that experience from the past would make him leery of doing privatizing
more services, he stated,
Not at all, I’m going to do what’s best for the kids. What’s the most cost efficient, that’s why we run those charts to see how much we made or loss; I’d love that to be zero loss. I don’t want it to be a money maker…but I also don’t want to be losing a lot of money. (10)

Administrator 6 then went on to discuss the need to keep costs low for all school district programs. In fact, cost efficiency was the primary reasons for reducing the number of school buildings from four to two, and food service was a place where he expected improvements in cost efficiency. He gave an example on how reducing the number of cooks could still accomplish the same goals, especially with the move to two buildings,

The thing about participation is the more I participate the cheaper I can serve it. And if you think about it, if I’ve got two cooks in there and they’re serving 200 lunches or they’re serving 250, it’s still 2 cooks….if I gotta feed 250 kids, I need 400 more nuggets, ok, but I’m still gonna use the same cooks. And so my costs per nugget to prepare goes down. (11)

Administrator 6 also talked about thinking smarter about the decisions with regards to meal planning and service trends, paying attention to what’s actually happening in the service area and using that information to keep costs down. He continued,

And kids eat sweet corn, they don’t eat peas. Why are you serving them peas? Put corn on the menu. You look at cost efficiency and…why do we serve chicken nuggets so much; because the kids like chicken nuggets. When you serve chicken nuggets the meal counts go up 10%, so why not serve chicken nuggets. You serve fresh chicken, you have to peel off the bone and it goes down 25%? (12)

Still there was a strong desire to not let finances control choices; however he understood that he still had to be focused on the bottom line. Yet when asked about moving to privatization for cost purposes, Administrator 6 stated,

If we just aren’t getting the job done, then we would evaluate processes, figure out whether are kids eating, comb through the ordering, attempt to measure the waste, and then make a decision what needs to be done; including privatizing. (13)

At the end of the interview he let me know that outside of finances, it’s really hard to demonstrate that a program is operating well and he had to be in control of the numbers. And as
part of their mission states, “we will develop an environment that encourages students, parents and community members to be active participants,” which is something that seems to ring true, but only to the point where the financial health of the school district will not be compromised.

### 4.2.6.1 Summary

Throughout the interview, Administrator 6 remained focused on what was in the best long term financial stability of the district. Not necessarily health, but stability. So if, this meant he needed to get rid of his entire, food service staff he would do it because his goal was to preserve the district. This philosophy was the driving factor in the district’s reasoning behind the self-operation of their food service program. The interview highlighted three important factors that gave some foundation to this approach. First, Administrator 6 believed that the program was best controlled internally and that contracting was not necessarily going to improve service or lower costs. In light of this, he also noted that tough financial decisions would have to be made despite educational needs because he viewed privatization as a short term fix and not a long term solution.

Second, his approach was focused on providing high-quality services to its students; and this desire was tied directly to maintaining a staff consisting of community members. However, he explicitly stated that while maintaining staff is a concern, it does not outweigh the long term interest of the district. Third, Administrator 6 made it clear that if the current service is operating effectively, whether self-operated or contracted, it is not likely that a district will make a change. As a result, as long as the relative losses stay low, and the quality of service is good, it is not likely that privatization will occur. The challenge he admitted was determining what “operating effectively” or “good quality” meant to a district. For Administrator 6 this meant if students are eating and parents are happy, then there is some assumption that the program is operating well,
despite actual costs and service quality. These three factors again illustrate the desire for the district administration to control programming because they felt that this was the best opportunity to operate a cost-effective program.

4.3 Discussion of Findings

The goal of this chapter was to provide information on how school district administrators evaluate the decision to privatize, and expand the factors used for measuring the cost-effectiveness of food service programs. This exploration was guided by the following set of questions:

- How do school district administrators make the decision to privatize district services?
- In what ways is the cost-effectiveness of school district food service programs influenced by privatization?
  - Besides privatization, are there other factors influencing outcomes?

Table 1 gives details on the factors provided by each district. Also provided is the contract type of the district: two school districts utilized a Food Service Management Company (FSMC) for the entire implementation of their program (FULL), two school districts only utilized a FSMC for meals (VEND) and two school districts remained self-operated (SELF). This table highlights factors involved in making decisions on privatization, illustrating more complexity than offered in the established literature on contracting.
Table XIV: Factors Influencing the Decision to Privatize

<table>
<thead>
<tr>
<th>School District</th>
<th>Contract Type</th>
<th>Factors Influencing Privatization Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FULL</td>
<td>Cost Efficiency, Daily Management, Staff from Community, New to NSLP, Administrator Control</td>
</tr>
<tr>
<td>2</td>
<td>FULL</td>
<td>Cost Efficiency, Daily Management, Staff from Community, Competition, Service Quality, Size/Volume, District Philosophy, Administrator Control</td>
</tr>
<tr>
<td>3</td>
<td>VEND</td>
<td>Cost Efficiency, Daily Management, Staff from Community, Competition, Service Quality, New to NSLP, Size/Volume, District Philosophy</td>
</tr>
<tr>
<td>4</td>
<td>VEND</td>
<td>Cost Efficiency, Staff from Community, Competition, Service Quality, Size/Volume, District Philosophy, Administrator Control</td>
</tr>
<tr>
<td>5</td>
<td>SELF</td>
<td>Cost Effectiveness, Staff from Community, Service Quality, District Philosophy, Administrator Control</td>
</tr>
<tr>
<td>6</td>
<td>SELF</td>
<td>Cost Efficiency, Staff from Community, Competition, Service Quality, Size/Volume, District Philosophy, Administrator Control</td>
</tr>
</tbody>
</table>

4.3.1 Making the Decision to Privatize School District Services

Starting with research question one, the interviews found five factors that support the existing research on how and why school district administrators make the decision on privatization. They are listed below:

1. Maintaining cost-effective programs is a concern for school district administrators. (Levin and Belfield, 2003; Turner, 2001; Savas, 2000; Miranda and Lerner, 1995; Rothenberg-Pack, 1987)

2. Administrators may select privatization to remove the burden of day-to-day management issues. (Savas, 2000; Mac Iver et al., 1998; Brown, 1995; Hunter, 1995)

3. A lack of available competition for school district bids can mitigate the decision to privatize. (Savas, 2000; Miranda and Lerner, 1995; Chamberlin and Jackson, 1987; Kent, 1987)

4. The quality of food service programs can be influenced, often negatively, as a result of privatization. (Henig, 2002; Levin and McEwan, 2002; Ascher, 1996; Epple and Romano, 1996; Brown, 1995; Chamberlain and Jackson, 1987)
5. Maintaining local staff and community concerns were other important determinants when administrators made the decision to privatize. (Moe & Kosar, 2005; Savas, 2000; Brown, 1995)

4.3.1.1 The Desire to Maintain Cost-Efficiency

Each school district in the sample listed cost-effectiveness as important to decision-making around privatization. Yet, when the administrators discussed cost-effectiveness, with the exception of SD 5, they mainly were referring to cost-efficiency. Administrators admitted that program outcomes were important but that cost considerations often superseded these factors. In fact, issues of program effectiveness were not necessarily important to initial decision-making, but the administrators admitted that it may influence some outcomes. Understanding this distinction is important to evaluating school district food service programs because it illustrates how school districts may be evaluating programs solely based on cost considerations and may not be including factors important to overall program performance.

4.3.1.2 Daily Management

School Districts (SD) 1, 2, and 3 mentioned relief from the day-to-day management issues, as a determining factor when selecting privatization. The school districts utilized private firms because they are the professionals who could arguably implement their program better. These districts operated from the perspective that these auxiliary services were not their primary concern. They felt that the management of something like food service would be best served under the control of professionals in the field. With a FSMC, they would not have to deal with day-to-day issues but could remain focused on strictly educational concerns. This was especially important to school districts with smaller administrative staff (SDs 1 & 3). In these smaller
districts, where the superintendent and business manager carried a lot of responsibilities, managing this program would be a larger strain on their time. These administrators were responsible for some aspects of all programs, both instructional and non-instructional and as a result, the ability not to have to control the daily duties of running a food service program gave them time to work on other things.

### 4.3.1.3 Competition

While smaller and/or rural districts had some challenges with competition, this was an issue that each district considered when making the decision to privatize. Administrators discussed that when there is a lack of competition there may be some price inflation. As a result, food service expenditures could be higher than school districts with more access to competition. Additionally, districts that were located in small or rural towns (SDs 1 & 6) often had difficulty in getting bids for their food service program. These district administrators find that they are in areas that make it difficult to find enough contractors willing to bid on their programs. And because the number of available vendors is limited, districts often ended up with very few bidders for their contract, and found that they end up with the same vendor year after year. As a result, the level of competition was a factor that was utilized as a way of evaluating whether or not privatization is the correct alternative and provides opportunity to improve cost-effectiveness.

### 4.3.1.4 Concerns of Quality

Another factor influencing the decision to privatize also includes issues of program quality. There was some concern among Administrators 5 and 6 that a private company could not match the internal quality already present within the district. Even when some of the districts
faced impending financial strain (SDs 2, 5, & 6), two of the three districts decided it was in the best interest to reform internally. However for school districts without a program there was a different perspective. These school districts (SD 1 & 3), gave more consideration to privatization because they found it to be the best way to provide their students a quality meal. They felt it was important to ensure that students were getting a good meal at school, and consequently were more likely to consider privatization if they felt they could not offer a higher quality program without assistance. SD 3 even experienced some unrest from the school board and parent community because of unfavorable food quality. All the administrators stated that if they needed to increase costs to maintain quality, it would cancel out its value.

4.3.1.5 Staffing Concerns

The final factor that aligned with the current research influencing the decision to privatize was the importance of staff and community continuity. All of the administrators insisted on maintaining a staff consisting of community members because they believed it strengthened the communal environment of the district. This factor was mentioned by each administrator that worked with a FSMC as well as self-operated programs. In fact the school districts that only contracted for meals stated that maintaining people from the local community was important factor in their decision to only contract meals.

4.3.2 Other Factors Influencing Decision-Making and Outcomes

The interviews also provide answers to research question two (part A), offering some other factors that influence the decision to privatize and that may potentially influence cost-effectiveness. They are listed below:
1. Districts new to NSLP find privatization to be the more seamless, cheaper option regardless of other factors.

2. The size of the district is a consideration when making the decision to privatize and it can dictate the volume of student participation and flexibility.

3. School district’s philosophy on education and community environment may dictate the decision to privatize.

4. Administrators believed that maintaining some level of control was important to sustained cost-effectiveness.

5. Additional time and resources are hard to measure after the first year of privatization and is not primary concern for district administrators.

