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**PUBLIC SCHOOLS**



**PRIVATE MARKETS**

**A REPORTER'S GUIDE TO PRIVATIZATION**

# **PUBLIC SCHOOLS, PRIVATE MARKETS**

## **A Reporter's Guide to Privatization**

*A publication of the Education Writers Association*

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The Education Writers Association, founded in 1947, is the national professional association of education reporters and editors.

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**58 YEARS OF EDUCATION REPORTING**

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## **Preface**

More and more, private for-profit and non-profit organizations are involved in schools. No longer limited to support services like transportation and food services, companies are providing tutoring, directing classroom instruction and managing public and charter schools. School reform has raised the stakes for schools and students, asking for greater accountability and companies are directly involved in raising achievement and taking the place of the traditional school. Private companies are not always required to make their books and their studies available to the public. This is a challenge to education reporters who help make school decisionmaking transparent to the public.

This report is a guide for beat reporters in covering this emerging and growing phenomena. We thank Scott Elliott for his work in pulling the book together and the Joyce Foundation for their support in helping us produce it.

Mary Jane Smetanka, President

*Minneapolis Star Tribune*

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# INTRODUCTION

**P** rivate companies have long played a role in public education. They perform a host of non-academic functions, ranging from construction firms that build schools to companies that provide products for school lunches. Beginning in the late 1980s, privatization became more controversial as school districts moved to out-source positions they traditionally employed like custodial jobs and school bus transportation.

On the academic side, private companies also played a role. Consider textbook companies and standardized test publishers, for example. Even before there were public

schools, private schools and individual tutors offered instruction to those who could afford it.

But the movement that began in the 1990s — options for families in which instruction is provided by private agencies but paid for with tax dollars — is truly different. Instruction itself is now outsourced to private providers.

Key elements of the privatization movement include:

- **Charter schools.** The charter movement continues to grow. As education marketplaces develop, families must navigate new choices.

- **Vouchers.** The idea of vouchers initially sparked the privatization movement 50 years ago. Limited voucher programs, some through tax credits, play a role in offering school choice in several states.

- **For-profit education companies.** These companies, sometimes called education management organizations, wield influence in the education of children with every new school they manage.

- **State-sponsored tutoring.** The supplemental education services provision of the No Child Left Behind law opens direct student instruction to a wide variety of tutoring providers at the grassroots level.

Tracking this trend will require new twists on old reporting techniques. This guide is aimed at helping journalists better understand the emerging issues. The challenges are:

- **Judging effectiveness.** The biggest question of all is whether these reforms will help children get a better education. The answers are not always simple. Objective measures such as test scores, attendance and graduation rates are useful tools.

Comparisons can be made and better data is more accessible than ever before. But test scores alone do not tell the whole story of a school's effectiveness.

Reporters will have to find new ways to compare instructional services like tutoring. When states and school districts evaluate these privatized education services, journalists should look closely at the criteria used to judge them.

- **Safeguarding public money.** Billions of tax dollars will be spent on school privatization in the years to come. As private companies manage more of that money, challenges arise for reporters to get information needed to judge how well the public's money is being spent. Reporters will need to be much more aggressive tracking those funds. And scrutiny of private companies that provide instructional services in public schools will require education journalists to hone skills for reporting on private businesses.

- **Impact on traditional public schools.** School choice and privatization have been sold not only as a better way to educate kids, but also as a way to force bureaucratic school systems to improve through competition. Journalists must carefully track the effect on school districts. Whether changes from competition force more efficient school systems or create more chaos is a key concern.

- **Equality.** In the second half of the 20th century, debates in education policy were dominated by concerns for equal access to quality education for all students, especially those traditionally shortchanged — poor, minority and special needs students. How privatization affects this debate remains unclear.







# CHARTER SCHOOLS

## Breaking FREE and GROWING

**B**reaking public schools free from local school boards was once a radical idea that became mainstream in the 1990s as part of the national push for school reform.

Defined as free, publicly-funded but independently-run schools, charters are usually released from many government regulations. Their advocates argued that privately run charter schools would give parents choices and put pressure on school districts to improve. Critics — mostly school boards, school administrators and teachers' unions — argued that charters would hurt public education by draining away critical funding, reducing teacher quality, bringing in little innovation, proving less accountable than traditional public schools and possibly raiding school districts of their best kids, leaving only the poor and most troubled children behind.

Just over a decade after the first charter school opened, the movement neither has produced the blueprint for improving student learning nor led to the ruination of public education.

Teacher Ray Budde coined the word "charter" in the 1970s when he suggested that small groups of teachers be allowed to work independently under contract with their local school boards in New England to explore innovative educational ideas.

By the 1980s, President Ronald Reagan and his secretary of education, Bill Bennett, were championing school choice ideas including federally funded vouchers and tax credits for parents who choose private schools.

Albert Shanker, then president of the American Federation of Teachers, put the

issue on a national stage in a speech to the National Press Club in 1988. Shanker proposed charter schools run independently by teachers under contract with the local school board. Again the idea was for teachers to explore new methods.

But neither Budde nor Shanker envisioned the charter movement as it is today. The concept of charter schools as a force for education reform developed first in Minnesota.

There, the state legislature passed pioneering laws that allowed high school students to take college courses and permitted "open enrollment," so students could attend schools in neighboring districts.

Ted Kolderie, a policy researcher with an organization called the Citizens Group,

and former teacher Joe Nathan pushed for charter schools. They argued that competition would break the exclusive control school districts had over public education — a monopoly as they saw it — and result in improved services.

By the time Minnesota enacted the first charter school law in 1991, a new theory was emerging that charter schools could be used not only to encourage innovation, but also to spur reform by creating an "education marketplace."

Innovative charter schools were to compete with regular public schools for students — and resources — forcing school districts to break from their bureaucratic ways to respond with innovations of their own.



Charter schools won broader favor in the late 1990s with legislators who found political minefields in publicly funded vouchers. Charters offered an alternative to entering the hot zone of the church-state issue.

Since the City Academy Charter School in St. Paul, Minn. became the nation's first

- **Governing boards.** Many charter schools have their own mini-school boards, sometimes called governing boards, that set school policies and budgets but generally do not run the school day-to-day. These boards are ultimately responsible for the school, operating much like non-profit boards.

child who leaves for a charter school costs the district money and those losses can add up in cities with growing charter movements or come more gradually if charter growth is slower.

The education marketplace theory assumes school districts will take steps to be more competitive. That could include tightening budgets and cutting unnecessary spending. It could mean crafting a more customer-friendly culture with a premium placed on making parents happy. Or it could mean upgrading the district's academic program, or perhaps offering more academic options through magnet schools or other avenues.

But districts may be slow to respond. District leaders may not recognize the competitive threat right away, or if the charter movement grows rapidly in a city, they may not be prepared for the fast-arriving consequences.

One of the early concerns about charter schools was that they might draw away the best students with the most academically minded and motivated parents. Critics feared they would skim off "the cream of the crop," leaving behind only the most troubled students. They also argued that special education students would likely be left behind.

In early studies, these concerns have not materialized.

A national study commissioned by the U.S. Department of Education in 2000 found charter school enrollments generally followed the patterns of the school districts in which they are located.

Using data from 1998–99 the study found charter school enrollment nationally was about 48 percent white versus 59 percent white for other public schools. Charter schools had more black and Hispanic students, the study said.

Poverty levels, however, were similar. The percent of charter school students eligible for free or reduced lunch prices because of low family income was 39 percent nationally, compared to 37 percent for regular public schools.

The study found charter schools served slightly fewer disabled students nationally (8 percent vs. 11 percent) and roughly the same percentage of limited English proficient students (10 percent).

But researchers caution that there is wide variability in the statistical data across states. In some parts of the country, charter school students are far more likely to be poor and minority, in part because charter

charter school to open with less than 50 students in September of 1992, the movement has spread across the country.

Sometimes the school's principal or developer sits on the board, and some schools have been criticized for boards stacked with friends or relatives of the developer.

