Is Your Local Public Library Run by Wall Street?

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by

Donald Cohen

A librarian restocks shelves at the Jacksonville library branch in Oregon, where a countywide library system is now managed by a private contractor owned by an equity investment firm. (Photo: Mail Tribune/ Denise Baratta)

What do 82 public libraries, a Texas beef processing company, and a string of Pizza Huts across Tennessee and Florida have in common?

They're all managed by the same private equity firm.

Fifteen of those libraries are in Jackson County, Oregon, where public officials are starting to raise concerns over the firm's ownership of the private contractor that manages them. Facing budget issues in 2007, the county contracted with Library Systems and Services (LS&S), the country's largest library outsourcing company, to try to save money—but LS&S is owned by Argosy Private Equity, whose mission is to "generate outstanding returns" and "substantially grow revenues and profits" for the businesses it owns.

Now Jackson County is learning the hard way. LS&S's claim to do more with less while still making a profit really meant that corners would be cut. Before privatization, most of the county's libraries were open more than 40 hours per week—after taking over, the company cut the operating times in half and closed branches on Sundays. They also cut benefits for the staff, which were no longer unionized.

Some of the library's part-time workers currently get minimum wage. "I'm not only embarrassed that we pay $10 an hour, I am ashamed," said one library board member. "We get this message that our employees can't be trusted," said another board member after LS&S brought in more upper management. This shouldn't be surprising—LS&S's cofounder once admitted that the company saves money by replacing unionized employees.

Nearly a third of the $5 million dollar per year contract goes to profit for LS&S and its owner, the private equity firm. The library's board is now looking for ways to get out of the bad deal.

Jackson County's struggle highlight Wall Street's increasing role in financing public goods and services, a role that cuts across many levels of government.

In criminal justice, for-profit corrections companies continue to hurt prisoners, taxpayers, and communities. Corizon, a prison health care company owned by a private equity firm, makes $1.4 billion in public money annually in 27 states and has repeatedly come under fire for putting profits ahead of quality care. If they weren't trickling up to Wall Street, these profits could be spent on public programs that actually tackle mass incarceration, like mental health care, education, and job training.

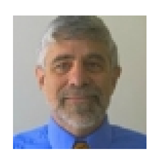
In education, hedge fund managers are launching more and more public charter schools and stocking local school boards—from Indianapolis and Minneapolis to Denver and Los Angeles—with pro-privatization allies. In one evening last month, hedge fund investors raised $35 million for New York City's largest charter school network, Success Academy. What does this influence buy? Success Academy's board is made up of private investors, lawyers, PR professionals, and philanthropists, who make decisions about how to spend taxpayer money, while being unaccountable to the public.

In public water, private investors have taken their thirst for profit to public infrastructure. For example, residents of Bayonne, New Jersey, have experienced a 28 percent increase in their water and sewer rates since 2012 when the city leased its municipal utility authority to the multinational corporation Suez and the private equity firm KKR.

Unchecked, Wall Street's influence threatens what makes public goods and services so crucial to healthy, stable communities across the country: democratic control and good paying jobs that build our middle class.

Donald Cohen

Donald Cohen is the founder and executive director of In the Public Interest, a national resource and policy center on privatization and responsible contracting. He is a founding board member of the Partnership for Working Families. Cohen has three decades of experience in campaigns and organizations dedicated to economic justice, healthcare reform, education reform, environmental protection, and international human rights.



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