4.3.2.1 New to NSLP

One of the first new factors highlighted in the interviews concerns school districts new to NSLP. The districts in this study without experience in NSLP (SDs 1 & 3) often opted for privatization when starting a new program because it is viewed as a quicker option. These districts were reluctant to take on the daunting task of implementing a program from the ground up due to concerns that the cost would be potentially prohibitive. Additionally, districts new to NSLP commented on being intimidated by all the rules and regulations of NSLP and would prefer to leave the finer details up to professionals. Another factor that new NSLP school districts discussed was the lack of infrastructure to have a self-operated food service program. As a result, new NSLP districts chose to privatize the implementation of NSLP because it allows them to do it quickly and at a lower cost compared to building or redesigning school kitchens to accommodate cooking for all students.
4.3.2.2 School District Size

The administrators also discussed their school district’s size as another factor important to their decision-making around privatization. Size considerations like budget size, number of buildings and student level of participation often dictated how school districts approached the decision to privatize. Each of these factors influenced the amount of volume a district may be able to produce. And because FSMCs are concerned with profits, a product of volume, smaller districts in the sample found that they were at a slight disadvantage when entering into this relationship as there may be challenges to maintaining a cost-effective program. On the other hand, self-operated programs may not view size as a benefit. For example, in an effort to improve cost-effectiveness one district in the sample opted to consolidate from four buildings to two. This move will have a significant impact on their ability to remain cost-effective because they will be able to reduce the number staff members and consolidate their work efforts.

4.3.2.3 School District Philosophy and the Community

The interviews also highlighted that the decision to privatize may be influenced by a district’s philosophy of what it means to educate a child. Some of the administrators (2 & 3) felt that serving meals was tangential to their primary goal of educating children. In light of this, these administrators were more likely to select privatization, regardless of other implications. Conversely, there other administrators felt that providing quality meals to their students was part of providing them a complete educational experience. And in scenarios where parents and other interested parties were involved in how decisions were made, they may influence how administrators made this decision.

However, the influence of internal or external factors was ultimately dependent on the philosophy of education. Each administrator felt that the district philosophy of education was
factor that shaped decision-making. Essentially it was utilized as a ranking system in their decision-making and it dictated the importance of, for example, influence that the community played in the school district decision-making.

### 4.3.2.4 Administrator Control

Each administrator noted that the decision to privatize was somewhat dependent on how the change would impact administrator control. Administrators contended that maintaining control over certain aspects of the program can ensure that costs and service quality are well-managed. They express that if programs were properly controlled internally, it would not take contracting to improve service or lower costs. This sentiment also made self-operated district administrators reluctant to consider privatization because they knew that they could improve their program, change their service and lower costs through internal reform. Moreover, they felt in-house management was superior because you could more directly influence the quality of how your program operated. Even in cases when school districts contracted meals-only, they still maintained control over staff members, the types of meals that were being delivered and how they received meals from the vendor. And these administrators explicitly stated their reason for selecting this type contract was to maintain control over the program effectiveness and costs.

### 4.3.3 Contradiction in Findings

#### 4.3.3.1 Additional Time and Resources

The current research states that additional time for administrators and the ability to transfer resources to other areas are reasons that school district utilize privatization (Savas, 2000; Mac Iver et al., 1998; Brown, 1995; Hunter, 1995). However, the administrator in my study
offer a slightly different perspective. The school districts under contract each noted that a reason for using privatization was relief from daily management duties. Yet, when pressed about this, they noted that they did not notice any tangibly time saved. Essentially, their energy and effort was simply redistributed without noticing that more was available. And more importantly, they did not feel like they had more time because of the contract, because there was time devoted to managing that relationship. The same was also said about the transfer of resources to other areas. In fact, in both cases the administrators stated that the savings associated with privatization were not present beyond the first year of implementation.

4.3.4 Final Overview

This section highlighted ten areas that district administrators suggested would inform their decision on privatization. The above areas may help administrators to think about what an ‘ideal’ privatization situation may be for their district and place constraints around where lower costs or better program effectiveness may potentially show up. From the interviews we learn that cost-effective program delivery is a delicate act of balancing of these factors and in the end this information can assist school district administrators in understanding how particular factors mediate the influence of privatization on the districts over time. More importantly, this information can be utilized to begin developing ways to broaden the evaluation of cost-effectiveness to be used when making education decisions and in education research.
5. QUANTITATIVE FINDINGS

5.1 Introduction

The purpose of this chapter is to report quantitative analysis findings of the study. This chapter focuses on research question two (parts 1 and 2) by providing quantitative data on how privatization influences the cost-effectiveness (CE) of school district food service programs. Additionally, the analysis will attempt to isolate other factors not in the current research that may influence the CE of these programs.

Due to the characteristics of the sample, the timeframe of the analysis was for school district years 2007-2008 through 2009-2010 in order to accurately evaluate CE. A review of school district years 1999-2000 through 2006-2007 was not included for two important reasons. First, two of the school districts only privatized their food service program in the last year of available data, and three of the school districts had only one CRE ISBE audit during the ten years of the study. Consequently, an evaluation of CE could not be made over the initial timeframe of the study.

As indicated in chapter three, the population for this study was purposefully chosen to look closely at privatization and CE. A total of six school districts participated in the process and hence only the information for these districts is included in the quantitative analysis. All of the school districts are public and in the state of Illinois. The school districts ranged in student population from approximately 1,100 students to almost 13,000, with \( M = 4338 \) and \( SD = 4357.55 \). Three of the school districts are elementary and secondary, two are elementary only, and one is a high school only. Two school districts utilized a Food Service Management
Company (FSMC) for the entire implementation of their program (FULL), two school districts only utilized a FSMC for meals (VEND) and two school districts remained self-operated (SELF).

<table>
<thead>
<tr>
<th>School District ID</th>
<th>Number of Schools</th>
<th>School District Type</th>
<th>Contract Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>Elementary and Secondary</td>
<td>FULL</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>Elementary and Secondary</td>
<td>FULL</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>Elementary</td>
<td>VEND</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>Elementary</td>
<td>VEND</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>Secondary</td>
<td>SELF</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>Elementary and Secondary</td>
<td>SELF</td>
</tr>
</tbody>
</table>

Table XV: Sample School Districts, Number of School, District Type, and Contract Type

In addition to the data listed in Table XV, there were several other data utilized in the analysis of CE of school districts sampled. Two factors considered were the total overall school district budget and the type of meal service (FULL, VEND, SELF). As mentioned above, two of the four school districts that privatized during the study timeframe contracted for only one year of the study. So additionally the information on time spent under a contract plays a role in determining the CE of contracted versus self-operated programs. Each is expected to influence CE (Table XVI).
<table>
<thead>
<tr>
<th>School District</th>
<th>School District Years 2008-2010</th>
<th>Contract Type</th>
<th>Food Service Expenditures (in dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2008</td>
<td>SELF</td>
<td>$60,000</td>
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<td>2009</td>
<td>SELF</td>
<td>$32,000</td>
</tr>
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<td></td>
<td>2010</td>
<td>FULL</td>
<td>$351,000</td>
</tr>
<tr>
<td>2</td>
<td>2008</td>
<td>FULL</td>
<td>$2,307,000</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>FULL</td>
<td>$2,872,000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>FULL</td>
<td>$2,717,000</td>
</tr>
<tr>
<td>3</td>
<td>2008</td>
<td>SELF</td>
<td>$235,000</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>SELF</td>
<td>$237,000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>VEND</td>
<td>$238,000</td>
</tr>
<tr>
<td>4</td>
<td>2008</td>
<td>SELF</td>
<td>$1,112,000</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>VEND</td>
<td>$1,254,000</td>
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<td>VEND</td>
<td>$1,248,000</td>
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<td>5</td>
<td>2008</td>
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<td>6</td>
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<tr>
<td></td>
<td>2010</td>
<td>SELF</td>
<td>$308,000</td>
</tr>
</tbody>
</table>

Table XVI: Sample Districts and Total Food Service Budget for SY 2008-2010.

### 5.2 Interview Data Support: Staffing & Volume

As an exploratory study, this research utilized interviews to gain a more robust understanding of the factors that may mediate CE. So in addition to the data above, there are two fundamental data categories highlighted in interviews that were identified as influencers of program costs and therefore CE: the volume of students participating in the program, and the number of part-time and full time staff (Table XVII). According to the administrators the number of part-time and full time staff was also beneficial to CE because having fewer numbers of full-time staff decreased the financial burden on the district. They remarked that the program
did not require a large number of staff receiving fringe benefits (health care, vacation days, etc.) these benefits were significant costs for the district to maintain. The data shows that there is a measureable difference in the number of full-time and part-time staff and illustrates that the SELF districts require much more overall staff.

<table>
<thead>
<tr>
<th>School District</th>
<th>School District Year</th>
<th>Percent Free/Reduced</th>
<th>Attendance Percentage</th>
<th>Participation Volume</th>
<th>Full Time Staff</th>
<th>Part Time Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2008</td>
<td>0.062</td>
<td>0.957</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
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<td>0.058</td>
<td>0.956</td>
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<td></td>
<td>2010</td>
<td>0.077</td>
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<td></td>
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<td></td>
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<td>9</td>
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<tr>
<td>4</td>
<td>2008</td>
<td>0.790</td>
<td>0.951</td>
<td>1</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>0.803</td>
<td>0.952</td>
<td>1</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>0.766</td>
<td>0.941</td>
<td>1</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>2008</td>
<td>0.167</td>
<td>0.952</td>
<td>0</td>
<td>41</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>0.196</td>
<td>0.952</td>
<td>0</td>
<td>41</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>0.229</td>
<td>0.944</td>
<td>0</td>
<td>41</td>
<td>70</td>
</tr>
<tr>
<td>6</td>
<td>2008</td>
<td>0.261</td>
<td>0.939</td>
<td>1</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>0.261</td>
<td>0.935</td>
<td>1</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>0.300</td>
<td>0.934</td>
<td>1</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

Table XVII: School District Free/Reduced Percentages, Attendance Percentages, Estimated Volume of Participation, and Number of Full-Time and Part-Time Staff
Volume of participation was vital to CE because the more students that participated in the program the lower the overall cost would be to operate the program per student. As explained in several interviews, feeding a few more students does not increase the cost to the district a great deal. For instances, the food service staff member will get paid the same whether they make 2,500 chicken nuggets or 3,000.

Volume was consistently mentioned during interviews as a factor that has an impact on decision-making around privatization, and the administrators’ evaluation of CE. All of the administrators (expect Administrator 2) provided solid reasoning for including this information in the quantitative analysis. The easiest way to evaluate volume would be to analyze the actual participation, yet this information was not readily available from the school districts, ISBE, or USDA. However, the USDA has identified other factors offer another way to evaluate volume. In a study done by the USDA (2007) that evaluated participants and non-participants, it was determined that school districts, with high percentages of free- and reduced-priced eligible students, and with strong attendance numbers are likely to have greater volumes of participation. These factors are also included in Table XVII.

There are some weaknesses in evaluating the volume of student participation in this way. First there may potentially be circumstances at these districts that cause volume to be high even with an average attendance or low free and reduced numbers. For example, the surrounding community may have modest incomes or work long hours, and therefore rely on school meals for their children. Second without actual numbers, the influence of volume on CE could potentially be overestimated. To simplify the evaluation of volume, this research will only identify volume as ‘high’ or ‘not high.’ Addressing volume in this way suggests particular things about the sample districts.
District 6 is the only district located in a rural area, so the expectation is that the volume of participation in the program will be high or near the attendance percentage. As for the other districts, Districts 1, 2, and 4 had free and reduced percentages that were over 50% and therefore the expectation is that they will have a significant number of students participating from these groups. Both of the expectations stated above are closely aligned with the overall attendance percentages for each district. Each school district in the study had an attendance percentage above 90% giving a strong indication that students are present daily in significant numbers.