- **School operators.** The operators are the people who actually run the school day-to-day. Often it is the school developer — a person or team of people who created the concept for the school, obtained a charter and formed a governing board. The board then oversees the operators as they run the school. In some cases, governing boards hire private companies, called education management organizations, to run the school.
- **Contracts.** Most charter school contracts are for three or five years. The contract may spell out specific details, such as what curriculum the school will use or what the management structure will be. Usually the contracts include specific expectations for performance. That may mean student passing rates on state tests or other academic measures are spelled out. Sometimes expectations for financial practices are included in the contracts.

## Charters in 2004

Number of charter schools:	3000
Number of students:	700,000
Percent of 94,000 public schools:	3%
Percent of 48 million public school students:	1.45%
States with charter school laws:	41 plus District of Columbia
States with schools in operation:	37
States that don't allow:	Alabama, Kentucky, Maine, Montana, Nebraska, North Dakota, South Dakota, Vermont, West Virginia
State with most schools:	Arizona (495)
State with most charter school students:	California (170,000)

## How schools are governed

All charter schools have some relationship with the state or a local school district. Who runs a charter school, and who oversees its performance, can be a complicated question. State charter school laws vary widely, but here's what a reporter is likely to find:

- **Chartering authority.** Some public entity must grant the charter, giving the charter school permission to operate. Usually it's the state board of education or a local school district that grants the charter and makes a contract directly with the charter school.
- **Authorizers.** Some states are moving away from making contracts directly with charter schools. Instead, they are approving "authorizers" — often non-profit organizations, school districts, county boards of education or universities. Under this design, states approve authorizers. The authorizers then make the contracts with the charter schools and take responsibility for monitoring and overseeing those schools. This step removes the state from direct responsibility for charter schools. The authorizers also may charge the schools a fee.

## Impact on school districts

How school districts react to competition from charter schools is a key for reporters to observe. In most states, every

schools specifically target at-risk students. In other places, charter school students tend to be less poor and more white.

In terms of innovation, some charter schools have clearly broken new ground. A public boarding school for inner-city youth in Washington, D.C., and a building trades school in Dayton, Ohio, that pays kids modest wages for coming to school on time and being prepared as if it were a job, are two examples.

But most charter schools employ instructional methods from well-known programs such as the hands-on Montessori model or the back-to-basics Direct Instruction.

Many studies have shown parents are

highly satisfied with charter schools, often exceeding satisfaction levels of parents in the same local school district. Critics caution that surveys asking about a parent's satisfaction with their own child's school usually report high rates of satisfaction, and that the satisfaction rates for charters and other public schools are usually both high.

### Do charters offer higher quality learning?

Arriving at definitive answers about how charter schools are performing academically can be difficult. National data on

charter school academic performance is scarce and the available data is mostly outdated or too narrow in scope to draw wide conclusions.

The vast differences among charter laws from state to state also makes comparisons a challenge. Not all charter schools are playing by the same rules, or serving students with similar demographics.

Individual charter schools can be compared for test passing rates to similar schools within the host school district. But care must be taken to address schools with very small enrollments, where the results from one or two kids can dramatically change the school's

## Are charters underfunded or taking funds from districts?

States usually take one of four approaches to funding charters:

- **Per pupil funding.** Most states fund charters by allocating the same per pupil amount the state sets aside as aid for public school districts. The amount generally is set by the legislature and usually consists entirely of the state funds for the education of each child. In most cases, funds for charter schools are deducted from the districts where those students live.
- **Per pupil spending.** Some states pay each charter school by determining how much the local school district spent per pupil. That amount is then redirected from the district to the charter school for each student that it enrolls. Per pupil spending is calculated by dividing the total amount spent by the district by the number of students enrolled. This figure will be higher than the per pupil funding districts receive from the state because the figure includes money the district receives through federal programs, special subsidies and from local tax collections.
- **State average of per pupil spending.** A few states pay charter schools based on the average per pupil spending of all districts in the state, rather than on the per pupil spending of the local school district.
- **Negotiations.** State laws may allow the charter school sponsor, whether a local school district, a university or another entity, to negotiate with the school to determine how much funding the school will have for operations.
- **Dual funding systems.** Some states have different funding formulas for charter schools sponsored by the state and those sponsored by local school districts.

Reporters also should probe other support for charter schools including:

- **Start-up funds.** New charter schools are eligible for federal funds through the Federal Public Charter School Program through a competitive process usually administered by the

state. Some states also offer state-sponsored funds for new charter schools.

- **Philanthropy.** A charter school may partner with a philanthropic organization that offers aid or other support or may seek outside funds through grants.
- **Transportation.** States may require districts to provide transportation for students attending charter schools or may provide state transportation dollars.
- **Supplemental funding.** States may provide extra funds to districts with high percentages of children with special challenges, such as low income, special education or English language learners and may pass the funds to charter schools for the kids they serve that qualify.
- **Cost of living calculations.** Some states apply a per student, cost of living calculation for school districts that are in areas considered especially more/less expensive to live in. Those calculations may also apply to charter schools in those areas.

The major controversy over charter school funding is whether charters have an unfair advantage or disadvantage compared to other public schools.

Charter advocates say districts have many funding advantages not afforded to charters, such as the ability to levy taxes when expenses rise or access to state bond money for school construction in some states. There also are up front costs for charter schools such as obtaining a facility and purchasing initial materials, supplies and equipment. Even with federal assistance for start up, launching a new school is a fiscal challenge.

Critics say charter schools get the same state funding, but are released from many bureaucratic rules that cost districts money. They also point to areas like transportation, where state laws require districts to transport students who go to charter schools.

## Dayton, Ohio: Massive change, but no academic gain

In a mid-sized Midwestern city, dissatisfaction with a decade of poor performance by the public schools led parents to flock to new charter schools.

Over the course of six years, nearly one in five school-aged children enrolled in charters, 14 district schools closed, the school board underwent massive political change and district leaders installed a wide-ranging academic reform.

This is the story of Dayton, Ohio, and if it ended there, the city might be hailed by choice proponents as a sterling example of the positive effects of the new education marketplace.

But for those who favor market reforms, the nation's No. 1 charter school city (as measured by the percentage of school children attending charters) also is a story of frustration and unintended consequences.

For the 160,000 residents in this former manufacturing center, the decline of the public schools was one of the most troubling side effects that came with the rise of the suburbs and the wilting of an industrial job base. Poverty grew (more than 70 percent of the students qualified for free or reduced price lunch in 2004) as the graduation rate tumbled to 51 percent in 2001.

By the mid-1990s, Dayton was ripe for education reform as patience ran out for business leaders and community advocates.

In 1997, a non-profit called the Fordham Foundation started a privately funded scholarship program for city families that wanted their children to attend private schools. Run by Dayton native and former U.S. assistant secretary of education Chester Finn, Jr., Fordham made Dayton a "real world laboratory" for choice by providing financial backing and technical support for charter schools.

Ohio passed its charter school law in 1997 and City-Day Community School was Dayton's first charter school when it opened with 43 students in the fall of 1998.

By 2003, the charter movement had completely changed the education landscape in Dayton as 19 charter schools enrolled nearly 6,000 students. The district's enrollment was down nearly a quarter from 1999 at 18,243, just 54 percent of 34,000 school

children in the city. Charter schools enrolled 18 percent and private schools stayed steady at 27 percent.

The financial impact hit the school district hard and forced operational change. For nearly two decades, Dayton Public Schools had steadily lost enrollment — a drop of more than 27 percent from 31,923 in 1981 to 23,183 in 1999 — but the school board had lacked the political will to close a single school.

Yet as money began to follow students to charter schools, the financial bite was too big to ignore. City-Day had cost the district just more than \$200,000 in 1998. By 2003, the district, with a general fund budget of \$200 million, was shelling out \$35 million for charter school students. The school board responded aggressively, closing 14 schools in four years.

Political change came, too. In 2001, four professional women won a majority of the seats on the seven-member school board and embarked on massive financial and academic reforms.

