

How privatization increases inequality

Section 5: Privatization perpetuates socioeconomic and racial segregation

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Executive summary

Inequality in the United States, which began its most recent rise in the late 1970s, continues to surge in the post–Great Recession era.¹ During similar eras—such as the New Deal—many of the public goods and services we value today were created to deliver widespread prosperity. But the way in which cities, school districts, states, and the federal government deliver things like education, social services, and water profoundly affects the quality and availability of these vital goods and services. In the last few decades, efforts to privatize public goods and services have helped fuel an increasingly unequal society. The report, *How privatization increases inequality*, examines the ways in which the insertion of private interests into the provision of public goods and services hurts poor individuals and families, and people of color.

In the Public Interest’s analysis of recent government contracting identifies **five ways in which government privatization disproportionately hurts poor individuals and families**, each of which is explored in greater detail in the report.

This section of the report, *Privatization perpetuates socioeconomic and racial segregation*, describes how the introduction of private interests into public goods and services can radically impact access for certain groups. In some cases, as the public park example in this section shows, privatization can create parallel systems in which one system propped up by private interests typically serves higher-income people, while another lesser quality system serves lower-income people. In other cases, the creation of a private system, such as charter schools in a school district, siphons funding away from the public system meant to serve everyone. In some situations, poor individuals and families can lose access to the public good completely. All of these cases increase socioeconomic segregation, which often results in racial segregation. When they are privatized, public goods that were meant to serve everyone can morph into separate and unequal systems that further divide communities and perpetuate inequality.

Download the full report at bit.ly/PrivatizationInequality.

Introduction

The introduction of private interests into public goods and services can radically impact access for certain groups. In some cases, privatization can create parallel systems in which one system propped up by private interests typically serves higher-income people, while another lesser quality system serves lower-income people. In other cases, the creation of a private system siphons funding away from the public system meant to serve everyone. In some situations, poor individuals and families can lose access to a public good completely. All of these cases increase socioeconomic segregation, which often results in racial segregation. When they are privatized, public goods that were meant to serve everyone can morph into separate and unequal systems that further divide communities and perpetuate inequality.

This section examines two sectors that illustrate this dynamic. The first discussion examines the impacts of charter schools, which are publicly funded but privately operated. Over the years, as charter schools have gained traction in school districts across the country, researchers have been able to collect and analyze the demographic makeup of charter school and neighborhood public school enrollment, and have documented the resulting racial isolation and segregation of students. The second discussion centers on public parks and green spaces. Private interests have increasingly taken over funding of some green spaces in higher-income areas, while parks in lower-income areas suffer from neglect, creating two park systems of uneven quality divided along socioeconomic, and many times, racial lines. In both these examples, privatization creates a situation where the quality of public goods is distributed differently depending on the socioeconomic class and/or race of the individual or community, negating the very essence of what public goods are meant to be and how they are meant to serve society.

Charter schools

The rapid growth of charter schools in the landscape of public K-12 education has ignited many concerns, including their financial impacts on public school districts, the ability of state and local governments to hold charter schools accountable, and whether they provide a quality education to students. However, another related and serious concern is the evidence showing that charter schools create and perpetuate racial and socioeconomic isolation and segregation among students.

Research has long established that truly integrated public schools provide academic and cognitive benefits for all students. Integrated schools expand opportunity for students who come from poor and minority backgrounds by reducing racial achievement gaps and dropout rates. Furthermore, integrated classrooms encourage critical thinking, problem solving, and creativity, which benefit all children.² Yet, while research shows that integrated schools improve educational outcomes for all students, over 60 years after the U.S. Supreme Court's landmark decision in *Brown v. Board of Education*, some school districts are experiencing a resurgence of racial and socioeconomic segregation. The privatization of our school system in the form of charter schools has undoubtedly contributed to this disturbing dynamic.

Research from the Civil Rights Project at UCLA documents the racial and socioeconomic segregation that occurs in charter schools. Their 2010 analysis found that of the 40 states, the District of Columbia, and several dozen metropolitan areas with large enrollments of charter schools students, charter schools were more racially isolated than neighborhood public schools in almost every state and large metropolitan area.³ Several dynamics are at play. First, African American students are increasingly isolated in charter schools. Seventy percent of African American charter students attend schools where 90%-100% of the students are from underrepresented minority backgrounds, and 43% of African American charter students attended schools where 99% of students are from minority backgrounds. But this dynamic is not specific to African American students. Half of Latino charter students also attended racially isolated schools where 90%-100% of students were from minority backgrounds. And lastly, some areas of the country, including in the West and some sections of the South that have high levels of racial diversity in their general population, display an overrepresentation of white students in charter schools. This suggests that charter schools in these regions may be enabling "white flight" from neighborhood public schools, contributing to increasing racial isolation in both charter schools and the remaining student body. Researchers also found that a number of these "white flight" schools did not report any students utilizing the free lunch program, suggesting that these schools may be segregated not only by race, but also by socioeconomic status.⁴ These predominately white charter schools may be drawing valuable public education dollars away from neighborhood public schools that need those dollars for the poorer minority students left behind.