Finally, while Districts 3 and 5 neither are located in rural areas or high percentages of free/reduced, there are particular characteristics that offer more insight on their volume. District 3 is new to NSLP and Administrator 3-1 eluded that vendors are interested in taking on districts if they are unable to achieve a particular level of revenue. Therefore it is expected that District 3 has a significant amount of volume. As for District 5, since it is located in an affluent area, it is able to charge more for its meals which may off-set any challenges with overall volume. Additionally, the USDA and ISBE recognize that high school districts have significantly lower participation percentages in NSLP in comparison to elementary districts because they are also able to benefit from having robust number of competitive food options like pizza, French fries, or hamburgers that are served daily and compete with NSLP.

5.3 **Determining Cost-Effectiveness**

5.3.1 **Program Costs**

To review, research question two asks, in what ways is the CE of school district food service programs influenced by privatization? In order to answer this research question, first the cost of the program at each of the school districts was determined using the ingredients method.
As a reminder, the ingredients method (Levin, 2000) - also called factors here - relies upon the notion that every intervention uses factors that have a value or cost; this research evaluated the factors that are required for FSMC management versus self-operation of school district food service. To simplify this comparison, this research utilized hierarchical linear modeling as a method of comparing the influence of these factors to mediate CE and program adherence. As defined by Levin and McEwan, the five main cost categories to separate and compare are: (1) personnel, (2) facilities, (3) equipment and materials, (4) other program inputs, and (5) client inputs. These are general groups and do not apply to every situation, and as a result, this research utilized the following groups: personnel, equipment and materials, and other program inputs. For each school district, actual financial data was obtained for school district years 2007-2008 through 2009-2010. The personnel, equipment and materials, and other program input data obtained from the districts made up the total dollar expenditure spent on food service.

<table>
<thead>
<tr>
<th>School District ID</th>
<th>Management Style</th>
<th>Total Food Expenditure (2008-2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FULL</td>
<td>$443,000</td>
</tr>
<tr>
<td>2</td>
<td>FULL</td>
<td>$7,896,000</td>
</tr>
<tr>
<td>3</td>
<td>VEND</td>
<td>$710,000</td>
</tr>
<tr>
<td>4</td>
<td>VEND</td>
<td>$3,614,000</td>
</tr>
<tr>
<td>5</td>
<td>SELF</td>
<td>$17,024,000</td>
</tr>
<tr>
<td>6</td>
<td>SELF</td>
<td>$861,000</td>
</tr>
</tbody>
</table>

Table XVIII: Total Food Costs per District for Study Timeframe
5.3.2 Program Effectiveness

In order to determine CE, a measure for effectiveness must be determined. This study utilized one factor to determine effectiveness; program adherence to NSLP regulations was utilized as a determinant of effectiveness. The ISBE Coordinated Review Effort (CRE) audits a number of categories; however only six areas can be managed by FSMC: Counting & Recording Daily Meal Totals, Meal Pattern Requirements, Meal Service Portion Sizes, Menus Planning, Maintenance of Food Production Records, and Food and Beverage Requirements (Part 205) which prohibits food high in saturated fat, calories, carbonated beverages and other unhealthy foods from being served. This particular analysis did encounter a number of data coherence challenges which was a result of the sampling procedure.

In an effort to interview school districts that were relatively new to privatization, the sample ended up excluding school district that had been in NSLP long enough to evaluate program adherence before and after privatization. Essentially, the school districts that were new to privatization were also new to NSLP and accordingly lack ISBE CRE audit data prior to privatization. Consequently, the evaluation of program adherence for each school district consisted of only one CRE.

For each area evaluated, a school district received a ‘1’ if the area had no issues and a ‘0.5’ if the district had an issue. Therefore, a school district that had no issues at a review would receive a CRE score of 6, and school districts with issues would have numbers below this value. The particular issue that was in error is not relevant because the evaluation of CRE or audit effectiveness looks at overall program adherence weighting the individual areas equally. This information is provided in Table XIX.
### Table XIX: Program Adherence/Program Effectiveness, Audit Findings

<table>
<thead>
<tr>
<th>School District</th>
<th>Counting &amp; Recording</th>
<th>Meal Pattern</th>
<th>Meal Service</th>
<th>Menu</th>
<th>Meal Production</th>
<th>Part 205</th>
<th>Composite Program Adherence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>1</td>
<td>4.0</td>
</tr>
<tr>
<td>3</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>4</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>1</td>
<td>5.5</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6.0</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Now having program cost, (C) and CRE audit outcomes, (E), we can then calculate the cost-effectiveness, (C/E) of implementing NSLP in the sample school districts. This information is displayed in Table XX. District 1 appears to be the most cost-effect program, followed by District 3, then District 6 (Table XX). However, these numbers are somewhat misleading. Smaller school districts would appear to have better CE ratios because they have overall smaller costs for food service. If only evaluating the effectiveness, then Districts 1, 3, 5, and 6 would appear to the most effective, with Districts 1 and 5 having the best program adherence as measured by the CRE. Nevertheless, it is difficult to compare districts solely based on their CE value because of the differences in school district budget size. Consequently, a regression analysis of all the factors was performed to better account for these differences and to make comparisons easier.
<table>
<thead>
<tr>
<th>School District ID</th>
<th>Contract Type</th>
<th>Cost of Food Service</th>
<th>Composite Effectiveness</th>
<th>Cost-Effectiveness – Program Adherence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FULL</td>
<td>0.443</td>
<td>6.0</td>
<td>0.073</td>
</tr>
<tr>
<td>3</td>
<td>VEND</td>
<td>0.710</td>
<td>5.0</td>
<td>0.142</td>
</tr>
<tr>
<td>6</td>
<td>SELF</td>
<td>0.861</td>
<td>5.5</td>
<td>0.156</td>
</tr>
<tr>
<td>4</td>
<td>VEND</td>
<td>3.614</td>
<td>5.0</td>
<td>0.657</td>
</tr>
<tr>
<td>2</td>
<td>FULL</td>
<td>7.896</td>
<td>4.0</td>
<td>1.974</td>
</tr>
<tr>
<td>5</td>
<td>SELF</td>
<td>17.024</td>
<td>6.0</td>
<td>2.837</td>
</tr>
</tbody>
</table>

Table XX: Cost-effectiveness based on ISBE CRE audits

5.4 **Salient Factors to Cost-Effectiveness**

In order to determine the factors that are salient to CE, this research will use Hierarchical Linear Modeling (HLM). Since the primary variable for this study, contract type, is not randomly assigned to school districts, HLM offers an opportunity to determine causal inference in a non-randomized manner. Again in a two level model where school districts are nested within geographic locations, we can represent the level one school district model as:

\[ Y_{ij} = \pi_0 + \sum_{p=1}^{P} \pi_p X_{ij} + \epsilon_{ij} \tag{5.1} \]

where \( Y \) represents the outcome CE, \( \pi_0 \) is the total food service budget adjusted by school district variables, \( X \), and the corresponding coefficients, \( \pi_p \) while \( \epsilon \) has a normal distribution with mean zero and variance \( \sigma^2 \). However with so many factors that could potentially influence CE, this research had to employ methods to determine the final model.

The models for this study were selected based on their Akaike Information Criterion (AIC) scores. AIC is a measure of the relative goodness of fit of a statistical model. The AIC offers a relative measure of the information lost when a given model is used to describe reality.
Essentially, this tool helps to describe accuracy and complexity of the model. The AIC is calculated by the following:

\[
\text{AIC} = \text{Deviance} + 2 \times (\text{number of parameters}) \tag{5.2}
\]

The model with the smallest AIC value is the “best” in terms of being able to describe the true population distribution underlying the sample data. So AIC includes a penalty that is an increasing function of the number of estimated parameters, thereby favoring goodness of fit. Table XXI provides AIC numbers for the best six models ran; there were a total of thirty-nine models evaluated.

From Table XXI, Model 33 had the lowest AIC value and so is the model that provides the best fit given the parameters. This model, detailed below, assumes a constant error variance. In Models 3-7, 32, and 37 the error was dependent on the predictors, yet they did not provide smaller AIC values. Additionally, the plot of residuals of these models did not supply a better goodness of fit than the models provided.

<table>
<thead>
<tr>
<th>Model Number</th>
<th>Deviance</th>
<th>Number of Parameters</th>
<th>AIC Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>-10.941</td>
<td>2</td>
<td>-6.941</td>
</tr>
<tr>
<td>25</td>
<td>-14.591</td>
<td>2</td>
<td>-10.591</td>
</tr>
<tr>
<td>21</td>
<td>-21.286</td>
<td>2</td>
<td>-17.286</td>
</tr>
<tr>
<td>27</td>
<td>-34.525</td>
<td>2</td>
<td>-30.526</td>
</tr>
<tr>
<td>36</td>
<td>-44.611</td>
<td>2</td>
<td>-40.611</td>
</tr>
<tr>
<td>33</td>
<td>-45.938</td>
<td>2</td>
<td>-41.938</td>
</tr>
</tbody>
</table>

Table XXI: The Six Lowest AIC Values for HLM Models
The equation for Model 33 is represented by the equation below:

\[
CE = \beta_{0j} + \beta_{0ij}(Volume_{j} - \overline{Volume}) + \beta_1(Contract_{ij} - \overline{Contract}) + \beta_{2j}(\# \text{ of Schools}_{ij} - \overline{\# \text{ of Schools}}) + \beta_{3j}(TotalEnroll_{ij} - \overline{TotalEnroll}) + \beta_{3\gamma}(Volume_{j} - \overline{Volume})(TotalEnroll_{ij} - \overline{TotalEnroll}) + \beta_{4j}(Food\$_{ij} - \overline{Food\$}) + \beta_{5j}(Attend - \overline{Attend}) + \beta_{6j}(FR\%_{ij} - \overline{FR\%}) + \beta_{7j}(Full_{ij} - \overline{Full}) + u_{0j} + r_{ij}
\]

(5.3)

Where \( \beta_{0j} \) represents the intercept, \( u_{0j} \) is an error term representing the unique effect associated with the jth Core Based Statistical Area (CBSA) and \( r_{ij} \) is another error term representing the ith school district in the jth CBSA. Each variable above is grand-centered meaning the variables are centered on the average over all level-1 and level-2 observations.

