

# Venture Capital and Private Equity Dominate LAUSD Contracts

April 2026



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## Executive Summary

The Los Angeles Unified School District (LAUSD) is the second-largest district in the United States, serving more than 440,000 students each year. The district has more than doubled its spending on outside vendors and contractors over the past decade. Despite [projecting a deficit](#) in the coming years and sending potential lay off notices to nearly 700 employees, the district continues to spend billions on contracts with private companies.

Using data obtained by the United Teachers Los Angeles (UTLA),<sup>1</sup> this research brief examines LAUSD's expenditures to venture capital and private equity-owned companies in two key categories: special education and digital instruction tools. In special education, outsourcing comes with costs incurred by districts that end up paying more than they would for in-house positions while students face high turnover rates and lack of oversight and accountability. With digital instruction, students are learning from expensive AI-powered tools that have little to no proven benefit and increase the risk of data privacy violations.

## Key Report Findings:

- Superintendent Carvalho has extensive connections with sales executives at companies that have won contracts with the district. Since Carvalho started in 2022, LAUSD has approved \$10 billion in contracts with outside vendors.
- From January 2022 to June 2025, at least 86% of all LAUSD contract commitments with companies that sell digital instruction tools went to venture capital or private equity-backed companies. Of these companies, nearly 70% have been paid more than the original contract commitment amount.
- 72% (\$1.6 billion) of all currently active technology contracts were authorized after Carvalho requested and was granted emergency authority to obtain no-bid contracts.
- Despite declining enrollment due to immigration sweeps in the county, LAUSD has signed contracts with venture capital and private equity firms that own tools used by the Department of Homeland Security and Immigration and Customs Enforcement.

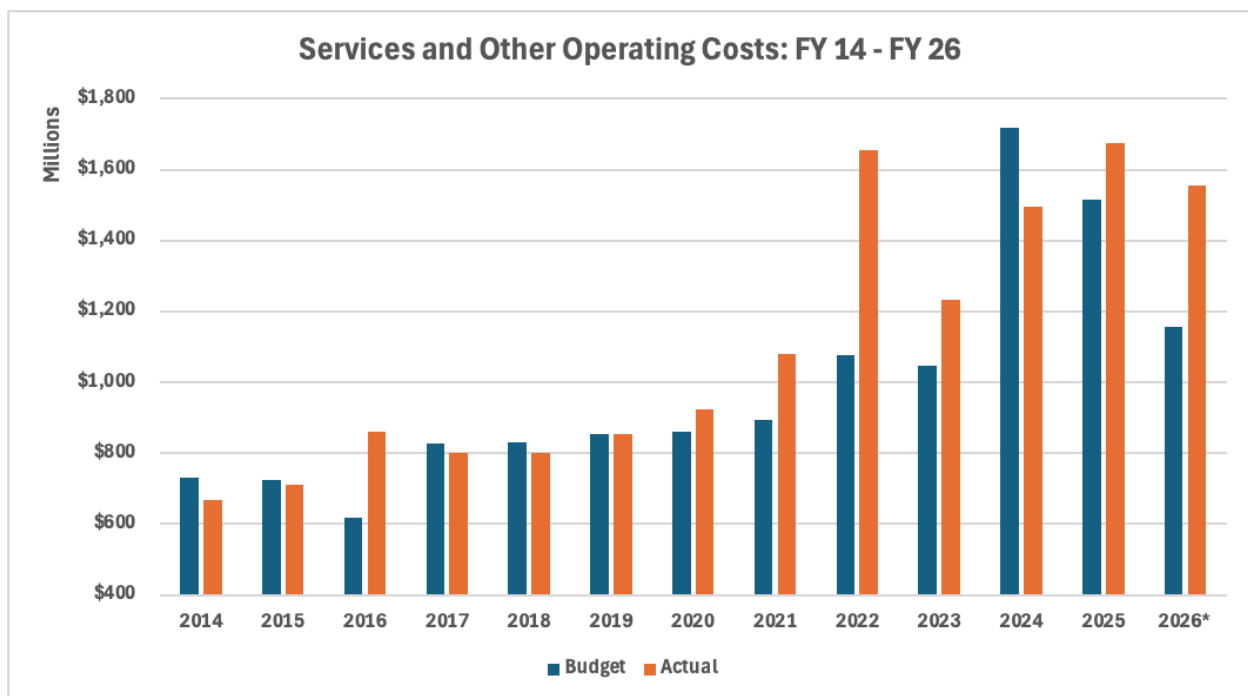
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<sup>1</sup> This analysis uses data from a public records request for active contracts as of February 2025 and July 2025. Some of these contracts have since expired but may have been extended or renewed. Contract term length varies. Some contracts do not have maximum commitments. All vendors were categorized manually by UTLA research.