Today, evidence of academic improvement is sparse. In 2004, the Dayton school district ranked lowest of 613 Ohio school districts on state report cards for the third straight year, with 10 percent passing all parts of the state fourth grade exam, 11.9 percent passing at sixth grade and a graduation rate at 53.8 percent. Charters, while popular, performed no better. In fact, a *Dayton Daily News* analysis showed the district outperformed charters on fourth and sixth grade tests every year from 2000 to 2004.

And perhaps most unexpected, charters had begun to hurt private schools. For 100 years, Catholic schools thrived in Dayton as an alternative to the district, growing strongly through the 1990s. But by 2004, enrollment at two-thirds of the city's 15 Catholic schools had reached 10-year lows.

Even a Christian school network decided to close its two Dayton campuses after 30 years in the city, partly because of falling enrollment.

Six years of intense charter school competition in Dayton has brought dramatic changes. But as of yet, there is no evidence of achievement gain.

overall performance.

Studies thus far of charter school performance have been mixed. They generally match the passing rates of the local school districts with small variations. But approaching or equaling the local school district isn't always a great victory, considering many charter schools are in low performing districts.

Two studies released in late 2004 illustrate the difficulties of judging charter school effectiveness.

The U.S. Department of Education released an analysis of fourth-grade students

in charter schools on the reading and math portions of the National Assessment of Education Progress compared to peers in regular public schools, taking into account poverty and other factors.

The analysis showed charter school students generally fell short of their public school peers even when low income charter students were compared to low income students in public schools. The study also found charter schools that had been open longer tended to perform worse on the test.

Charter advocates complained about the data collection and argued that other

studies had shown charters and regular public schools essentially even on test performance.

And a study released the same month by Harvard University professor Caroline Hoxby found nearly opposite results. Her study of state test data in elementary grades compared charter school test performance with nearby public schools of similar demographics.

Hoxby found charter students were proficient more often than their public school counterparts in reading and math. She also found that for charter schools in



operation longer, proficiency rates grew as compared to public schools and that charters were more effective at helping poor students achieve.

Advocates of charter schools caution that the movement still is very young and the bulk of the nation's charter schools have been open just a few years. The schools need time to get past their start-up growing pains and are likely to improve over time, supporters say. Others

say that the schools vary so that broad comparisons mean nothing.

Critics assert that after more than a decade, charter schools should at least be outperforming the low-scoring school districts where many of their students previously attended and question whether charters are worth the money states are spending to support them if several studies are showing they do not perform better.

## Questions to ask

1. What percentage of children in your city attend charter schools? How fast is that percentage growing?
2. How is the district responding to competition? What is the financial impact? Has competition spurred reform?
3. What do the academic programs of charter schools in your community look like? Are they crafting their own curriculum and school structure or using off-the-shelf programs?
4. Why are parents choosing charter schools? What factors are they considering?
5. What does the charter school population in your city look like? Are the percentages of minorities, special education, English language learners and poor kids similar? Is there any evidence charters are attracting only the "cream of the crop," or the least disadvantaged kids, from the school district?
6. Who is evaluating charter schools? Are the schools living up to their promises? Are low performers being sanctioned or shut down?
7. How do the combined passing rates of charter school students within a school district compare on state-sponsored tests with the rates for the district? Is there other academic data, such as graduation rates, college attainment, average SAT scores or number of AP courses offered that can help with comparisons?

## Sources

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## Websites

### Black Alliance for Education Options—Learn about Charter Schools

<http://www.baeo.org/options/charter.htm>  
This minority advocacy group is a strong supporter of charters.

### Center for Education Reform

[www.edreform.com](http://www.edreform.com)  
Compiles an annual list of all charter schools and maintains much data on charters.

### Charter School Leadership Council

<http://cslc.us/>  
Coalition of charter school advocacy groups – good basic information.

### Education Week Charter School Issues Page

<http://www.edweek.org/context/topics/issuespage.cfm?id=42>  
Overview of the issues and a long list of other articles and websites.

### Thomas B. Fordham Foundation

[www.edexcellence.net](http://www.edexcellence.net)  
News, analysis and research about charter schools from one of the leading groups advocating for them.

### Library Reference Charter School Page

<http://www.libraryreference.org/charter.html>  
General overview of charter schools and their issues.

### National Association of Charter School Authorizers

[www.charterauthorizers.org](http://www.charterauthorizers.org)  
The association provides services and support to charter school authorizers and maintains useful data about them.

### National Center for the Study of Privatization in Education

Columbia University  
<http://www.ncspe.org/>  
Links to academic studies of charter school issues.

### National Charter School Alliance

<http://www.charterfriends.org/>  
Directory of state resources and contacts for charter schools.

### National Charter School Clearinghouse

<http://www.ncsc.info>  
Provides services to charter schools.

### National Charter Schools Institute Central Michigan University

[www.nationalcharterschools.org](http://www.nationalcharterschools.org)  
Supports development of charter schools through training and support programs.

### National Conference of State Legislatures Charter School Report

<http://www.ncsl.org/programs/educ/c1schls.htm>  
Overview of the issues of charter schools.

### Philanthropy Roundtable's Charter School Guide

<https://www240.sslldomain.com/philanthropyroundtable/store/Details.cfm?ProdID=10&category=2>

### Progressive Policy Institute's Choice and Charter Schools Page

[http://www.ppionline.org/ppi\\_sub.cfm?knlgAreaID=110&subsecID=134](http://www.ppionline.org/ppi_sub.cfm?knlgAreaID=110&subsecID=134)  
Policy arm of the Democratic Leadership Council and a strong charter school supporter.

### USA Charter Schools

[www.uscharterschools.org](http://www.uscharterschools.org)  
Good introductory site with profiles for every state, the number of charter schools and students by state, links to charter school organizations and links to some recent news stories.

### U.S. Department of Education

Choice and Charter Schools Site – many studies and links.  
<http://www.ed.gov/rschstat/eval/choice/edpicks.jhtml?src=ln>

### American Federation of Teachers' Charter Schools Issue page

<http://www.aft.org/topics/charters/index.htm>

### National Education Association Charter School Issue page

<http://www.nea.org/issues/charter/>  
Both major national teachers unions say they support charter schools in concept, but both actively oppose charter school laws they view as unfair to public schools.

## Studies

### U.S. Department of Education's study of charter school NAEP data

<http://nces.ed.gov/nationsreportcard/studies/charter/>  
A 2004 comparison of charter school student performance on the Nation's Report Card to students who attend traditional public schools.

### AFT's study of NAEP data

[www.aft.org/pubs-reports/downloads/teachers/NAEPCharterSchoolReport.pdf](http://www.aft.org/pubs-reports/downloads/teachers/NAEPCharterSchoolReport.pdf)  
An analysis by the AFT of the same charter school student performance data from the Nation's Report Card.

### U.S. Department of Education's five-state study of charter school test performance

<http://www.ed.gov/rschstat/eval/choice/pcsp-final/execsum.html>  
A comparison of charter school data in five states vs. other public schools.

### Caroline Hoxby's December 2004 charter school study

<http://post.economics.harvard.edu/faculty/hoxby/papers.html>  
State by state data that compares charter school students to those in regular public schools.

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# VOUCHERS

## Still A HOT Topic, IMPACT Not Clear

It's the most straightforward effort to encourage privatization in education — giving back tax money set aside for a child's education and allowing the parents to decide whether the money should be spent in public or private schools.

But publicly funded voucher programs are a polarizing school reform idea, sparking red-hot debates over the constitutional separation of church and state.

In a landmark 2002 Supreme Court case (*Zelman vs. Simmons-Harris, et al.*), the Court ruled that publicly funded vouchers are permissible so long as parents have a variety of choices. But the voucher movement has remained limited because of the political firestorm that often follows once a debate begins.

Economist Milton Friedman launched the voucher debate in 1955 with a paper called "The Role of Government in Education," arguing for a free market system of education in America. Friedman was an expert in monetary policy who went on to win the Nobel Prize for economics in 1976. He wrote that parents should be given the option of spending their "education subsidy" on any school so long as the school — public or private — met the basic education requirements of the state.

Friedman argued such a system would give parents more choice and that injecting private enterprise and entrepreneurial initiative into the education system through competition for students and tax dollars would spur innovation and improve education.