The three models below have the overall lowest AIC values and provide outcomes that show the significance of particular factors influencing CE. The models, displayed in Table 9 again utilized HLM regression modeling; the hypotheses are one directional and utilize one tailed tests at the 0.10 level.
### Factors Mediating Cost-Effectiveness

<table>
<thead>
<tr>
<th>Factors</th>
<th>Model 27</th>
<th>Model 36</th>
<th>Model 33</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONTRACT</td>
<td>1.0150</td>
<td>1.0194</td>
<td>1.1152</td>
</tr>
<tr>
<td></td>
<td>(.017)</td>
<td>(.002)</td>
<td>(.010)</td>
</tr>
<tr>
<td>NO SCHOOLS</td>
<td>0.9173</td>
<td>0.9254</td>
<td>0.9187</td>
</tr>
<tr>
<td></td>
<td>(.005)</td>
<td>(.000)</td>
<td>(.002)</td>
</tr>
<tr>
<td>ENROLL</td>
<td>-0.0000</td>
<td>-0.000</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td>(.037)</td>
<td>(.000)</td>
<td>(.011)</td>
</tr>
<tr>
<td>FS BUDGET</td>
<td>0.3043</td>
<td>0.3386</td>
<td>0.3065</td>
</tr>
<tr>
<td></td>
<td>(.000)</td>
<td>(.000)</td>
<td>(.000)</td>
</tr>
<tr>
<td>TOT BUDGET</td>
<td>-0.0003</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(.355)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% FREE/RED</td>
<td>-0.0584</td>
<td>-0.0349</td>
<td>-0.0489</td>
</tr>
<tr>
<td></td>
<td>(.007)</td>
<td>(.011)</td>
<td>(.005)</td>
</tr>
<tr>
<td>ATTEND</td>
<td>-0.8950</td>
<td>—</td>
<td>-0.8655</td>
</tr>
<tr>
<td></td>
<td>(.121)</td>
<td></td>
<td>(.128)</td>
</tr>
<tr>
<td>VOLUME</td>
<td>0.0075</td>
<td>0.0537</td>
<td>0.0825</td>
</tr>
<tr>
<td></td>
<td>(.655)</td>
<td>(.311)</td>
<td>(.116)</td>
</tr>
<tr>
<td>ISBEAUD</td>
<td>-0.0005</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(.346)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FULL</td>
<td>0.0078</td>
<td>0.0078</td>
<td>0.0080</td>
</tr>
<tr>
<td></td>
<td>(.000)</td>
<td>(.000)</td>
<td>(.000)</td>
</tr>
</tbody>
</table>

Table XXII: The Significance of Factors Influencing Cost-Effectiveness. Note: All significance tests are one-tailed and are at the 0.10 level.
5.5 Model Outcomes

Table XXII shows the outcomes of ten of the factors identified as salient to the CE of implementing school district lunch programs. In Model 27, all ten factors were included, and the outcomes provide some trends that persist throughout all three models. For example, the type of contract (CONTRACT) has some mediating influence on the CE of programs. Although, it was surprising that this factor proved not to be on the line of statistical significance. Still, it illustrates that contract type does not necessarily influence a district’s ability to be cost-effective. Also because, the coefficient is positive, this implies a direct relationship between this factor and Y. This direct relationship also existed among other factors.

The number of schools (NO SCHOOLS), food service budget (FS BUDGET), and volume (VOLUME) were each found to have a direct relationship with Y. Yet, only the number of school and food service budget were found to be statistically significant. The both factors’ influence on CE is expected as they are a major determination on a school district’s ability to control overall costs. The volume not being significant is unexpected because the volume should have some impact on cost; however, this influence of this factor could be expressed in the free/reduced percentage. Also, the ISBE audit outcome was expected to have some influence because the calculation of CE utilizes this as the effectiveness measurement.

Finally, there was also a direct relationship between CE and the number of full time employees on staff (FULL). This indicates as the number of full time staff increase, the CE ratio also increase, thus having a negative influence. There was also inverse relationship that existed in the total school district enrollment (ENROLL), the total school district budget (TOT
In Model 36 only six factors were included, offering a more narrow analysis of the potential factors influencing CE. In this model, each of the factors not significant was removed and the remaining factors were still significant at the 0.01 level. The total school district enrollment (ENROLL) made a change towards being more significant which aligns with the expectation that the number of students enrolled in a school district may potentially influence a district’s ability to be cost-effective. Additionally, the significance of free/reduced was reduced in this model. The administrators interviewed stated that this percentage could not be a primary determinant of CE, although it may help. Therefore, some fluctuation in the significance of this factor could be expected. This model did not have any measurable impact on the significance of other variables.

The final model has the lowest AIC and again provides the “best” the true population distribution underlying the sample data. Model 33, is similar to Model 36 but includes the attendance percentage as another potential mediating factor. This model illustrates that the number of schools in the district (NO SCHOOLS), the food service expenditures (FS BUDGET), the percent free/reduced (% FREE/RED), and number of full time employees (FULL) as statistically significant factors to the CE of implementing school district lunch programs. Consequently, these factors may prove important to administrators making the decision to privatize.

Due to the distribution of work, management, and district finances, the number of schools would likely be a determinant of CE. Moreover, one would expect that if the total enrollment of 1000 students is in two buildings, a school district can find ways of being more cost-effective
versus a school district that has the same number of students spread across four buildings. The number of full time employees, which influences the food service budget and was mentioned in interviews, also was shown to mediate the CE of school districts.

However, this model shows that attendance and enrollment are less significant. The attendance percentage and enrollment may be less significant because with respect to CE, the distribution of students across multiple buildings influences a district’s ability to be cost-effective more so than these two factors.

5.6 Major Findings and Considerations for Future Quantitative Analysis

This chapter provides three important outcomes that inform the second research question. First, the findings illustrate that the CE of district food service programs is largely dependent on the budget for the program. It also highlights that CE comparisons are difficult across districts of varying size. Next, the findings also highlight that privatization may not be a significant influencer of CE. This is important because school districts may find that moving to a privatized meal service may not improve CE. However, due to the number of districts analyzed in this study, it is not surprising that this factor was not significant. Finally, the HLM analysis offers four factors that were found to be statistically significant across the sample districts: the number of schools in the district, the food service expenditures, the percent free/reduced, and number of full time employees.

Prior to the final analysis, there are two things that are vital to consider. First, the amount of qualitative data that was available from the interviews stretched from the beginning of the study time frame to the present. Therefore some of the information gained through the interview process was a result of not only the data represented in the quantitative data, but also from the time after and leading up to the date of the interview. As a result, while some of the quantitative
data on costs and program adherence was limited, the interview process was able to elaborate on this data and outcomes after it. Secondly, CE analysis is just one way to analyze this data and there are others, like cost-benefit analysis that might yield different results. CE analysis was used in this study because it appeared to be the most straightforward way of analyzing this data. Moreover, other types of analyses may be added to it in future research to strengthen the results of its outcomes.
6. DISCUSSION OF FINDINGS AND THE RESEARCH QUESTIONS

6.1 Introduction

This dissertation was designed to develop a more robust understanding of how school district administrators made the decision to privatize school district services and how the outcomes of this decision mediated cost-effectiveness. Furthermore, this research attempted to isolate other factors that may be potential salient to the cost-effectiveness of school district food service programs. Through cost-effectiveness-factor (CEF) analysis this research extends beyond the traditional measurements like cost-efficiency and focuses on keeping costs low, measuring effectiveness, and other relevant factors.

This study reveals that cost-effectiveness of privatization is dependent on some particular school district factors. The number of school in the district, the food service expenditures, the percent free/reduced, and number of full time employees were found to be statistically significant to the cost effectiveness of delivering school district lunch programs. In addition to these factors, this study finds that there are other concerns to school districts not measured by cost-effectiveness, like district and community philosophies on education, employee will and skill, and administrator control that may require consideration when deciding to employ privatization.

The findings from this research help to increase the awareness of factors that administrators use to evaluate the decision to privatize and improve our knowledge base with respect to privatization. Furthermore, the findings from this research can help school districts make better decisions regarding cost-effectiveness, especially in the school food service context. To explain why privatization is more effective under particular conditions, the qualitative data will be utilized to help explain the quantitative findings. Then through a cost-effectiveness-
factor analysis, both data sources will provide a more complete understanding of how the program is operating.

Before outlining the factors, it should be noted that the decision to privatize is a complicated process that can be construed and calculated in several ways. One important distinction that arose during this research was the difference between cost-efficiency and cost-effectiveness. It was clear in the interviews when school administrators discussed cost-effectiveness, they are primarily looking at the bottom line costs (or cost-efficiency) and were not taking into consideration what Levin and McEwan (2001) would consider a complete cost-effectiveness analysis. Instead of evaluating cost-effectiveness many school districts in the sample focused on cost-efficiency which does not altogether account for how well a program is operating. Most districts solely used costs consideration when analyzing whether or not their district had a cost-effective program and seldom included other factors. Cost-efficiency is only concerned with the most efficient use of school district funds to achieve some outcome while cost-effectiveness is chiefly concerned with the differences between interventions which include more than just the financial costs of implementation, but also evaluate costs with respect to the best program outcomes.

As a reminder, the research questions for this study ask the following:

- How do school district administrators make the decision to privatize district services?
- In what ways is the cost-effectiveness of school district food service programs influenced by privatization?
  - Besides privatization, are there other factors influencing outcomes?

The following will synthesize information from the interviews and the outcomes from the empirical analysis to provide insight towards understanding how administrators approach the decision to privatize school district services. Beginning with research question one, the factors
identified in the interviews that were found to be most salient to the decision to privatize will be outlined. Then moving to research question two, the quantitative factors found to influence cost-effectiveness are reviewed. Next, the measure of effectiveness utilized will be highlighted and evaluated with respect to its strengths and weaknesses for decision-making. From there, the discussion will then focus on privatization’s impact on NSLP implementation and discuss the implications this study has for educational research and decisions regarding privatization in other contexts.

6.2 **Influences on the Privatization Decision: Interview Findings**

6.2.1 **School District Philosophy of Education**

The first factor influencing the decision to privatize is a school district’s philosophy of what it means to educate a child. This philosophy, used as ranking system, is used as a guideline for determining the factors school districts include when making the decision to privatize. As district administrators wrestle with whether contracting aligns with the district’s beliefs. If they felt the privatization or some aspect of contracting would impede the ability to implement a program cohesive with the school district environment, then it may not be included or considered. In fact, if a district viewed their food service (or transportation or maintenance) staff as part of the district or part of the school family or educational program, then outsourcing would not be an option, regardless of cost-efficiency.

If there is a perception that privatization dilutes the cohesiveness of the school district environment, then when implemented it may already be seen as ineffective. The administrators spoke about the opinions and issues that parents and school board members presented to the district administration. Statements like, “how do you know what’s really going on” or “I don’t like the idea of my children eating TV dinners,” framed the viewpoint of many parents in
contracted district. Even vended school district administrators spoke about not wanting “outside people” in the district or “controlling the quality of staff work;” these statements show how administrators’ opinion of contracting and its influence on the district can mediate decision-making.

School district in the study stressed the need to balance their district/community philosophy with the overall financial health of the district. This was the feature issue for districts: balancing community, costs, and service, while implementing a program with various ways of defining effectiveness. The option of privatization seemed to further complicate implementation because the cost savings in the short term were clear, the service responsibility was relived while the impact on quality was unclear, and the satisfaction of all interested parties was precarious. Some district administrators discussed at length how the decision to privatize was hard to move away from once the decision has been made. Not that it was impossible, but up front from a financial perspective is would be a challenge.