- Several LAUSD contractors are owned by the same venture capital or private equity firm operating under different names. The ultimate beneficiaries of LAUSD contractors are billionaire executives of these firms.

## Privatization Expands Under Carvalho

LAUSD superintendent Alberto Carvalho came to the district after a 14 year stint as superintendent of Miami-Dade County Public Schools (M-DCPS). Since Carvalho started in 2022, LAUSD has approved \$10 billion in contracts with outside vendors. Total contract spending from the general fund has grown \$443 million since coming down from the pandemic high in FY 2022. This year, the district is on track to [spend](#) \$1.5 billion on services and other operating expenses (contracting), which is \$401 million over their budget. As Carvalho is under [federal investigation](#) for his role in the AI chatbot scandal with venture capital-backed AllHere, his actions at both LAUSD and M-DCPS reveal several other instances in which Carvalho has been at the center of procurement practices that have drawn attention.



LAUSD educators have [denounced](#) this trend toward privatization under Carvalho. In 2024, leaders from five unions with district employees [sent a letter](#) to Carvalho and the rest of the board, asserting that outsourcing

“...poses serious student and campus safety concerns, is a clear violation of worker rights, and amounts to a massive waste of public dollars... The fact is the continued outsourcing of school services to for-profit companies will erode essential student services and have a dire impact on dedicated LAUSD workers. Contracting out jobs will mean long-term, experienced workers — many of them parents of LAUSD students with a vested interest in the success of our schools — will be replaced by lower paid employees with no oversight from the district or the public.”

Privatization is an ongoing issue that weakens schools, impacting staff unions as district positions are filled by private sector workers. Districts funnel public funds into private markets, where networks and backdoor deals may dictate which bids are accepted. For example, when Carvalho was Superintendent of M-DCPS, the district began contracting with private equity-backed [Age of Learning](#) for edtech products in 2016. At the time, [Debra Kerr](#) was Head of Sales for the company. LAUSD began contracting with Age of Learning in 2023 after Carvalho became superintendent, committing \$3.5 million for two years.

If Age of Learning followed Carvalho to LAUSD, so too did Debra Kerr – she [claims responsibility](#) for facilitating the contract between the district and AllHere, a [failed start-up edtech company](#) that is at the center of the federal investigation into Carvalho. In June 2023, the LAUSD Board approved a \$6 million contract with AllHere to build an AI tool and chatbot called Ed that could provide individualized instruction for students. After LAUSD launched Ed in March 2024, Carvalho went on a speaking tour with AllHere CEO Joanna Smith-Griffin, touting the chatbot in a [presentation](#) at the Arizona State University + Global Silicon Valley Summit (ASU+GSV), an annual edtech conference attended by education companies, financiers, philanthropists, and educators. [GSV](#) is an edtech-focused venture capital firm.

By June, AllHere had [furloughed](#) most of its employees. In July, a former company executive sent emails to the district alleging that the company violated student data privacy principles. The company [filed](#) for Chapter 7 bankruptcy in September, and, in November, Smith-Griffin was arrested and [charged](#) with defrauding investors.