Nothing close to Friedman's vision has been tried on a large scale in the U.S.

But in the late 1980s, proponents

founded privately run and funded voucher or scholarship programs that gave private school tuition money to families, usually those with low income.

And, Wisconsin launched the first state-sponsored voucher program in 1990 with the Milwaukee Parental Choice Program. This effort was not born of Friedman-style economic theory, but grew out of parental and political frustration with the low achievement in Milwaukee Public Schools. The Milwaukee program was proposed by a black Democratic state legislator, Polly Williams, and was helped along by the city's Democratic mayor and the state's Republican governor.

The program allows 15 percent of students in the Milwaukee school district to use up to about \$5,700 of public money for private school tuition. Parents must qualify as low income under a formula in the statute.

Accountability for schools accepting vouchers is limited by the nature of the programs. In concept, vouchers leave accountability up to the parents, who are expected to vote with their feet. Schools, in theory, will attract students with their academic success or fail to attract students if they are not performing. Milwaukee and Cleveland programs have requirements: the schools must register with the state, for example — but voucher schools remain private and largely free of government oversight.

### Warring studies

Because few voucher programs exist, there is little data on effectiveness. Milwaukee and Cleveland are the two most

developed publicly funded voucher programs in the country, serving significant percentages of students and with a track record to study their effects.

In Milwaukee, state law caps voucher participation at 15 percent of the school district's enrollment. With about 13,000 of the 100,000 students in the school district using vouchers in 2004, the cap is within reach.

John F. Witte, a University of Wisconsin researcher, conducted the official evaluation of the Milwaukee program and compared voucher and non-voucher test data for the first four years of the program — 1990–1994.

Witte's data showed students who remained in traditional public schools performed slightly better in reading and that voucher students did slightly better in math, but the differences were not statistically significant. And he found the program was too small to have a noticeable effect on the school district as he was studying the program in its early years.

Harvard University's Paul Peterson challenged those results, recalculating the data and showing a positive effect. And a third study by Cecilia Rouse of Princeton University demonstrated better performance by voucher students in math but not in reading.

However, later studies by Peterson and his research partner, Mathematica, showed gains only for African American students in the New York City Opportunity Scholarship program, although Mathematica researchers cautioned about leaping to any conclusions about the findings. Another study showed minimal differences in math and modest differences in reading between

voucher students and their public school counterparts in San Antonio.

A 2003 report from a longitudinal study of the Cleveland program found test scores for students using vouchers matched that of a comparison group of students that did not use vouchers from kindergarten to third grade. The study was conducted by Indiana University's Center for Evaluation and Education Policy at the request of the state of Ohio and serves as the official program evaluation. The center has been collecting data on Cleveland voucher participants since the program's inception in 1996.

Led by researcher Kim Metcalf, the

Indiana researchers found some evidence that Cleveland voucher students who started in the program as kindergartners and stayed with it performed slightly better than others, but concluded that further study was required to establish if an actual trend would develop.

The Indiana study did not address the impact of the voucher program on the public school system or on private schools accepting vouchers in Cleveland. Peterson also challenged the conclusions of the Indiana study for the reason he criticized Milwaukee's: the comparison group should be students who sought vouchers and did not receive them, his critique charged.

### Other programs in the U.S.

- **New York City, Maine, Vermont, Dayton, and Washington, D.C.** now have voucher or scholarship programs to attend private schools.
- **Florida scholarships.** McKay Scholarships offer families of disabled students a scholarship equal to the amount their local school districts would have spent to educate them. The scholarship can be used for nearly any public or private school. Opportunity Scholarships are available to students in 21 schools labeled "chronically failing" by the state in 2003-04 for poor test performance. Those scholarships are

## Cleveland as a Test Case

In 1996, Ohio Gov. George Voinovich (now a U.S. senator) helped push through a state law creating a public school voucher program in the state's largest city. Voinovich, the former mayor of Cleveland, was frustrated by the chronically poor academic performance and other problems of the city's public schools.

The initial program offered up to \$2,250 for nearly 4,000 public school families that wished to send their children to private schools. The lowest income families were given priority to receive the vouchers first.

By 2004, more than 5,000 Cleveland students used vouchers to attend private school. The vouchers were worth \$3,000 for grades K-8 (average elementary school tuition paid by voucher parents was \$2,470) and \$2,700 for high school (average tuition was nearly \$6,000). All families were required to pay a minimum of \$250 toward tuition to participate. More than \$42 million in public dollars was spent on private schools through Ohio's voucher program by 2004.

From the very beginning, the program touched off a battle over church-state separation. Suburban school districts declined to accept voucher students, as did some private schools. As a result, most of the voucher students went to religiously affiliated schools, especially Catholic schools.

The Ohio Education Association and the Ohio Federation of Teachers went to court against the voucher program, on behalf of parents and community members from Cleveland. Joining them were church-state separation watchdog groups, including the American Civil Liberties Union, People for the American Way and Americans United for Separation of Church and State.

Defending the program were the state attorney general and the pro-voucher group Institute for Justice.

When the case — *Zelman vs. Harris-Simmons* — came before the

U.S. Supreme Court, the plaintiffs cited state data from the 1999–2000 school year indicating that of 51 of the schools accepting voucher students, only nine were not religious schools. As a result, 96 percent of participating students enrolled in religious schools.

Arguing that the program acted as direct subsidy for religious schools, plaintiffs called it a violation of the separation of church and state guaranteed by the U.S. Constitution.

But the Court sided with voucher advocates. The majority opinion pointed to the city's charter schools as non-religious choice options for parents. The justices stated that the program allowed parents to choose non-religious schools at least in theory, even if those choices were not made. In other words, nothing in the actual program design would prevent a parent from choosing a non-religious school.

Despite its Court victory, the Cleveland voucher program has yet to demonstrate it offers an avenue to better student achievement. Like Milwaukee, initial study of the program has shown only a slight difference in the test performance of students in the program vs. students in regular public school.

A survey of parents in the program conducted by researchers at the Center for Evaluation and Education Policy at Indiana University found students awarded vouchers through the annual lottery were demographically similar to student in the school district. But when some lottery winners failed to use their vouchers at the start of school, late replacements for them tended to be white students already attending private school and less likely to be eligible for free or reduced price lunch because of family poverty.

Parents reported higher satisfaction with the voucher schools, rating school safety, order and academic quality as the most important school attributes.

equal to the average per pupil spending in those districts. Florida also provides a tax credit to corporations who contribute to private scholarship programs.

- **Arizona and Pennsylvania tax credits.** Arizona gives a tax credit to those who donate to privately run voucher or scholarship programs. Individuals may donate up to \$500 annually and married couples may contribute \$625 to receive the tax break. Pennsylvania has a similar program, but the tax break is for corporations who donate to private voucher programs.
- **Maine and Vermont Town Tuition Programs.** For decades, these two states have allowed a small number of families to use vouchers to attend nearby school districts or private schools if the small towns they live in do not have public schools at their child's grade level.
- **Minnesota, Illinois and Iowa tax credits for education expenses.** These three states allow individuals or married couples credits on their personal income tax — up to \$500 in Illinois, up to \$2,500 in Minnesota and up to \$250 in Iowa. Pro-voucher critics argue that these programs do little to benefit poor families because parents must pay sizeable state income taxes in order to get the maximum tax rebate.