Taken together, what emerged was a delicate balance between what the community believes is right for students and what it ultimately costs to implement the program. Decisions around privatization mostly resided with the school board and the district administration, as the community relied on them to determine what is in the best long term interest of their students. Yet, through the local political process, school districts were forced to examine the best fit for their district. In conjunction with the community and political considerations, there also seems to be a real dedication to the people within districts especially despite the economic conditions.
6.2.2 **Employee Skill and Will**

Another factor influencing the decision to privatize is additional concern of effectiveness with respect to service and service quality is the attitude of the staff members and their willingness to work under various types of implementation models. This often seemed to be of minimal concern to administrators when deciding if privatization would be effective in improving cost-effectiveness. Yet, as research suggests and the execution of policies and reforms in accordance with the school district’s particular environment is subject to the will and skill of the ground-level implementer hence their cooperation is salient to successful implementation (Tyack and Cuban, 1995; Weatherly & Lipsky, 1977). This did not mean that school districts would not utilize privatization, but it may shape how they approach the relationship with contractors. Administrators expressed the desire for their staff to be a part of the larger community. They want to see their parents and neighbors working in their schools. From the perspective of administrators, this not only stabilizes the community, but it ensures that the school district and everyone in it is committed to the same ideals and values about service quality and effectiveness. This educational philosophy demonstrates how community politics might superseded some cost-efficiency considerations. As a result of all this, it becomes helpful to understand how the education community philosophy of school districts that can influence their decision-making on ways to maintain cost-efficiency.

6.2.3 **Administrator Control and Program Management**

While district administrators appreciated the opportunity to allow professionals manage their food service program, need to control overall costs and service quality often left them still involved in the program implementation. This desire to maintain control is a critical factor for district administrators and mediated how administrators made the decision to privatize and to
what degree they would privatize (full versus vended meals). While private firms are traditionally known for streamlining processes, administrators remarked that they may not function better, thereby causing them to be over-involved in managing some aspects of service delivery.

The districts that claimed to operate more efficiently all noted the importance of a good food service manager, head cook, or head clerk that served as a point person for the district. This decentralization of responsibilities to capable staff allows programs to operate more efficiently and for resources not to be wasted in one place when they may be better served in another (Hatch, 2006; Yukl, 2006; Bolman and Deal, 2003). And so with a quality staff member in this position they would be able to ensure the program operated effectively and with increased efficiency, reducing the amount of energy and direct control that would have to be dedicated to the program by administrators. The quality of this person can also influence the decisions that school districts make on changing implementation models to generate resources.

Although privatization offers some benefits, school districts should not expect a continual gain in resource availability and overtime may find that privatization may not live up to its promises. First, the administrators interviewed stated that they do not spend a great deal of time dealing with the program and that if there was any time savings it would be with the building principals. In fact, some school-level administrators did find that privatization may reduce the amount of time spent on the day-to-day issues of implementing NSLP, but it did not mean that they were completely absolved of the responsibility. There was still some onus on the part of these school-level administrators to monitor the progress of the program.
6.2.4 **Competition**

The next factor identified was the competition available to districts. This factor, while important to the opportunity to lower costs when seeking to privatize, there was no reliable way to determine the level of competition for contracts in a district community. For districts located in a rural areas or that were small in size they often experienced difficulty in getting bids for their program at a competitive price because there were not enough contractors available to bid on their programs. One of the primary tenets behind privatization is the use of competition to improve pricing and services between potential implementers (Boyles, 2005; Levin & Belfield, 2003; Savas, 2000; Cyert & March, 1992; Raimondo, 1992), and without competition, there may be some inflation of prices and little motivation by contractors to improve service. As a result, food service expenditures could be higher than school districts of comparable size with more access to competition.

As Administrators 1, 2, and 3 expressed, when there is a lack of available vendors to bid on school district contracts, it can constrain the opportunities that privatization may provide because for it to work successfully there is a need for a competitive market. Even district that did not contract recognized this fact. When Administrator 5 and 6 researched the possibility of their district using privatization, they found that because of a lack of available competition, they feared that privatization would be unable to improve service or lower costs. Nevertheless while, this factor may be necessary, determining the level of competition for a district can be challenging because private firms will use various formulas in deciding whether a contract will be profitable. Thus if competition is not considered when evaluating cost-effectiveness, school districts may find the privatization is not providing them with the best opportunity to lower costs.
and improve services. While all the factors above were pivotal to the decision to privatize, there were other factors that need to be included if we are to evaluate cost-effectiveness.

6.2.5 Program Quality

The interviews highlighted that program quality requires consideration and some response from administration as it may potentially negatively impact the decision to privatize food service programs. Administrators expressed a need to evaluate quality when evaluating school district food service programs and the use of privatization. The reasoning behind including quality is due to the impact it can have on student and parent satisfaction. If students and/or parents become dissatisfied with the quality of food being served in the district’s food service program, this could negatively impact the volume of participation, thereby negatively influencing cost-efficiency and consequently cost-effectiveness. Moreover, administrators admitted that some of this can be dictated by relationships, which can influence district satisfaction; another measure that could potentially be utilized in determining effectiveness. So while quality can be a difficult area to measure, it still requires consideration and some response from administration as it can dictate cost and impact the effectiveness of programming.

Many administrators of privatized programs also expressed that high quality is not easily quantifiable and can make the comparison between self-operation and contractor difficult. So while concerns about quality kept many self-operated districts from moving towards privatization, it was not an argument that was well supported by data because other than ISBE audits there was no real measurement of quality. In fact, quality was typically a subjective measure that school district administrators did not focus on unless there was unrest among school board members or parents. Again school districts were often willing to deal with the inherent trade-off between cost and quality when privatizing (Mac Iver & Stringfield, 2000; Hart et al.,
1997; Ascher, 1996) for cost concerns. However, in some cases districts may move away from or not select privatized meals because both students and parents may become weary of mass produced school meals that were compliant with regulations, but not generally viewed as pleasing to these interested parties. Yet, food service staff could potentially work to change this dynamic and support program compliance.

### 6.2.6 Time and Financial Resource Gains

The final consideration discussed that could influence the decision to privatize was the potential of additional time and resources availability. The term resources for this discussion focused on any factor that was utilized in the implementation of school district lunch programs that could be used in other district programs or services. The research also uncovered some factors that describe how privatization impacts resource availability and help us better understand when and how contracting may allow district administrators the opportunity to focus their time and other district resources on other issues. It should be noted that the information from this section comes solely from interviews with administrators.

School district administrators favor utilizing private firms because they are the professionals who can arguably implement the program better, thereby allowing them to focus on other concerns. Although the administrators claimed to keep a watch over the program, the privatized districts readily utilized the FSMC to relinquish control over everyday implementation difficulties. These districts operated from the perspective that these auxiliary services were not their primary concern and that the management of something like food service would be best served under the control of professionals in the field. Therefore they would not have to deal with day-to-day issues but could remain focused on strictly educational concerns. The current literature on privatization supports this as it states that administrators will have more time to
devote to other instructional needs within the district; however how this works out in individual districts varies.

Most of the administrators interviewed still devoted a noticeable amount of time and energy towards managing the food service program. In general, district-level administrators are not typically affected by the use of a FSMC because much of the day-to-day implementation resides at the individual schools. However, these administrators may find that the time spent managing employee issues like complaints or absenteeism is significantly reduced, especially when the district privatizes the entire program. This relief is also felt by the school-level administrators. Yet, they may notice other time differences, but this is often subject to the management style of the administrator and how involved they are in daily school functions like the meal service. Ultimately, the size of the district may also influence how much actual time is given to administrators. With respect to implementing school services like NSLP, a school district’s number of buildings influences outcomes more than the number of students. Essentially, the smaller the district, the more likely an administrator will notice a difference in the amount of time available.

Additionally, district administrators admitted that privatization did provide savings in the implementation of NSLP. Yet, even when districts experienced some reduction in costs, they could not readily identify how those savings were transferred. Even the relief from litigation and/or workman’s compensation claims gained by districts through privatization is not found year after year. These outcomes support the research stating that the decision to privatize has been made with little solid evidence of sustained positive outcomes (Mac Iver et al., 1998; Brown, 1995; Hunter, 1995; AFT, 1994). As a result, privatization may not truly be the key to freeing up district resources.
Finally, it is necessary to mention that school districts with budget strain were less concerned about attempting to gain additional resources through privatization and primarily focused on costs. Lots of research on privatization (Savas, 2000; Mac Iver et al., 1998; Prager & Desai, 1996; Brown, 1995; Kettl, 1993; Hunter, 1995; Donahue, 1989; Bennett & Johnson, 1981) discusses the use of privatization to lower costs of implementation, make improvements on program effectiveness, and increase the availability of resources. Yet school districts are often not seeking the more resources. Typically, it is about lowering costs or improving effectiveness. While saving time and energy may occur, it is transferred to another area of the administrator’s responsibility without actually ever addressing the new availability. This is not to say that these outcomes are not relevant, just that they are often negligible to administrators. Nevertheless, in order to accurately conduct a cost-effectiveness analysis, administrators or researchers should be aware of resource allocation and how something like quality can influence outcomes.

6.3. **Evaluating the Influences on Cost-Effectiveness**

Using both research questions as a guide, the following reviews of the quantitative factors that administrators utilize to make the decision to privatize and includes them in determining how privatization and/or factors influence cost-effectiveness.

Table XXIII provides the coefficient estimates, and significance values for the factors found to be most salient to the cost-effectiveness of school districts in the sample. As a reminder, cost-effectiveness (CE) is a ratio that identifies the cost (C) per unit of effectiveness (E) giving you the equation,

\[ CE = \frac{C}{E} \]  

(6.1)
So for this study this means the cost spent by the district for 1 unit of program adherence to NSLP regulations. Therefore any factor that causes the CE value to rise would be deemed a negative influence. The following outlines all the factors that were explored and highlights those found to be salient based on this analysis and the finding from interviews with administrators.

6.3.1 The Influence of Privatization (Contract Type)

Table XXVIII shows a direct relationship between the type of contract (full, vended meals, or self-operated) and cost-effectiveness. This represents the actual influence of privatization on the cost-effectiveness of food service programs. Based on the analysis, this signifies that school districts may become less cost-effective as they move towards privatization. However, the significance factor (p=0.010) may suggest there are other factors influencing outcomes. Still the administrators stated that the type of contract a district utilized has some influence on the cost-effectiveness of delivering school district food service programs.

<table>
<thead>
<tr>
<th>Salient Factors</th>
<th>Coefficient Estimates (Significance Values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Type</td>
<td>1.1152 (.010)</td>
</tr>
<tr>
<td>Number of School Buildings</td>
<td>0.9187 (.002)</td>
</tr>
<tr>
<td>Total School District Enrollment</td>
<td>-0.000 (.011)</td>
</tr>
<tr>
<td>Food Service Expenditures</td>
<td>0.3065 (.000)</td>
</tr>
<tr>
<td>Percent Free/Reduced</td>
<td>-0.0489 (.005)</td>
</tr>
<tr>
<td>Attendance Percentage</td>
<td>-0.8655 (.128)</td>
</tr>
<tr>
<td>Number of Full Time Staff</td>
<td>0.0080 (.000)</td>
</tr>
</tbody>
</table>

Table XXIII: Factors Mediating Cost-Effectiveness. Significance, p < 0.010

Administrator 1 explained that when they went to a full service privatized program their total expenditures increased drastically (Table XXIV). This is because once they moved from a
non-existent service to fully privatized, program compliant service. Prior to contracting, the school district did not technically maintain food service staff, and the costs associated to food service were for the purchase of hot food from local fast food restaurants. Now with a privatized program the cost of their program will now include labor. The same also occurred for Districts 3 and 4 as they both experienced increases in the first year of the contract. However, while District 3 experienced a relatively minor increase, the District 4 increase was more significant. One clear reason for this is that they did not fully privatize their program, maintaining the food service staff as district employees. Another reason for the increases was because both District 3 and 4 did not have any internal food service infrastructure, so there was a need to make some changes to the physical buildings prior to starting. Additionally, District 4 was forced to make a quick decision on moving to privatization and then suffered from an inability to fully partake in the competitive bid process.