The District [deactivated](#) the chatbot after it learned about AllHere’s layoffs, though it had already paid the company \$3 million of the contract. According to the district, AllHere [won](#) the competitive bidding process “because it was most aligned” with the district’s vision for the chatbot and “was an established educational technology company.” However, the AllHere whistleblower alleged that company executives “didn’t understand how to protect data,” leading to the chatbot using students’ personally identifiable information in “egregious” ways. Debra Kerr has claimed in the company bankruptcy filings that AllHere [owes](#) her more than \$600,000 and never paid her commission for selling the product to LAUSD.

Kerr is a longtime associate and booster of Carvalho’s, with the superintendent appearing regularly on Kerr’s social media accounts. Kerr’s son, Richard, who worked at AllHere, has also [said](#) he pitched AllHere to LAUSD leaders and that his mother “had a lot to do” with closing the deal. The same reporting says that two other organizations with ties to Carvalho are also [named](#) as creditors in AllHere’s bankruptcy filing: the communications firm of Carvalho’s spokesperson when he was Miami’s superintendent and the Foundation for New Education Initiatives (FNEI), a non-profit Carvalho founded.

AllHere’s early venture capital backers helped build the company by recruiting “influential education players” for its board. These players included executives of major education companies, education philanthropists, other venture capitalists, and a former superintendent of CPS. Though these board members were [intended](#) to be “instrumental” in securing contracts

with major school districts and bringing in additional capital investment, the company seemingly only managed to [land contracts](#) with 10 districts before collapsing.

For many companies that get started with investments from venture capital, success looks like becoming a private equity portfolio company. Edtech firm Owl Ventures is a primary example of this phenomenon: the [biography](#) of co-founder Tony Patterson says that his “notable prior investments include Accelerate Learning (acquired by Providence Equity Partners), DreamBox Learning (acquired by Discovery Education), LearnZillion (acquired by Imagine Learning), and Remind (acquired by ParentSquare).” All of these acquisitions were made by private equity firms directly or through portfolio companies.

Venture capital firm Battery Ventures owns LAUSD contractors [ContinuumCloud](#) and [Welligent](#). Battery Ventures had a major profit windfall in 2024 by [selling off its interests](#) in Paragon Solutions, maker of the Graphite spyware software, to private equity firm AE Industrial Partners. Prior to the sale, Paragon [secured](#) a contract with ICE in October 2024. Members of Congress have raised concerns to DHS Secretary Kristi Noem over constitutional rights and civil liberties related to the use of Graphite. Their October 2025 letter [states](#) that “Graphite can gain unauthorized access into mobile phones without the owner’s knowledge or consent, allowing access to encrypted applications, the phone’s location data, as well as messages and photographs saved to the phone.”

Thanks in large part to the occupation of Los Angeles by ICE in 2025, LAUSD had [double the expected rate](#) of decline in enrollment at the start of the 2025-26 school year. This has exacerbated a crisis in school communities which are now in need of additional mental health support. Instead, the district is [proposing](#) to cut staffing in schools, including schools with the highest needs. LAUSD families could have been tracked down by ICE using technology Battery Ventures helped fund and then profited from.

The profit-seeking motives of venture capital and private equity firms do not always align with the needs or best interests of students. School districts should carefully monitor the risks of private market investments in the sector, and consider implementing policies to protect students and investments from such risks.

## LAUSD Subcontracting in Special Education

Since 2022, LAUSD has committed \$723 million across 119 contracts with 93 vendors that may be performing UTLA bargaining unit work. These vendors staff the school with nurses, paraeducators, speech and language professionals, translation services, and tutoring.

School districts that have trouble finding teachers welcome the connections and resources of staffing firms. While outsourcing staff positions might relieve districts of the responsibility to recruit candidates, it can come at the expense of students, and also weakens the union as bargaining unit work is carried out by contractors. Furthermore, parents who have developed relationships with classroom aides or other staff supporting their child [can be skeptical](#) about the district's chances of finding qualified replacements who would put in as much time or care as district employees. In the outsourcing process, students, teachers, and aides are the ones who usually lose. Students may lose relationships with trusted professionals who find work in other districts once they are let go; teachers and aides lose benefits like health care and pensions that often come with public sector jobs.