## Questions to ask

1. Who is advocating or opposing vouchers in your city or state? What is the motivation of each side? Who are the political allies of each side?
2. Ask voucher proponents about their vision for vouchers in your community. Do they simply seek a solution to a narrow problem, like tax credits for parents of disabled students, or do they hope to spur public school reform through an expansive program that takes money from school districts?
3. How is the program designed? Who gets the money — schools or parents? Who pays the school — the state? The school district? Corporations? Individuals?
4. What is the income/racial/academic profile of a participating student? Are there income limits? Is there a cap on the number of participants? If there are more applicants than vouchers available, how are they dispersed? Through a lottery? First come, first served?
5. What schools are/are not participating? Why? What state rules must they adhere to? Who monitors their compliance with those rules? How good is the monitoring system? How do the voucher schools perform academically compared to similar public schools?
6. Are there evaluations of your city or state's voucher program? Is there raw data about student or school performance you can analyze? How do voucher students compare academically to students who remain in the school district? How do their test scores compare to district/state averages?
7. When reviewing studies from partisan groups, consider their methodology. Are there elements or groups that were left out/added in that change the overall results? Do the study's conclusions match what its data show? Is the group highlighting some of the results while ignoring others?
8. How have public schools responded to vouchers? Has there been a financial bite? How have they adjusted their budget and academic programs?
9. Monitor the students enrolling in the program. Do students from failing public schools or those previously enrolled in private schools take advantage of vouchers?



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# EMOs

## COMPANIES as MANAGERS

**P** rivate companies have long made money from public education. Companies sell schools products, like textbooks or food supplies, or they provide services, whether busing, construction or special education programs.

But companies that seek to manage the operation of public schools and make a profit are a new phenomenon.

Called “education management organizations,” these companies sprung up in the 1990s to manage troubled schools for school districts. More and more, the companies have come to run public charter schools. What has resulted are networks of schools — some regional and some national — that seek both to educate students and make money for their stakeholders.

But the road to profitability has been a bumpy one.

Henry Levin of Columbia University’s Teacher’s College wrote in 2002 that investors were attracted because they viewed the \$1 billion a day spent in American public schools as a great untapped market. But the companies have found it tougher than expected to increase efficiency in schools.

Problems in the initial assumptions made by the companies have contributed to their financial struggles, Levin found. They simply did not realize much savings by instituting economies of scale through standardization of purchasing, teacher training, curriculum and other areas.

Levin reports that the companies have sought to cut costs by employing less experienced teachers, using a standard, bare-bones curriculum and recruiting students who use fewer resources, which usually translates to avoiding more costly

special education students.

On the other hand, companies are more aggressive in recruiting, making use of more sophisticated and costly marketing like media advertising and web sites. To compensate, EMO-run charters tend to have larger enrollments to lower the cost per student and are much less likely to offer high school, according to a study by Columbia’s Jeffrey R. Henig and three colleagues from George Washington University.

### Quality of education

An unanswered question is whether EMOs do a better job of raising student achievement than other public schools. Studies that compare company-run schools to other public schools are rare. One such study conducted by researchers at Western Michigan University in 2001 found that 10 Michigan schools run by Edison Schools, Inc., showed no difference in test performance when compared to schools in the public districts where they were located.

The companies frequently promote strong test score gains on their own websites. But Levin and others argue that those scores rarely can be verified because the companies do not release details such as the schools included in the study, the tests used or how the tests were administered.

The history of EMOs so far has been a story of unfulfilled ambitions.

The first EMO was a Minnesota company called Educational Alternatives, which pitched management services to school



## Start with the Contract

All EMOs sign a contract, usually with a school district or a charter school governing board, and that it is a good way to track whether both sides are living up to their ends of the bargain.

**What are they being paid?** EMOs that are managing charter schools may have different issues than those managing public schools for school districts and this may determine what they are being paid. Facilities are an example. If the company is managing an existing public school, the district may maintain the facility for free or at a discounted cost. But charter school operators may be forced to make a major investment in facilities up front, either to build a school or lease school space.

**Is there a termination clause?** Every contract should have one. Under what circumstances may the school district or governing board terminate the deal? If there is no such clause, what is the remedy if the EMO fails to perform?

**Is significant money paid up front?** That is a warning sign. The district or governing board should have some reasonable intervals for payments to protect public dollars should problems arise with the company.

**What are the performance standards?** The contract should spell out clear performance standards, including the length of the contract, if the deal can be renewed and the methods for measuring performance. Performance evaluation is important. Some evaluations may require only a low standard, such as evidence of parent satisfaction. Others may require significant detailing of management operations and student academic performance.

**Who holds the contract with the EMO?** The state? The local school district? Is the contract a public document that can be obtained through a records request? If so, you should obtain it and review it.

**Is the EMO-run school fiscally sound?** Are there state audits or other public records that indicate financial problems or stability?

**How is the company performing financially?** Is there evidence enough is being spent on school equipment and supplies?

districts. The company won contracts to manage individual public schools in Hartford, Miami-Dade, Baltimore and a few other cities in the early 1990s. The company struggled to improve student performance and battled financial problems until its three biggest clients dropped its services and it merged with Arizona-based Tesseract in 1997.

The emerging market for management services in schools prompted other business entrepreneurs to consider the profit potential of managing public schools in this way — under contract with school districts. Failing public schools were increasingly under the microscope as reformers pushed for more accountability through standards and testing.

Poorly performing school districts were criticized for bureaucratic overspending and entrepreneurs figured by eliminating costly bureaucracy and introducing solid management methods, they could get

better student performance at a cheaper cost and convince school districts to offer up the difference as a fee for the service.

The most visible pioneer in this area was Chris Whittle, who in 1992 founded a company called The Edison Project, with a goal of operating 1,000 schools nationwide in a decade. Whittle was a controversial figure, having made millions from Channel One, a service that provided audio-visual equipment to schools for free in return for having students watch a daily news program laden with commercials.

As Whittle and others were getting off the ground, so were charter schools.

By the mid-1990s, states were approving new charter school laws rapidly. Under most state laws, a local governing board could sponsor the school and receive per pupil funding equal to that of the local school district. It was then permissible for the board to hire a company — an EMO — to handle the school's operations.

The governing board and company would sign a contract under which the company would run most or all aspects of the school — from hiring, to curriculum to outfitting the schools with furniture — at a pre-set dollar amount. In the case of Edison, the company has struggled to make its business model, based on creating national economies of scale, work efficiently. As a public company, Edison struggled to maintain investor confidence and found political battles, such as in Philadelphia, a tough challenge.

By 2004, most schools run by companies were charter schools, a trend that continues to grow. And recently, a new actor has emerged — CMOs or charter management companies — non-profit organizations entering the field to compete with the profit-making companies, such as Aspire Public Schools, based in California.

## Growth and profits

According to a 2004 report by the Commercialism in Education Research Unit at Arizona State University, 376 charter schools were managed by for-profit companies, compared to 87 traditional public schools operated by such companies in the 2003-04 school year. The report showed 51 companies managed schools that enrolled more than 200,000 students in 28 states. That's up from just 13 companies with 135 schools in 15 states five years earlier.

The report lists 12 companies of the 51 as profitable — Chancellor Beacon, Edison, Leona Group, National Heritage, Richard Milburn, Victory, Choice, Designs for Learning, Ideabanc, Nobel, Pinnacle and SABIS.

One, Excel Education Centers, listed itself as breaking even and another, Charter School USA, was not profitable. The remainder declined to provide financial details for the study.

Since Edison Schools went private in 2003, the only remaining major EMO that is publicly traded is Nobel Learning Communities.

EMOs have focused more energy on charter schools in the past five years in part because of the difficulties companies like Educational Alternatives experienced in cities like Baltimore and Hartford and Edison faced in Philadelphia.

For-profit schools now handle millions of public dollars. The governing boards they report to are required to make public

basic information about how that money is spent. But the details, such as teacher pay or administrative costs, can be off limits if the company handles all those aspects. At a minimum, that information is harder to acquire.

### The paper chase

Getting information can be tricky since most are private companies and are not obligated to share information with reporters. But because the companies receive public funds — whether they are running traditional public schools or charters — there are paper trails in the public record.

**The state education department.** This is where most charter schools are authorized, which means application materials may be available for public inspection. A charter school application may include contact names and numbers for the company and for the local governing board that oversees the school's operation. It also may contain an outline of the proposed school's management structure, budget, curriculum and an explanation of how the school's academic progress will be judged.

The state also may have information about the school's performance on state tests and other academic measures, such as graduation or attendance rates, or even teacher qualifications. The state may

conduct routine site visits and those reports, if available, can shed light on the quality of the school operation. If the EMO in question is operating a traditional public school, such information may be found more easily with the local school district that hired the company.