These findings are echoed across the country. Minnesota, where the Twin Cities metropolitan area had a history of being one of the most desegregated regions in the country, has

recently seen its schools become increasingly segregated. For example, an analysis by the *Star Tribune* found that 19 district elementary schools in Minneapolis now contain 80% students of color, while two are almost entirely comprised of white students.⁵ There are significant concerns that the growth of charter schools in the area has exacerbated this racial segregation and created opportunities where white students can leave otherwise racially diverse schools. Charter schools attended by predominately white students grew by 40% between the 2007-2008 and 2012-2013. More than half of these predominately white charter schools are located in attendance zones with racially diverse neighborhood schools.⁶ In general, charter schools in the Twin Cities region are racially segregated. A majority of the charter schools are comprised of high proportions of students of color, while many of the remaining schools contain predominately white students. As the *Star Tribune* reported, only 16 of the metro area's 72 elementary-level charter schools are integrated with what education researchers consider a healthy mix of white students and students of color.⁷

Racially segregated schools can create a profoundly negative environment for students. The Institute on Metropolitan Opportunity found that the poverty rate at minority-segregated schools in the Twin Cities was two-and-a-half times greater than the poverty rate at racially integrated schools, and five times greater than the poverty rate at predominantly white schools. Researchers also found that math and reading test scores for African American students at highly segregated schools were lower than test scores for African American students at less segregated schools. Similarly, suspension rates were substantially higher in racially segregated elementary schools than in less segregated ones.⁸

A lawsuit has even been filed by leading civil rights lawyers in the state that contends that the state has allowed schools with high concentrations of poor and minority students to grow. They argue that this trend has been buoyed by the expansion of charter schools, which are more racially segregated than traditional public schools. And as the research discussed above shows, children who attend racially isolated schools achieve far less than their peers in integrated schools.⁹ It is important to note that charter schools have been exempt from state laws around integration programs.¹⁰ A proposed rule that would have subjected charter schools to these laws was struck down by a state judge in March 2016. At the heart of the debate were differing opinions on what constitutes segregation, an important question that many state and jurisdictions will surely continue wrestle with in the near future.¹¹

A similar story of increased segregation has played out in North Carolina. Researchers from Duke University recently examined the growth of charter schools in the state and found that while charter schools started out in the late 1990s and early 2000s serving primarily students of color, over time they have served increasing numbers of white students. However, North Carolina charter schools have also become increasingly racially isolated, where some schools have high concentrations of students of color, while other schools serve primarily white students.¹² In the researchers' analysis of these demographic changes, along with student testing scores and parent satisfaction ratings, they conclude that "many

white parents are using the charter schools, at least in part, to avoid more racially diverse traditional public schools.”They continue to explain that, “charter schools in North Carolina have become segmented over time, with one segment increasingly serving the interests of middle class white families.”

The implications of this increasing segregation can especially be felt in districts with rapid charter growth. In Durham County, North Carolina, the fast growth of charters has increased racial segregation at the financial expense of the public school district. Neighborhood schools have lost middle class children to charter schools and have been left with a higher concentration of poor students and students of color.¹³ Charter schools are exempt from providing student transportation or free and reduced price lunch, making it less likely that poor students can attend charter schools that don’t provide these critical services.

Charter school expansion has been destabilizing for the school district. One recent study estimates that the net cost to the Durham Public Schools could be as high as \$2,000 per charter school student.¹⁴ The school district estimated in 2014 that charter schools take \$14.9 million each year from neighborhood schools. This means that the traditional public schools in the district, which contain higher proportions of lower-income students, students of color, and more expensive-to-educate children (such as those with disabilities) are financially strained, as the district is unable to reduce its spending proportionally with the loss of charter students due to unavoidable fixed costs.¹⁵ Unfortunately, this financial loss hurts the public school district’s ability to provide quality education to its remaining students, who lose out even more as schools become more racially isolated and segregated.

Parks

Renowned landscape architect Frederick Olmstead said that parks are democratic by design, a place for people no matter what their background or economic condition.¹⁶ But as park budgets at all levels of government have declined, the democratic ideal of parks as public spaces for all residents has been threatened by privatization.

Public spaces located in poor areas have been neglected, in part due to private money increasingly being used to bolster and improve parks in higher-income areas. This dynamic, discussed in greater detail below, deprives poor residents and their children access to spaces that research has shown are important to the health and safety of those communities. Access to quality public green space, especially in urban areas, increases residents’ physical activity levels, provides recreational opportunities for poor children and families, has been strongly linked to reductions in crime and juvenile delinquency, and even produces measureable environmental benefits.¹⁷ Unfortunately, privatization of parks and other public recreational facilities mirrors the inequality present in American cities,

where even in the face of declining budgets, higher-income residents are still able to access high quality green spaces, while lower-income communities are effectively denied these opportunities.

This privatization dynamic may be less obvious than in traditional government contracting, but nonetheless it has similar impacts. In the face of declining park budgets, wealthy individuals have provided donations to keep the parks of their choice in pristine condition. However, this often means that parks in poor areas of town are neglected and the gulf between the public spaces serving higher-income areas and those located in poor areas grows even vaster. This dynamic is well illustrated by the 2012 donation of \$100 million by hedge-fund billionaire John A. Paulson to Central Park in New York City. With his donation, Paulson, whose townhome is located just feet away from the park, stipulated that none of his money could go to any of the dozens of other parks in New York City, many of which need significant maintenance and repairs.¹⁸ Like Central Park, an increasing number of urban parks in higher-income areas are run in partnership with private nonprofit conservancies whose main task is to raise money through private donations for the upkeep of the park. While these organizations can help ensure a park is sparkling with the latest amenities, as Professor Setha Low of City University of New York explains, “conservancies are run by wealthy people, and the landscape gets gentrified in an aesthetic way that many poor people come to understand as not for them.”¹⁹ In the meantime, other parks in the city, many of which are located in poor communities, do not receive adequate funding from the city, falling into greater disrepair each year. As Geoffrey Croft, president of the watchdog group NYC Park Advocates, explains in a media interview, “New York has created a two-tier parks system. One for the rich, the other for the poor.”²⁰

The privatization of public spaces perpetuates economic and racial segregation. Instead of creating spaces where people of diverse socioeconomic and racial backgrounds can come together, the embedding of private money and interests into select parks and green spaces has the impact of further separating higher-income individuals and families from poor individuals and families that are often people of color.

Endnotes)

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