Private equity firms are increasingly investing in behavioral services for children and adolescents, including services for youth with intellectual and developmental disabilities. Several of the largest private-equity-owned companies operating in these industries have had track [records](#) of widespread neglect and abuse of youth under their care—including excessive use of physical restraints on children with disabilities, squalid living conditions at group homes and foster care facilities, and neglect that has led to numerous deaths. The private equity business model, which focuses on outsized returns over short time horizons, may prioritize profit over the health and well-being of children.

### *Case Study: Outsourcing Special Education to Stepping Stones*

The Stepping Stones Group is one of the largest companies providing behavioral health services to children. Its [11,000 employees](#) provide educational, therapeutic, and nursing services in school, home, and center-based settings in [almost every US state](#). Stepping Stones CEO Tim Murphy is an [operating partner](#) at Shore Capital Partners, a Chicago-based private equity firm that owned the company from 2014 to 2018. After making a 7x return on investment through selling the company to another private equity firm, Shore Capital [maintained](#) a minority investment in the company for some time and retained some level of control through Murphy as CEO. Shore Capital Partners founder and managing partner [Justin Ishbia](#) is a billionaire with majority stakes in baseball team Chicago White Sox and basketball teams Phoenix Suns and Phoenix Mercury.

Private equity firm [Leonard Green and Partners](#) acquired the company in December 2021. Since then, Stepping Stones has [acquired](#) at least 21 smaller companies in the special

education and behavioral health sector, following the typical private equity strategy of rapid expansion through acquisitions. Just this year, Stepping Stones acquired Invo Healthcare, which owns Progressus Therapy, another LAUSD contractor in the Speech Language category. Aside from Progressus, Stepping Stones operates as two other vendors in the Subcontracting category: one under special education as Stepping Stones, and the other under speech and language as the Center for Behavioral, Educational, and Social Therapies (CBEST), which it acquired in 2022. Together, the two contracts are worth more than \$26 million.

In 2024, Stepping Stones [agreed to pay](#) \$4.25 million to settle a class action lawsuit alleging widespread wage and hour violations, including failure to pay all minimum wages, failure to provide meal periods or pay for missed meals, failure to provide rest periods, untimely payment of wages, and other claims. Despite agreeing to settle, the company [denied all claims](#) and maintains that it has fully complied with the law.

Leonard Green, headquartered in Los Angeles, had [\\$75 billion](#) in assets under management as of December 2024, making the year's [list](#) of Private Equity International's top 20 largest private equity firms in the world. Leonard Green and Partners has gained notoriety as a firm with a business model that harms patients, workers, and consumers. Prospect Medical Holdings, a safety net [hospital system](#) with locations across Connecticut, California, Pennsylvania, and Rhode Island, [filed for bankruptcy](#) in January 2025 with over a billion dollars in liabilities. Leonard Green sold its stake in Prospect in 2021, but its actions [contributed](#) to the conditions that set the bankruptcy in motion.

Over the course of its ten-year ownership, Leonard Green and Prospect's minority owners took approximately \$658 million in [fees and dividends](#) from Prospect in part by loading it with debt and using the proceeds of the loans to pay themselves. They collected this money out of Prospect even as many of its hospitals suffered deteriorating financial conditions and quality concerns – between FY 2015 and FY 2020, Leonard Green [continued to profit](#) while the hospital company took a \$603 million loss. A July 2025 [report](#) from the Senate Budget Committee found that Leonard Green “spent board meetings discussing profit maximization tactics—cost cutting, increasing patient volume, and managing labor expenses—with little to no discussion of patient outcomes or quality of care at their hospitals.”

Meanwhile, executives [frequently flew](#) on three private jets owned by the firm: 2,400 flights from 2011 to 2016, with flight data indicating Christmas in Miami and Thanksgiving in the Bahamas, several trips to South Bend during Notre Dame home games, and international travel to Europe and Asia. Leonard Green also owned Joann when the company filed for bankruptcy last year. Joann [laid off](#) 19,000 people and closed 500 stores, including all 61 of its California [locations](#).