**The state auditor.** State audit reports sometimes detail problems with accounting or management structures and in serious cases could show wrongdoing by school officials.

**Other places to look.** City departments that inspect the school's food service operation, handle building permits and inspections and collect taxes may be good sources. Even checking police records for reports of

## Edison Tells the Story

Chris Whittle was the face of the education entrepreneur in the 1990s.

He built a media empire from scratch, starting a college magazine with a friend while attending the University of Tennessee. He made a name when his company bought Esquire in 1979 and made the financially strapped magazine profitable five years later.

After his success with the ads and news service Channel One, Whittle proposed a company that would run 1,000 private schools nationwide after 10 years. He called it the Edison Project, and the goal was to make money through economies of scale and by using new technological innovations and a high quality curriculum. The schools would share a similar curriculum, materials and management structure. Whittle wagered that under his model, Edison would do a much better job of managing schools than public school systems. He promised Edison's schools would exceed public school test scores, even while holding down administrative costs.

Whittle hired Yale President Benno Schmidt to run Edison and assembled a team of well-respected experts to craft an academic program. The result was a technology-heavy program with longer school days and other classroom-level reforms.

When the company had mixed success, he scaled back the grand vision of 1,000 schools and dropped the idea of starting private schools. Instead, Edison offered management services to school districts.

And, as charter schools took hold in the mid-1990s, Edison began running charter schools. In 2003–04, the company operated 109 schools in the U.S., including 43 charter schools. Its website says it will run 157 schools in 2004–05.

In 2001, Pennsylvania Governor Tom Ridge courted Edison to take over 40 schools in Philadelphia as part of a larger plan to reshape the state's largest and most troubled school district. What at first looked like a boon for Edison ended up nearly ruining the company.

Edison, which had been growing by 20–25 schools nationwide each year, limited other expansion in anticipation of taking over 40 in Philadelphia. Its stock price rose in anticipation of the deal with such a large city. But just months before the opening of school in 2001, the plan was scaled back to 20 schools for Edison. The company's stock nose-dived as disappointed investors fled and a financial crisis ensued.

The company was forced into a fight for its survival, embroiled in local political battles against unions and other Philadelphians who resented the state involvement. When Ridge left to become Homeland Security secretary later that year, the company lost its chief advocate. Edison persevered in Philadelphia, but only after absorbing tough financial lessons.

Overall, Edison had a tumultuous decade financially. Often cash starved, its financing began to run dry in 2002 and its stock tumbled from over \$35 to less than \$1 a share. But Whittle engineered a bailout by taking the company private in July 2003. The \$1.76 a share stock buyout was financed by Liberty Partners, a New York equity firm, ironically whose major investor was the Florida pension fund, including teachers. Florida unions protested saying members had little say over how their money was invested.

The academic progress of Edison is unclear. Its website lists an average test score gain for Edison schools that is two to three times higher than their comparable local school districts and Edison claims 82 percent of its schools are raising student achievement.

One independent study of the company, by Gary Miron and Brooks Applegate at Western Michigan University in 2000, showed Edison students do no better than their counterparts in public schools.

Edison continues to grow and diversify. It runs summer school programs, sells assessment services and is running schools in Great Britain. The company had its first profitable quarter in 2004 and says it will serve 250,000 through its schools and programs this year.

# How Many Schools do They Run?

**Name:** Edison Schools, Inc.

**Headquarters:** New York

**Schools:** 109 in 21 states

**Enrollment:** 70,441

**Website:** [www.edisonschools.com](http://www.edisonschools.com)

Founded by media entrepreneur Chris Whittle in 1992, Edison was a public company for four years before Whittle took the company private in 2003.

**Name:** The Leona Group

**Headquarters:** Phoenix

**Schools:** 41 in four states

**Enrollment:** 12,617

**Website:** [www.leonagroup.com](http://www.leonagroup.com)

Founded in 1996 by A. Alfred Taubman, shopping mall developer and William Coates, a former school superintendent and university professor. The privately owned company moved its headquarters from Michigan to Arizona in 2000.

**Name:** National Heritage Academies

**Headquarters:** Grand Rapids, Mich.

**Schools:** 39 in five states

**Enrollment:** 20,936

**Website:** [www.heritageacademies.com](http://www.heritageacademies.com)

Founded in 1995, by J.C. Huizenga, owner of manufacturing businesses in Michigan. The company is privately owned and is known for its values-based curriculum.

**Name:** Chancellor Beacon Academies

**Headquarters:** Coconut Grove, Fla.

**Schools:** 35 in eight states

**Enrollment:** 17,765

**Website:** [www.chancellorbeacon.com](http://www.chancellorbeacon.com)

Florida's Chancellor Academies and Beacon Education Management of Massachusetts merged in 2002 to form Chancellor Beacon. Octavio Visiedo, the former superintendent of Miami-Dade schools, founded Chancellor, then called Cambridge Academies, in 1998. Two Nashville businessman founded Beacon in 1992, when it was known as Alternative Public Schools.

**Name:** White Hat Ventures

**Headquarters:** Akron, Ohio

**Schools:** 30 in five states

**Enrollment:** 6,149

**Website:** [www.whitehatmgmt.com](http://www.whitehatmgmt.com)

Founded in 1998 by Akron industrialist David Brennan, White Hat is privately owned and offers K-8 schools, life skills centers for at risk students and virtual schools.

**Name:** Mosaica Education, Inc.

**Headquarters:** New York

**Schools:** 24 in eight states

**Enrollment:** 10,061

**Website:** [www.mosaicaeducation.com](http://www.mosaicaeducation.com)

Founded in 1997 by Dawn and Gene Eidelman, owners of a chain of day care centers. The company received significant investment in 1998 from Lepercq Capital Management and Lepercq's President, Michael Connelly, became CEO of Mosaica. The company, which is privately held, bought the Advantage Schools EMO chain in 2001.

**Name:** Richard Milburn High School, Inc.

**Headquarters:** Salem, Mass.

**Schools:** 18 in five states

**Enrollment:** 2,520

**Website:** [www.rmacademy.org](http://www.rmacademy.org)

Founded in 1975, the school's original mission was to provide basic skills training for military officers seeking equivalency diplomas or other certifications at a Virginia military base. Since 1987, the privately owned company has run alternative schools under contract with school districts. Its first charter school opened in 1998 in Delaware.

**Name:** Charter School Administration Services

**Headquarters:** Southfield, Mich.

**Schools:** 15 in four states

**Enrollment:** 7,046 students

**Website:** N/A

Founded in 1995 by Leicester "Bill" Allen and Mattie Allen. The Allens owned a chain of private schools, day care centers and The Lawton School, a career training college. Also known as Academy of America, the company's schools often are named for the city where they are located — such as Academy of Dayton or Academy of Austin.

**Name:** Charter Schools USA

**Headquarters:** Ft. Lauderdale

**Schools:** 15 in Florida and Texas

**Enrollment:** 9,093 students

**Website:** [www.charterschoolsusa.com](http://www.charterschoolsusa.com)

Jonathan K. Hage, who helped craft Florida's charter school law while at Foundation for Florida's Future, founded this privately-held company in 1997. A separate non-profit called The Charter Foundation works with the company's charter schools. The Haskell Company also partners with the company to design and build its schools.

**Name:** K12, Inc.

**Headquarters:** McLean, Va.

**Schools:** 14 in 11 states

**Enrollment:** 10,325

**Website:** [www.k12.com](http://www.k12.com)

Founded in 1999 by former U.S. Education Secretary William Bennett, the privately held company operates virtual charter schools over the Internet.

**Name:** Victory Schools Inc.

**Headquarters:** New York

**Schools:** 11 in Maryland, New York and Pennsylvania

**Enrollment:** 5,725 students

**Website:** [www.victoryschools.com](http://www.victoryschools.com)

Founded in 1999 by investment banker Steven B. Klinsky, Victory sponsored one of the first three charter schools in New York State and manages schools under contract with school districts in Philadelphia and Baltimore. The company is privately owned.