The above information illustrates that the contract type does have some influence on the cost-effectiveness of food services programs. However the research findings also reveal, both quantitatively and qualitatively that contract type does have some influence on cost and consequently cost-effectiveness. In addition to contract type, the research also found other factors that were salient to cost-effectiveness of district food service programs. These factors will be explored based on how they mediate cost-effectiveness and their influence on the decision to privatize.

### 6.3.2 School District Size

The school district size was a factor that also influenced the cost-effectiveness of the districts in the study. School district size is a factor that can be identified in a variety of ways; for this study school district size refers to the number of physical buildings in the district and the
total enrollment of students. With respect to buildings, the direct relationship between this factor and cost effectiveness shows that as the number of buildings increase, the higher the CE factor will be, thus negatively impacting cost-effectiveness. As Hatch (2006) reminds us, educational organizations and their capacity are influenced by their structure and in this case the number of buildings is utilized as the primary determinant of structure. With respect to the cost-effectiveness, Table XXIII shows a positive relationship (0.9187, p=0.002) illustrating that the larger districts may struggle to achieve cost-effectiveness. However, according to the administrators in the sample, there were some advantages to being larger.

Administrator 2 remarked that larger districts typically had greater opportunities to keep the cost down because they are able to spread some resources throughout the district, whereas small school districts may incur the same expenses but be using them for a smaller number of students. Still Administrator 4 stated that being too large had disadvantages. He stated that there was some concern that many vendors would not be able to manage districts that were too large, thereby reducing competition and the opportunity to have a competitive bid. Therefore, larger districts may find that privatization may not lower costs as much as expected.
<table>
<thead>
<tr>
<th>ID</th>
<th>School District Years 2008-2010</th>
<th>Number of Schools</th>
<th>Contract Type</th>
<th>Total Enrollment PK-12</th>
<th>School District Food Service Expenditures (per School Admin)</th>
<th>Full Time Staff</th>
<th>Part Time Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2008</td>
<td>3</td>
<td>SELF</td>
<td>1,119</td>
<td>$60,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>3</td>
<td>SELF</td>
<td>1,093</td>
<td>$32,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>3</td>
<td>FULL</td>
<td>1,118</td>
<td>$351,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>2008</td>
<td>11</td>
<td>FULL</td>
<td>6,798</td>
<td>$2,307,000</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>11</td>
<td>FULL</td>
<td>7,100</td>
<td>$2,872,000</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>11</td>
<td>FULL</td>
<td>6,863</td>
<td>$2,717,000</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>2008</td>
<td>3</td>
<td>SELF</td>
<td>1,113</td>
<td>$235,000</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>3</td>
<td>SELF</td>
<td>1,205</td>
<td>$237,000</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>3</td>
<td>VEND</td>
<td>1,200</td>
<td>$238,000</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>2008</td>
<td>4</td>
<td>SELF</td>
<td>3,327</td>
<td>$1,112,000</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>4</td>
<td>VEND</td>
<td>3,317</td>
<td>$1,254,000</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>4</td>
<td>VEND</td>
<td>3,346</td>
<td>$1,248,000</td>
<td>0</td>
<td>20</td>
</tr>
</tbody>
</table>

Table XXIV: Sample School Districts that Privatized Food Services

Another size factor, the total enrollment of the school districts in the sample also dictated cost-effectiveness and the influence of privatization, as this variable controlled the amount of money that the district or a potential FSMC could generate. As Administrator 3 stated, this factor is important because the capacity of some FSMC prevents them from working with just any school district; only a select few have the ability to work with the larger districts and just as few to work are able smaller ones. This leaves larger districts with few options for vendors. However, smaller school districts are also subject to a more narrowly defined service structure because FSMC do not give them as much leeway since the size of their program (and amount of money to be made) is smaller.
Again cost-effectiveness is a ratio that indicates the cost per unit of effectiveness. So the positive coefficient means to that the more buildings a school districts has, the more challenges it may have in achieving cost effectiveness, yet school districts may be aware of this outcome. For example, one district in the sample plans to move from four buildings to two which will have a significant impact on their ability to cut costs and improve the effectiveness. However, again this is not something that all districts are able or willing to do, but it is a way of improving cost-effectiveness. Consequently, school districts with more financial means may be able to make plans to create infrastructure or systems that allow them to be more cost-efficient. This aligns well with the next factor.

6.3.3 School District Expenditures

Based on the quantitative analysis the total district budget was not a significant factor in the cost-effectiveness of district food service programs, but the food service budget was found to be significant (p=0.000) to the cost-effectiveness of delivering school district food service programs. The direct relationship indicates that as the budget increases, this negatively impact cost-effectiveness. This is expected as higher budgets would indicate that more would be spent for food service, thereby increasing their cost-effectiveness ratio. Therefore as the food service budget grows, school districts may experience some decrease in cost-effectiveness. As a result, district administrators may seek to reduce costs of their food service program, and this may lead them towards privatization.

The administrators in the study indicated that privatization may potentially be a way to reduce the food service expenditures, but it was not the only or even most effective way. Administrator 4 indicated that while privatization could potentially reduce costs, smart management of staff and resources was a more effective way. Administrators 5-1 and 5-2
echoed this sentiment. They felt the best way to lower the expenditures was through internal reform and training. So while privatization is a consideration, the administrators were not entirely convinced of privatization’s ability to lower costs in the long run.

Administrators 1 and 3-1 approached this decision differently as their food service expenditures were already low. They both indicated that districts with more flexibility in their budget could make changes not just to food service programs, but also to other operational areas of the districts. However they both were starting programs new to NSLP and because of their limited budget, privatization offered them the lowest cost option. Yet, both admitted that this was a decision that was based on a short term analysis and that the primary concern was to start the program as quickly as possible.

6.3.4 Free & Reduced Percentages

The percentage of student receiving free- or reduced-priced benefits was also found to be salient to the cost-effectiveness of district food service programs. This factor displayed in Table XXIV is negatively correlated to cost-effectiveness (-0.0489, p=.005); therefore as this percentage increased the cost-effectiveness ratio improves. As discussed above, the USDA (2007) states that higher percentages of free/reduced students typically mean higher student participation, which the research indicates, improves cost-effectiveness. So the sample school districts with a large numbers of free- and reduced-price students in their district may be able to cut down on the district out-of-pocket costs because NSLP will subsidize meals served to these students.

However, school district administrators admitted that free and reduced numbers may assist in cost-effectiveness when participation is low, but could not been seen as a primary determinant of using privatization to improve programs. Administrator 3, 4, and 6 stated that
free/reduced numbers did not drive their decision to privatize because there was still a cost to the district in providing meals that was not totally covered by the USDA reimbursement. They stressed the importance of balancing this number with student attendance and participation in the program.

6.3.5 Student Attendance and Volume

Another factor important to the cost-effectiveness of school district food service programs were the school district’s attendance percentage for each school year. Although found not to be significant (-0.8655, p=.128), the inverse relationship does provide some information for understanding its influence.

An attendance percentage over 90% for every school district is a strong determinant of cost-effectiveness in food service programs. It indicates an increased opportunity for students to participate in the program, thereby improving the cost-effectiveness of the program. This means lower costs for the program, an outcome that improves cost-effectiveness. This influence of attendance could also influence volume, a factor highlighted in the interviews but not supported by the quantitative data. This factor was found to be insignificant given the parameters of the study, even though administrators stated its importance. The lack of quantitative support for volume could stem from the weaknesses in how volume of participation was calculated.

The USDA (2007) evaluated participants and non-participants, and it was determined that school districts, with high percentages of free- and reduced-priced eligible students, and with strong attendance numbers are likely to have greater volumes of participation. Additionally, districts in rural areas were said to have strong volumes of participation when the attendance was strong. Given this information, it was determined that three districts had strong volume and three had volume that was not strong; this was denoted in the data as ‘1’ for strong volume and
‘0’ for low volume (Table XXV). However, it should be noted that this measure may not provide a completely accurate data because it does not provide exact participation numbers to determine the volume. This outcome, along with the ones listed above, are support by the administrators’ interview discussions.

Administrator 4 indicated that the success of a program, whether privatized or not is based on your volume of student participation, a point made also by Administrator 3-1. Yet, the reason that this information is not supported by the data in this study is because these administrators focused on a cost-efficiency model and not a cost-effective one. If the program’s adherence was their measure of success, then their analysis is likely to align with the findings of this research. Furthermore, the since volume is based on student attendance, this factor may be more of an indication of volume’s true effect on cost-effectiveness.

<table>
<thead>
<tr>
<th>School District ID</th>
<th>Average Free/Reduced</th>
<th>Average Attendance Percentage</th>
<th>Participation Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.065</td>
<td>.958</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>.094</td>
<td>.957</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>.197</td>
<td>.949</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>.274</td>
<td>.936</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>.534</td>
<td>.920</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>.786</td>
<td>.948</td>
<td>1</td>
</tr>
</tbody>
</table>

Table XXV: Average Free/Reduced Percentage and Attendance Percentage for Sample

6.3.6 Number of Full-Time Staff

The number of full-time was found to be significant to the cost-effectiveness of school district food service programs (-0.0080, p=0.000). Although small, the coefficient displays a direct relationship indicating that as school districts decrease their full-time food service, the
cost-effectiveness of implementing food service programs improves. This provides some of the districts in the study to move to privatization.

Administrators 1, 2, and 3 all remarked how using of privatization allows their district to keep more part-time staff, thereby lowering the overall cost of the food service program. Table XXIV also show District 1 with no food service district employees, while District 2, 3, and 4 each have some combination of full time and part time staff. These outcomes illustrate how using a fully privatized program may benefit the district more when first beginning a new contract. Also school districts may experience some slight increases in food service expenditures prior to receiving the short term financial benefits of privatization. However, when we examine District 2 we recognize a different trend. As a school district fully immersed in the contracting process, this district experienced changes in food service costs that fluctuated with enrollment.

6.4 Privatization and Program Effectiveness

This study again is focused on using cost-effectiveness in the privatization context, and this analysis does not rely only on financial considerations, but also measures of effectiveness. The primary measure utilized in this study was program adherence to NSLP regulations using Illinois State Board of Education (ISBE) Coordinated Review Effort (CRE) audit data. Listed in order adherence, Table XXVI illustrates how districts performed on ISBE audits.

For this study, each school district is audited on several items, but FSMC can only be held responsible for six areas: Counting and Recording, Meal Pattern Requirements, Meal Service, Menus, Meal Production, and Prohibitive Food Requirements (Part 205). For each area evaluated, a school district received a ‘1’ if the area had no issues and a ‘0.5’ if the district had an issue. Therefore a school district that had no issues at a review would receive a CRE score of
6, and school districts with issues would have numbers below this value. Each audit was done within the timeframe for the study but they were not all conducted in the same year.