## LAUSD Digital Instruction Tools

Outside of the Facilities and Construction category, LAUSD has committed the most funding to technology vendors, with commitments of \$2 billion since academic year 2021-22. Shortly after a September 2022 [ransomware attack](#), Superintendent Carvalho [requested and was granted](#) emergency authority to obtain no-bid contracts to “address the emergency conditions caused by the cyber-attack.” Of all currently active technology contracts, 72% (\$1.6 billion) were authorized after Carvalho was granted this power.

Edtech companies promise to improve educational outcomes for students and schools, but there is little data to show that screens in the classroom are beneficial in the long term. An *Economist* article with the headline, "Ed tech is profitable. It is also mostly useless," [states](#):

Although ed-tech companies tout huge learning gains, independent research has made clear that technology rarely boosts learning in schools—and often impairs it. A 2024 meta-analysis of 119 studies of early-literacy tech interventions, led by Rebecca Silverman of Stanford University, found the studies described programmes that delivered at best only marginal gains on standardized tests. The majority had little effect, no effect or harmful ones.

Some districts have recognized that the high costs of edtech products may not be worth it – in Denver, the school district has [reduced](#) the number of tools it uses, saving one million dollars.

Even with studies showing limited benefit for students, firms continue to invest in edtech. One area of edtech that venture capital and private equity firms dominate in particular is “digital instructional tools.” Since 2022, LAUSD has committed \$297 million in new contract commitments to companies that sell digital instructional tools.

At least 86% of these contractual commitments (\$255 million) went to venture capital or private equity-backed companies. UTLA requested a dataset of all payments in the past 10 years by digital instructional tool vendors and matched these invoices to the first commitment date. According to a UTLA analysis of payments since 2022, of the venture capital and private equity-owned companies, almost all of these vendors had reached or gone over the contract maximum, with \$265 million in spending.

Vendor	Total Spent within Commitment Dates	Total Active Commitments	Days Left in Active Contract as of July 2025
Amplify Education, Inc	\$225,207,363	\$164,329,349	1,224
Curriculum Associates, LLC	\$9,499,588	\$13,304,328	190
AllHere Education	\$3,069,014	\$5,997,012	Expired
95 Percent Group, Inc	\$1,376,715	\$4,688,610	Expired
Discovery Education, Inc	\$4,189,147	\$4,096,172	190
Newsela, Inc	\$3,553,075	\$3,533,626	190
Age of Learning, Inc	\$3,501,946	\$3,497,000	190
Renaissance Learning, Inc	\$3,157,579	\$2,955,000	Expired
Amira Learning, Inc	\$2,129,988	\$2,109,888	190
Dreambox Learning	\$1,454,933	\$1,454,933	Expired
ACHIEVE3000, Inc	\$3,351,465	\$958,820	Expired
Seesaw Learning	\$974,572	\$932,646	Expired
Explorelearning, LLC	\$1,004,617	\$488,000	Expired
Literacy Resources, LLC (Heggerty Phonemic Awareness)	\$498,390	\$376,000	Expired
Defined Learning, LLC	\$1,352,869	\$786,173	545
Shmoop University	\$266,310	\$166,320	Expired
EdPuzzle	\$132,825	\$1	Expired

Vendors with total payments over their total contract commitments are highlighted in red, while vendors approaching their total contract commitments are highlighted in yellow. Only 5 of 16 vendors are underneath their commitment ceiling. One other vendor (highlighted in gray) has an unknown contract commitment.

*Case Study: Veritas Capital’s Defense Technology Experts Enter Education*

Private equity firm Veritas Capital owns two education companies that each serve more than 90% of U.S. school districts, including LAUSD: [Cambium Learning Group](#) (Cambium, which owns Lexia Learning and Explorelearning) and [Houghton Mifflin Harcourt](#) (HMH, which owns Amira Learning and Istation). The firm [considers itself](#) “a premier technology investment firm with an in-depth knowledge and understanding that uniquely focuses on the intersection of technology and government.”