**Name:** SABIS Educational Systems, Inc.

**Headquarters:** Eden Prairie, Minn.

**Schools:** 7 in seven states

**Enrollment:** 4,283

**Website:** [www.sabis.net](http://www.sabis.net)

Founded in 1886 in Beirut, Lebanon, SABIS is a privately owned company that operates schools across the globe. In the U.S., it focuses on college preparatory charter schools.

**Name:** Nobel Learning Communities

**Headquarters:** West Chester, Pa.

**Schools:** 4 in Pennsylvania

**Enrollment:** 2,002

**Website:** [www.nobellearning.com](http://www.nobellearning.com)

Founded in 1984 as Rocking Horse Child Care Centers, the company was transformed in 1991 when A. "Jack" Klegg was brought in during a financial crisis. Nobel now operates over 170 preschools, child care centers, private schools, public schools and charter schools. Nobel is publicly traded.

*Source:* Compiled from Commercialism in Education Research Unit at Arizona State University's sixth annual report "Profiles of for profit management companies," (February 2004); the National Charter School Clearinghouse web site; and the companies' websites (late 2004).

incidents at the school or seeing if the fire department has done a recent fire safety inspection can yield interesting details about the school.

Colleagues in the business section may help in researching a private business and analysts who follow education companies may be able to serve as a guide. Look for who is investing in the company, information that can sometimes be found in the company's own press releases. Lawsuits involving the company, as plaintiff or defendant, can be treasure troves for information about the school. Even bankruptcy court can be a resource, if a major player involved in the school has had personal financial trouble.

At least in theory, charter schools in most states are as public as any other school and therefore the school's records should be available for public inspection just as any other school's. Reporters should ask for the principal's salary, the percent of the school's budget spent on instruction and that spent on administration. But the

local governing boards ultimately responsible for the schools often are unsophisticated and may need to be

educated about the state public records law. Sometimes a lawsuit may be required to compel the school to comply.

## Questions to ask

1. What are parents saying about your local EMO-run schools? Usually when there are problems, the first symptom is parent complaints. Have there been enrollment declines and departures back to the public system?
2. What is the process for evaluating a private company that wants to run a school in your area? Who checks the company's credentials — the state or the local district? How sound is the process?
3. Is there independent evidence, through test scores, state site visits or other avenues, of how schools run by for-profit (or non-profit) companies are performing compared to the traditional public schools in the same district?
4. Is the company's academic program unusual or innovative? Does it serve an underserved segment of students, such as dropouts or vocational students? Is the company using an off-the-shelf program similar to ones being used by traditional public schools?
5. Does the company operate the school differently than a traditional public school? Is the school more customer friendly? Does that payoff in terms of parent involvement or loyalty?

## Sources

### Clive Belfield

National Center for the Study of Privatization in Education  
212-678-3259

### Jonathan Hage

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954-202-3500

**Don Shalvey or Gloria Lee** (on non-profit Charter Management Associations)  
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## Websites

**Arizona State University's Commercialism in Education Research Unit**  
[www.asu.edu/educ/eps/CERU/](http://www.asu.edu/educ/eps/CERU/)  
The center's Annual Report on Schoolhouse Commercialism Trends provides helpful statistics about EMOs.

### Aspire Public Schools

[www.aspirepublicschools.org/](http://www.aspirepublicschools.org/)  
A non-profit organization that builds and operates charter schools, currently with 11 sites and 3900 students in northern California.

### The Education Industry Association

[educationindustry.org](http://educationindustry.org)  
A trade group for providers of education services.

### Great Schools website

[www.greatschools.net](http://www.greatschools.net)  
Provides information about public and charter schools, including those run by EMOs.

### Hoover's Online

[www.hoovers.com](http://www.hoovers.com)  
A helpful site for looking up information about companies.

### National Center of Education Providers

[www.educationproviders.org](http://www.educationproviders.org)  
This organization is an alliance of five of the biggest companies.

### The National Center for the Study of Privatization in Education

<http://www.ncspe.org/>  
Site contains links to lots of research, including some studies about EMOs.

## Studies

**Western Michigan Study of Edison Schools test performance**  
<http://www.wmich.edu/evalctr/edison/edison.html>  
A study of Edison schools test performance compared to traditional public schools.

**Chubb, John and Moe, Terry**, "Politics, Markets and America's Schools," 1990, Brookings Institution Press.

**Henry Levin's and Jeff Henig's** studies can be found on the NCSPE site at:  
<http://www.ncspe.org/list-papers.php>



# SUPPLEMENTAL SERVICES

## MORE Companies, LIMITED Monitoring

**A** great challenge for both educators and reporters will be evaluating the effectiveness of supplemental services offered under No Child Left Behind.

Supplemental services are one of the interventions in the legislation for failing schools.

Poor schools that qualify for Title I and reach a third straight year without meeting adequate yearly progress in reading or math must offer families tutoring. The tutoring must take place before or after school to qualify as supplemental.

The law requires states to evaluate supplemental service providers after two years to determine if their services “contribute to increasing the academic proficiency of students.” And it’s largely up to the states to define that standard.

### Who are the providers?

Research by the National Center for the Study of Privatization in Education at Columbia University showed that most providers approved by states under NCLB are small and local, although large brand name tutoring companies like Kaplan and Catapult are increasing their reach. Nationally, one survey found more than 1,700 state-approved tutoring vendors. Nearly 70 percent are private companies or individuals, while one-quarter are school districts themselves. Of the private providers, about 9 percent offered tutoring online and another 6 percent were offered by faith-based organizations.

The Columbia study showed companies charge school districts between \$40 and \$70 per tutoring session and pay the tutors

anywhere from \$12 to \$30 per hour. Each school district must pay up to a per-student cap, which is calculated by a formula spelled out in the law. A nationwide survey of 91 school districts and 30 state education departments by the Association of Community Organizations for Reform Now found that that most were paying between \$900 to \$1,700 per student in 2003-04. The ACORN report, endorsed by the Education Industry Association, is titled, “Accountability Left Behind.”

Tutors range from fully certified teachers to college students and their preparation varies tremendously, from one day of preparation to extensive programs that provide special materials. Districts must make parents aware that tutoring is available, and parents may choose tutors at no cost as long as the tutor is on the state or school district’s list of approved vendors.

In August 2003, the U.S. Department of Education issued its official guidance to states for supplemental education services. As reported in the Center on Education Policy report “From the Capital to the Classroom: Year 2 of NCLB,” the states were told to take a “flexible approach in determining effectiveness” to expand the options for parents as much as possible. Some critics fear states may interpret that to mean options are more important than effectiveness.

### What’s the impact?

Overall, the ACORN study found states were not evaluating the providers so far. The group found just six of the 24 states that had supplemental service providers operating for at least two years had finished

evaluations of the providers. Where evaluations were done, some included no information about provider effectiveness.

When effectiveness was evaluated, the report often consisted only of the provider’s own test data, usually showing how the student tested at the start of tutoring on a test given by the provider compared to how the student performed on the same test at the end of tutoring. Rarely was any evidence presented to show that students using supplemental services were actually performing better in school or on state tests.

For these and other reasons, a February 2004 report by the Harvard Civil Rights Project recommended the federal education department require “randomized experiments” to determine if the providers were effectively raising student achievement, arguing that “scientifically-based research” touted as the gold standard in NCLB requires such study.

The Harvard report also emphasized the need for a cost-benefit analysis of supplemental service providers. In simple terms, a district-sponsored tutoring program might raise a student’s state test score by three points while a private tutoring company might raise a student’s score by six points. However, if the private tutor costs 10 times as much as the district program, shouldn’t states consider the cost effectiveness of the district’s program?

### Access to tutoring

Problems of access also have quickly emerged as a key issue. In many cities, students who are eligible for free tutoring are not taking advantage of the program.

In Chicago, the *Tribune* reported in April 2004 that just 800 of 1,800 eligible students received tutoring in 2002-03 and 64,474 of 133,000 were tutored the following year. An estimated 270,000 students were eligible for services in 2004-05.