This quantitative data shows that privatization can influence program adherence but again only at certain times. First, District 4 is the largest district in the sample, and thus the distribution of management responsibility is greater. Essentially, it is tougher to manage eleven schools versus managing three, four, or five schools. As a result, it is more likely and common for larger districts to have more trouble with passing state audits. This is also supported by the outcomes of District 1 and 6, the smallest districts in the sample, and their strong performance on the evaluated areas.

<table>
<thead>
<tr>
<th>School District</th>
<th>Counting &amp; Recording</th>
<th>Meal Pattern</th>
<th>Meal Service</th>
<th>Menu</th>
<th>Meal Production</th>
<th>Part 205</th>
<th>Composite Program Adherence</th>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Table XXVI: Program Adherence/Program Effectiveness, Audit Findings

Additionally Districts 3 and 4, both vended districts experienced some deficiencies in the menu and meal production, respectively, with both having issues with counting and recording.
The important part of this outcome is that when a district is vended, the FSMC does not typically manage the counting and recording; thus this citation was most likely a result of a district employee error. Finally, Districts 1 and 5 were found no issues in any area evaluated in this study. This is crucial because one district is fully privatized (District 1) and the other is self-operated (District 5). These outcomes provide three outcomes pertinent to program effectiveness as it is measured here:

1. Larger districts may have challenges with audit citations and smaller district may perform overall better on state audits.
2. Vended districts may have issues with functions still managed by the district.
3. School districts can self-operate programs and perform as well as contracted services.

The interviews with administrators support these outcomes and provide an additional factor that adds to what we know about program effectiveness. When discussing their food service programs and privatization most of the administrators (Administrators 2-4, and 6) did not place much emphasis on audit compliance. In fact, Administrators 2-4 felt that this was not something that was a central concern for them because that was something that the FSMC should be handling. This lack attention given to ISBE audits could also be the cause of the poor performance by these districts. In contrast, Administrators 1 and 5-2 both expressed pride in how well their district performed on these audits. As Administrator 1 put it, “while privatization may assist the district in keeping costs down and improving service, the overall program success is still a responsibility of administration.” These outcomes reveal an increased importance for school district administrators to spend time focused on issues of effectiveness. In addition to school district program adherence, concerns about degradation of program quality as a result of privatization are another factor that may also influence program effectiveness.
Finally, it is necessary to discuss the weaknesses in measuring effectiveness. First, program compliance can be difficult to accurately measure without more frequent auditing or another way of gathering this data. There are some weaknesses to utilizing ISBE audit data as a measure of program adherence when calculating the effectiveness of implementing school district lunch programs. Prior to school year 2013-2014, USDA (2012) only required a five year review cycle making accurately determining program adherence a challenge. With such an infrequent process, there was an increased chance of turnover in staff, resulting in higher inconsistencies in compliance with regulations. And while program effectiveness can be measured by a number of different factors and outcomes, the strength of the evaluation is dependent on the measures utilized (Hohman, 2009; Segal, 2004; Hart, 1997). As a result, outcomes of compliance were often overlooked by administrators and program adherence only appeared to be a concern to school district administrators during the time that auditing occurred.

6.5 Final Discussion

Overburdened district administrators view privatization as reform effort that can alleviate the daily responsibilities of management and provide some financial relief. Specifically, districts hope privatization can improve their structural, human, and financial capacity to implement services. Yet the decision is often made without considering all the factors. The sections above synthesized the qualitative and quantitative data and showed how cost-effectiveness can be used in research and decision-making. Furthermore, the study reveals that privatization may not be an improvement over self-operated programs due to factors other than costs that mediate cost-effectiveness.

This chapter was organized to illustrate how the interview and empirical findings provide insight towards answering the research questions and offers opportunities to move both
privatization and cost-effectiveness analysis forward for use in school districts and other educational research. While there is some research on cost-effectiveness in education, there is little research on its influence on privatization implementation or the impact that particular factors has on the cost-effectiveness of contracting.

The data in this chapter may assist school administrators and researchers in thinking about privatization more broadly and to develop a more robust understanding of cost effectiveness in the school district privatization context. Privatizing food services is utilized by a number of school districts in Illinois (IL) as one method for improving the cost-effectiveness of implementing NSLP. Yet, many school districts do not include many factors outside of costs like, competition, service/implementation, politics, food/quality, etc. when evaluating whether this decision is truly more cost-effective than other forms of implementation.

As Diagram 1 shows, there is a balancing act between the salient factors influencing the cost-effectiveness of delivering school district food service programs. The study finds that there are combinations of factors that might make school districts refrain from contracting. It should be noted that the use of privatization does not necessarily improve the cost-effectiveness of implementing school district food service programs. However, this outcome cannot be taken out of context, and other factors and community characteristics require consideration when trying to implement cost-effective school district food service programs under a privatization model.
The following outlines the factors influencing the cost-effectiveness of the districts’ food service programs and the decision to privatize school district food service programs:

1. For school districts within the size range of the districts in the study (3-11 buildings), reducing the number of buildings may improve cost-effectiveness.

2. The school districts with larger numbers of enrolled children had the potential to have stronger cost-effectiveness ratios.
   
   a. When the student population had high percentages of students receiving free- and reduced-priced meals, this also improved their cost-effectiveness ratio.
   
   b. Additionally, when these students attended the school district over the year in high percentages, it improved the cost-effectiveness.

3. When the total expenditures for the program increased, it was difficult for districts to maintain a strong cost-effectiveness ratio.

4. The level of competition among private vendors available in the surrounding community for district services influences the ability of districts to improve the cost-effectiveness.

5. The effectiveness measure utilizes will also dictate the outcomes of this analysis.

6. The community/school district philosophy can influence how school districts make the decision to privatize.
The above findings reveal that privatization is only cost-efficient or program compliant (used as the measure of effectiveness) given a set of mediating factors. School districts may want to consider their district size, in terms of the number of buildings and total enrollment when considering privatization to improve cost-effectiveness. The overall ratio is aided when the student population had high percentages of students receiving free- and reduced-priced meals and when students attended the school district over the year in high percentages. However, all these numbers needed to balance with the total expenditures the program in order for districts to maintain a strong cost-effectiveness ratio. Finally, an evaluation of district goals and values would indicate how districts should evaluate effectiveness and if the available vendors servicing the school district community could meet these goals at a competitive price.

In explaining why privatization is more efficient or effective under particular conditions, the qualitative data was utilized to help explain the quantitative findings. Now through a cost-effectiveness analysis, both data sources provide a more complete understanding of how the program is operating. While, the information provided may not be a complete framework for understanding this phenomenon, it does begin to help define under what conditions a school district may potentially benefit from privatization or contracting.
DISCUSSION OF COST-EFFECTIVENESS-FACTOR ANALYSIS

7.1 Introduction

This research begins with the perspective that the decision to privatize school services is not straightforward and should include costs, measures of effectiveness, and other internal and external factors that can mediate the successful delivery of programs. This determination will fluctuate from district to district because the costs included may differ based on school district structure. Additionally, because school districts have varying needs and values, the way that effectiveness is measured may not be consistent. Furthermore, the other factors mediating decision making is likely to be different from school district environment to school district environment. Therefore the research findings indicate that the decision to privatize school district services is best done when considerations for cost, effectiveness, and school district context factors are included.

One of the important elements of this research to remember is that the decision of whether to privatize was not solely a decision about cost or program effectiveness, but stemmed from an underlining philosophy of how public schools should operate, and how they can best serve kids at the lowest possible cost. Both self-operated and privatized districts saw community as a vital part of how the district approached education and decisions like privatization. When districts promoted a community aspect, it was apparent how a decision to privatize was as much about values as it was about costs or service. So while cost-effectiveness was an ever-present concern, how districts dealt with the rising cost or service issues often came back to their approach to education. Now this does not mean that community is not essential to the district that privatizes, it just means that their philosophy on what their education community looks like and what they feel is pertinent to their education program is different. Also self-operated
administrators are not against going to privatized services, but in the end they may find it to be, not in the best interest of the district. Nevertheless in every case, the desire to maintain a strong communal feel to district services did not restrict school district administrators altogether as they all were most concerned with keeping costs under control. Cost-effectiveness analysis provides school districts an opportunity to evaluate their program using their own measures of effectiveness, including items like community satisfaction, and compare the costs of using privatization versus other types of interventions.

Cost-effectiveness analysis can provide school districts with the opportunity to evaluate implementation strategies prior to moving forward and making changes. This analysis, a useful tool for school district administrators focused on the comparison between interventions and is not simply a way of evaluating the cost-effectiveness of a single method. The goal of this analysis is to strip away the similarities that exist between two strategies and focus on where the two may diverge in terms of cost-efficiency and program effectiveness.

Cost-effectiveness does not solely utilize program costs as a determinant of the best intervention method, but uses it in conjunction with measure of effectiveness to ensure that the strategy used achieves the district goals at the best possible price. This research utilizes school district adherence to NSLP regulations as the measure of program effectiveness. So if, an implementation process costs more, but achieves greater effectiveness with respect to cost, then this approach may be the most favorable. Another way looking at this is that school districts will select the strategy that achieves a higher unit of effectiveness per dollar spent on the program.

School districts that focus too much on efficiency may experience a reduction in program implementation quality and program adherence. It appeared that the sample districts focus on cost-efficiency and not necessarily cost-effectiveness, a shift in the way that educational policies
and programs are typically implemented. Districts are most concerned with programs operating well and achieving their goals, which align more with effectiveness than efficiency. So while implementing programs at lower cost, per outcome is desirable if school districts do not focus on effectiveness, including program adherence, the outcomes of implementation will not be improved regardless of who is managing the process. Although, with school districts struggling to maintain existing programs and policies under the current system of financial funding (i.e. federal funding, state dollars, and property taxes), some districts have traded effectiveness for efficiency.

The findings from the qualitative data (chapter 4) and the quantitative data (chapter 5) illustrate that there are several factors that influence the decision to privatize and that consequently mediate the delivery of school district food service programs. Through cost-effectiveness-factor (CEF) analysis this research extends beyond the traditional measurements like cost-efficiency, and focuses the analysis on keeping costs low, measuring effectiveness, and including other relevant factors.