Veritas’ bread and butter has come from military and defense contractors like [Arcfield](#) and [Peraton](#), companies that have no apparent overlap with K-12 education. Approximately 60% of

Peraton revenue comes from [government contracts](#), which may explain why firm CEO Ramzi Musallam had praise for the Trump administration's new Department of Government Efficiency (DOGE), telling *Forbes*:

“This current administration is doing something that should have been done a long time ago, putting a spotlight on not only efficiency, but quality. The thrust is, how do you utilize technology to drive costs down and to improve outcomes? That's the administration's objective, and that aligns perfectly with our objective.”

Through six portfolio companies in its Aerospace and National Security category, Veritas Capital has contracts with several government agencies and plans to have more – the firm just closed a [\\$15 billion dollar fund](#) for defense technology, to which the California Public Employees' Retirement System committed \$400 million. Peraton's contract with the Department of Homeland Security (DHS) to develop a new biometric-based identity management platform called Homeland Advanced Recognition Technology (HART) has faced particular scrutiny.

More than just a database for storing information, HART will be able to track nearly 300 million people in real time, allowing DHS to monitor anyone they deem a target. The system [does not require](#) someone to have been arrested or crossed a border to be included; profiles are constructed based on data from sources like the DMV, utility services, social media profiles, license plate readers, and more. HART will also include [DNA and face and eye scans](#) to connect individuals to other profiles within the system.

Though the system will track citizens and noncitizens, immigrant rights advocates are emphasizing how this system will be used to expand the surveillance, detention, and deportation of immigrants, in the process separating families and endangering those seeking asylum. The system could also further exacerbate racialized policing and incarceration, as it will also aggregate information from and share information with the Department of Justice and local law enforcement agencies.

Through Peraton and other portfolio companies in the government services and security sectors, Veritas Capital has control over an alarming amount of data about individuals and communities. Beyond concerns about the HART system itself, the role of private funds controlling data collected about the public leads to questions about transparency and public accountability – two things private equity firms notoriously avoid.

Through investments in education, Veritas is bringing those same concerns into public schools. Veritas acquired Cambium Learning for \$900 million in 2018, taking the company private. Cambium claims to [serve](#) 95% of U.S. school districts using a suite of products and services [intended to](#) “fulfill all of a district's educational needs.” HMH [provides educational content](#) for 50 million K-12 students in 150 countries, reaching 90% of U.S. K-12 schools. In owning both HMH and Cambium, Veritas has powerfully consolidated a block of the US K-12 education sector.

HMH's Amira Learning is another example of the venture capital to private equity pipeline – Amira [received investments](#) from GSV, Owl Ventures, and other venture capital firms in 2021. In 2024, Veritas Capital acquired the company through HMH in a leveraged buyout. Amira provides an [AI teaching assistant](#) for reading instruction and assessment. As families [push back](#) against AI adoption in schools, educators also remain skeptical. In a survey of nearly 10,000 educators in Los Angeles County, only 12% believed that the district would use AI “in a way that is safe and positive for student learning and development” and “safe, reliable, and fair to the current workforce.” In the middle of the AllHere scandal in June 2024, LAUSD signed a new \$2 million contract with Amira.

Veritas has already had a major failure in the education sector. In September 2025, edtech provider Anthology (Blackboard) filed for chapter 11 bankruptcy, [reporting](#) more than \$1 billion in liabilities. As one of the largest edtech companies operating in the United States, Anthology crumbled under the weight of private equity's risky, debt-heavy strategy. The company's aggressive acquisition strategy [led to](#) unexpected “operational hurdles” and “integration challenges” that took “longer than anticipated to effectively right-size.” In the two years prior to the bankruptcy filing, Anthology lost \$80 million in revenue.

In 2024, private equity firms [played a role](#) in 56% of U.S. corporate bankruptcies with liabilities of \$500 million or greater. Furthermore, private equity-owned companies [accounted for](#) 11% of all corporate bankruptcies in 2024, despite the fact that private equity accounted for just 6.5% of the U.S. economy.