As Table XVII shows, each school district type may have particular reasons for selecting alternative interventions that do not always focus on cost-effectiveness. Thus the decision to change implementation strategies may not be purely a cost driven. This offers an opportunity for cost-effectiveness analysis to provide a more in-depth, accurate procedure for evaluating the differences between interventions beyond only looking at costs. Below is a matrix of school district types and the factors found from this research that may influence administrator decision-making on privatization.
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<th>District Type</th>
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<th>Quantitative Influences</th>
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<td>Staffing, Competition, Service Quality, District Philosophy, Administrator Control, Daily Management, New to NSLP</td>
<td>Cost Efficiency, Size, and Volume</td>
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<td>Daily Management, Staffing, Competition, Service Quality, New to NSLP, District Philosophy, Administrator Control</td>
<td>Cost Efficiency, Size, and Volume</td>
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<td>Daily Management, Staffing, Competition, Service Quality, District Philosophy, Administrator Control</td>
<td>Cost Efficiency, Size, and Volume</td>
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<tr>
<td>Medium, Suburban, 9-12</td>
<td>Service Quality, Staffing, District Philosophy, Administrator Control</td>
<td>Cost Effectiveness</td>
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**TABLE XXVII: Matrix of Salient Factors and School District Types**

This matrix, based on the sample districts only, provides some insight on factors that particular school districts may choose to consider when privatizing school district services. Consistent across the districts, the following factors constitute areas where district administrators may want to begin the decision-making process: district philosophy of education, influences on administrator control, staffing concerns about privatization, and impacts on service quality. Consequently, districts that fall within these ranges, may want to consider these factors when making the decision to privatize.
7.2 Future Cost-Effectiveness-Factor Analysis for School District Services

With school districts struggling to maintain existing programs and policies under the current system of financial funding (i.e. federal funding, state dollars, and property taxes), it appears districts have traded effectiveness for efficiency. Consequently, school district administrators are seeking reforms that allow them to maintain programs that are cost-efficient. However, given the goals of a school district and the values of the community in and around the district, this analysis may prove to be inadequate. By utilizing a cost-effectiveness-factor approach, administrators can more comprehensively analyze their decision to contract and ensure they are meeting their district’s goals and being inclusive of all the factors when making the decision to privatize in an effort to achieve maximum cost-effectiveness.

The district administrators in the study stayed primarily focused on the bottom line and were often unable to make decisions that are purely educational. The administrators in this sample discussed having to make decisions that were not, “sound educational decisions,” but had to be made for financial reasons. In many scenarios administrators are forced to make decisions for the immediate financial stability of the district, but not always in the long term. Privatization seems to be one of those decisions that fit this category. Although privatization should provide better service, the concern is typically one of costs first. Even district new to NSLP primarily went with privatized meal service because it was the cheaper, easier to implement a solution that could be done quickly. Consequently, the focus is on cost “-efficiency” and not “-effectiveness.” However, a change in evaluation that includes a measure of effectiveness can provide school districts with options, either privatized or not, that align with long term goals of the district. Yet, a focus on efficiency is not a surprise given the standardized measurement of policy compliance.
ISBE audit structure may be insufficient to accurately determine how well school districts adhere to NSLP regulations and therefore inherently decreases the focus on effectiveness. Furthermore, with so much ambiguity with respect to some measures of effectiveness, some district administrators have opted to not to focus on it. Currently ISBE audits programs on a five year cycle, thus leaving remarkably little oversight on a program that often provides over a hundred thousand dollars of federal money to school districts with not more than 1000 students. And while these districts may be serving students meals, there is no way to know if they are in compliance. Moreover, district administrators are reluctant to worry about effectiveness if the program is run efficiently. Also some measures of effectiveness may be subjective and focused on a select few. Thus it becomes to challenging to meet the needs of many competing points of view. Again, it begins with the district’s philosophy on its role in providing food to its students. When a quality food service program is essential not only as a service, but also a component of the educational experience, there will be more attention given to effectiveness, in the absence of ISBE audits and despite the challenges of addressing competing student and parental needs.

Most of the districts solely used costs consideration when analyzing whether or not their district had a cost-effective program and seldom included other factors. Each of the school districts interviewed had some measure of cost-effectiveness. However, most of them thoroughly focused on cost efficiency. Their measure did not include how well the program was operating or if it was running in compliance with regulations, only how much it costs, revenue and expenses. This does not mean that they were not concerned with the operation of the program, but that was less of a concern than overall costs. There was some indication that affluent districts may choose quality over costs, because of concerns by the school board members or parents at-large. Yet, if cost was an issue, quality seemed to be less of one. So the
way that districts analyze their cost-effectiveness may differ from district to district, and this is expected.

School districts often have different goals when implementing policies and programs, and these goals when alter their calculation of costs and measurements of effectiveness. With regards to costs, one district may include the cost of the janitor because they have someone that is dedicated to maintaining this area of the building. However, another district may place all janitorial staff in a altogether separate billing account. This will inherently impact the differences between what these districts (accounting for size) spend when implementing school district lunch programs. Nevertheless, for each district this is the correct costs; it is not a matter of right or wrong, just ensuring that all costs are included. The same differences can be seen when measuring effectiveness.

Since school districts may have different goals, the way that school districts measure effectiveness may vary. Levin and McEwan (2001) remind us that measures of effectiveness are left up to the evaluator; therefore school districts may potentially take into account different factors when measuring effectiveness. This is when the district’s philosophy of how you educate a child becomes relevant. For example, if a school district feels that food service is an essential part of the educational experience in their district, measures of effectiveness may include student surveys, student and parent complaints, and administrative perceptions of food quality. On the other hand, if a school district is new to NSLP then their primary goal may focus on just on basic implementation. So instead of user feedback, they may focus on ISBE audits, cafeteria operations, and student participation as measures of effectiveness. Still another school district may be a mix of these or they could have entirely different measures of effectiveness. The particular measure are not what is most beneficial (although they may be some that all agree on
like ISBE audits or student participation), yet school districts will have to evaluate their goals of the program and align measures for these goals to accurately determine cost-effectiveness and make more informed decisions about privatization.
8. REFERENCES


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Education

University of Illinois at Chicago  
Ph.D. in Policy Studies in Urban Education, Expected Graduation May 2013  
Education and Organizational Leadership

Dissertation Topic
The cost-effectiveness of using privatization in the implementation of school district services, including an analysis of the influence of contracting on educational policy.

Other Research Interests
Education policy analysis and implementation, educational program evaluation, inequalities in educational attainment, urban planning and development, business influence in educational policy, and higher education development

The American University, Washington, DC  
Masters in Public Administration, May 2005  
Concentration: Education Policy

Florida A&M University  
BS in Biological Engineering, August 2001  
Concentration: Bio-Food Processing

Teaching & Mentoring

Concordia University, Chicago  
Adjunct Professor, January 2010 – Present  
Action Research for Educators (Live and Online)  
Education Research for School Leadership (Live and Online)

University of Illinois at Chicago  
Teaching Assistant, January 2011 – December 2012  
Introduction into Urban Education  
Race, Ethnicity, and Education

C. Inc Consulting, Washington, DC; Chicago  
Private Tutor, Grant Writer, August 2003 – Present

Ace Technical Charter High School, Chicago  
Tutor and Mentor, January 2009 – May 2009
Washington Middle School for Girls, Washington, DC  
**Teacher**, Science, 5th-8th grade, August 2003-August 2004

St. Augustine Catholic School, Washington, DC  
**Teacher**, Math & Science, 6th-8th grade, September 2002-August 2003

**Honors & Awards**

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<tr>
<td>2012-2014</td>
<td>University Council for Education Administration Barbara Jackson Scholar</td>
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<tr>
<td>2011-2013</td>
<td>Graduate Student Representative, Department of Policy Studies in Urban Education</td>
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<td>Graduate Representative, Chancellor’s Committee on the Status of Black Students</td>
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<td>Graduate Representative, Faculty Senate</td>
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<td>2010</td>
<td>3rd place, University of Illinois, Student Research Forum, Humanities and Social Science, Graduate Division</td>
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<td>2005</td>
<td>Pi Alpha Alpha National Honor Society</td>
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<td>2000</td>
<td>White and Gold Honor Society</td>
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**Publications**


**Research Experience**

**Pilot Study Research (2010):** Evaluation of annual budget increases of all school districts in Illinois that privatized their food service program using hierarchical linear modeling and compared them to school districts that did not privatize.

**Masters Final Study (2005):** An analysis of the implications of implementing Public Law 107-110 (*No Child Left Behind Act of 2001*) into a state’s educational system; outlining problems that the state must consider in implementing the policy including: program management, politics, and leadership.

**Research Assistant (2005), Department of Education, The American University, “Strengthening Historically Black Colleges and Universities (HBCUs)”**, *Supervisor*, Frederick Jacobs, PhD  
**Responsibilities:** researched funding trends for HBCUs, conducted literature review on Congressional funding for higher education, analyzed data using SPSS

**Responsibilities:** Develop Assessment Tool for measuring organization communication performance; worked with the executive director to develop a plan for new hires; created assessment measures for developing programs, and facilitated workshops.

**Research Assistant (2003-2004), Department of Public Policy, The American University, “Comparative international policies on funding education”, Supervisor, Robert Boynton, PhD**  
**Responsibilities:** Coded articles; analyzed data using SPSS; conducted literature review on education policies in Kenya
Consulting & Program Management

Illinois State Board of Education

Principal Consultant, February 2006–present
- Review annual budgets and overall management structures for sponsoring organizations participating in the state’s National School Lunch Program (NSLP), Child and Adult Food Care Program (CACFP), and Summer Food Service Program (SFSP)
- Analyze program operations for sponsoring organizations in Illinois child nutrition programs ensuring adherence to Illinois State Board of Education and the United States Department of Agriculture data collection regulations
- Manage the annually opened temporary office responsible for monitoring Chicago area sponsors participating in the SFSP
- Conduct annual hiring, training, and managing of 12 temporary monitors for Chicago SFSP

University of Illinois at Chicago
Graduate Assistant, Curriculum and Instruction, September 2011 – Present
- Develop relationships with partner organizations to ensure quality student field experience
- Assist in the design and development of syllabi for introductory courses
- Redesign program documentation and other materials in an effort to streamline processes
- Coordinate field experiences for students

Greater Bethesda Missionary Baptist Church
Saturday Free School Principal and Tutor, January 2010 – Present
- Manage program for community youth to receive free tutoring on a weekly basis
- Partner with other local community organizations to increase student attendance
- Help to increase student academic performance as measured by assessments and classroom grades

The Empower Program, Washington, DC
Program Director/National Educator, June 2004 – December 2006
- Awarded over $100K in grants that provided additional funding for programs, subsidizing the cost of our fee-for-service programs to school in low-income areas
- Created annual expense and income reports to monitor program budget of over $600K
- Collected and analyzed data on the effectiveness of all programs through pre-, post-, and follow-up quantitative and qualitative data analysis

Conference Presentations


Cummings, M. I. (2010). The financial impact of food service management companies on school lunch programs in Illinois. University of Illinois at Chicago, Student Research Forum, Humanities and Social Science, Graduate Division


Cummings, M. I. (2005). *‘Owning up’ curriculum: Social and emotional learning for adolescents and school officials*. Utah Personnel Development Institute, Salt Lake City, UT

**Reviewer**

American Education Research Association (2009) - Reviewer

Individual Paper Submissions:
- Division H – Research Evaluation and Assessment in Schools
- Division J – Postsecondary Education
- Committee on Scholars of Color in Education
- Special Interest Group – Adolescence and Youth Development
- Special Interest Group – Cultural Historical Research

Session Submissions:
- Special Interest Group – Critical Examination of Race, Ethnicity, Class, and Gender in Education

**Memberships in Professional Associations**

- American Educational Research Association
- University Council of Education Administrators
- American Society for Public Administration
- Illinois Federation of Teachers
- Chicago Urban League

**References**

Available Upon Request