In May 2004, the *Milwaukee Journal Sentinel* reported 25,000 public school students in that city were eligible for tutoring services, but only 4,700 participated, with most of those students using tutors offered by the district itself rather than private companies. The *St. Paul Pioneer Press* reported in June 2004 that just 125 out of 800 eligible St. Paul students used the free services. Minneapolis had 1,135 of 2,000 eligible students participate.

These examples are consistent with the ACORN study, which found only about 23 percent of the students eligible in 59 school districts surveyed actually had been tutored. District participation rates ranged from as low as no students to as high as 92 percent participation, but more than half of the districts enrolled less than 20 percent of the eligible students.

The Center on Education Policy found in a survey that access is a problem in rural areas, where parents may be limited to one or two providers. And sometimes the only choice is the local school district itself.

In places where demand for tutoring exceeds the district's budget for supplemental services, NCLB requires that the neediest students receive services first. But more often, the problem is too little interest in tutoring.

### Barriers to participation

ACORN detailed several barriers to student participation. In some cases, parents indicated interest but never finished enrolling their children, and transportation was not provided to tutoring sites in some cases. Some parents lacked understanding about private tutoring and were wary of programs offered away from the school. Attendance was a huge problem in some districts, with children starting but not finishing the program, ACORN found.

School districts argue that more students can be served by district programs because private tutoring tends to be more expensive, using up the district's supplemental services money faster and resulting in fewer students served.

But under NCLB, school districts that fail to meet AYP as a district cannot offer tutoring under the supplemental services provision. Boston, Chicago, Palm Beach County, Fla. and Prince George's County,

Md., were fighting in 2004 to be allowed to offer tutoring. In early 2005, Chicago decided to offer the supplemental tutoring at its own expense, with help from the state, when the federal department wouldn't budge on the use of federal funds by a district not meeting AYP.

### Problem Area

The supplemental services provision in the law is emerging as one of the biggest problems for districts. The process brings into the equation private providers over which the districts have limited control. For districts with many supplemental service providers, new methods of oversight are needed.

Districts can be placed in the odd position of dealing with the questionable marketing tactics of some tutoring companies. In November 2004, the *Tampa Tribune* reported that some companies were seeking to entice families by offering bicycles, computers or other valuable giveaways if the students completed their programs. Hillsborough County school officials were forced to clarify that such tactics were forbidden under their contracts.

### Potential new costs

Evaluating supplemental services is another potential sinkhole for states. As the ACORN report showed, initially states and districts were inclined to avoid rigorous study of the academic effectiveness of outside providers, either accepting the company's own evidence or failing to evaluate effectiveness at all. But full scientific studies of effectiveness could raise the cost.

Districts contend that the cost of supplemental services also could endanger the effectiveness of the overall Title I program intended to help poor children succeed. NCLB requires districts to set aside 20 percent of their Title I funds to pay for supplemental services.

Some districts have already had to cut back in services they formerly offered to hold back enough money for supplemental services. In Milwaukee, the *Journal Sentinel* reported in May 2003 that a summer school program designed to serve 17,000 kids was reworked to serve 5,000 after money for the program was diverted to supplemental services required by NCLB.

## A Growth Company

There may be no better example of the potential profit No Child Left Behind offers to private companies than Catapult Learning.

Catapult's No Child Left Behind revenue in the first half of 2004 jumped to more than \$21 million, up from less than \$3 million in the first half of 2003, according to the *Baltimore Sun*.

Catapult is a subsidiary of Educate, Inc., a new company based in Baltimore formed in 2003 when Sylvan Learning Systems split in two, with its college-level business spun off as Laureate Education Inc. Educate continues to operate Sylvan Learning Centers, a network of more than 1,000 community-based tutoring franchises or company-owned outlets nationwide.

Sylvan was founded by Douglas L. Becker and R. Christopher Hoehn-Saric. Becker now runs Laureate while Hoehn-Saric

heads Educate, which also operates hundreds of tutoring centers in Europe under the name Schulerhilfe.

Educate, which went public in 2004, launched Catapult specifically to offer tutoring services to school districts and eSylvan to offer online tutoring, both with the goal of providing supplemental tutoring under No Child Left Behind.

Educate also is launching a program of "Ace It" centers in schools or community centers to serve students eligible for tutoring under NCLB. About 50 Ace It centers are on tap to open in 2005.

In December 2004, Catapult and The Association of Education Service Agencies were selected for a \$5 million grant from the U.S. Department of Education to develop a model for providing supplemental services via the Internet to small and rural schools nationally.

## Future directions

Despite the many unknowns, NCLB's proponents believe supplemental services and other school improvement efforts in the law will spark school improvement. Competition for services, which works well in many other sectors of American life, can spur innovation and create a new urgency for improved education services, they argue. Schools will want to avoid the punitive sanctions that come as they reach years four and five of school improvement,

so they will work to improve.

But critics say bringing in private vendors to supplement instruction may endanger the overall effectiveness of the Title I program by fragmenting it. For this reason, the Harvard Civil Rights Project report recommends dropping the supplemental services provisions altogether.

Title I has been school-centered, with a goal of improving the school and therefore improving student achievement. But NCLB

refocuses Title I so it is centered around individual student gains. Even if the tutoring helps some students despite their poor school environment, critics fear NCLB will impede the schools' efforts by sapping funds and fragmenting instruction.

The Center on Education Policy went one step further, warning with its third year report, that the slack monitoring of the supplemental services providers could end up as a grave financial scandal,

## Top National Companies Offering Supplemental Services

(ranked by number of states approved)

### Kaplan K12 Learning Services

**Website:** [www.kaplan.com](http://www.kaplan.com)

**Headquarters:** New York City

**Approved in:** 37 states

Best known for decades of standardized test preparation. It has offered tutoring since 1992, now in 150 centers in 12 states.

### Huntington Learning Centers, Inc.

**Website:** [www.huntingtonlearning.com](http://www.huntingtonlearning.com)

**Headquarters:** Oradell, NJ

**Approved in:** 33 states

Operates 230 learning centers in more than 30 states and was founded in 1977 by Raymond and Eileen Huntington.

### Kumon Math and Reading Centers

**Website:** [www.kumon.com/pressroom](http://www.kumon.com/pressroom)

**Headquarters:** Tenack, N.J.

**Approved in:** 31 states

Founded in 1958 by high school teacher Toru Kumon in Japan, the company operates learning centers in 43 countries.

### Princeton Review

**Website:** [www.princetonreview.com](http://www.princetonreview.com)

**Headquarters:** New York City

**Approved in:** 30 states

Company begun in 1981 specifically to prepare kids for the SAT and is now branching out into K-12 tutoring.

### Brainfuse Online Instruction

**Website:** [www.brainfuse.com](http://www.brainfuse.com)

**Headquarters:** New York City

**Approved in:** 26 states

Offers online tutoring run by Trustforte Educational Services, an in-person tutoring company in New York.

### Newton Learning

**Website:** [www.newtonlearning.net](http://www.newtonlearning.net)

**Headquarters:** San Angelo, Texas

**Approved in:** 26 states

Founded in 1992, the company specializes in extended learning programs offered in partnership with school districts.

### Failure Free Reading

**Website:** [www.failurefree.com](http://www.failurefree.com)

**Headquarters:** Concord, N.C.

**Approved in:** 26 states

Founded in 1988 by classroom teacher Joseph F. Lockavitch, the company's literacy tutoring program is built around his methods.

### Club Z! In Home Tutoring Services

**Website:** [www.clubztutoring.com](http://www.clubztutoring.com)

**Headquarters:** Tampa

**Approved in:** 25 states

Founded in 1995, the company offers one-on-one tutoring from pre-kindergarten through adults in reading, mathematics, science, history, as well as study skills, foreign languages and test preparation.

### Plato Learning, Inc.

**Website:** [www.plato.com](http://www.plato.com)

**Headquarters:** Bloomington, Minn.

**Approved in:** 24 states

Founded in 1963 as an educational software company, Plato is now branching out into tutoring services.

### Educate, Inc.

**Website:** [www.educateinc.com](http://www.educateinc.com)

**Headquarters:** Baltimore

**Approved in:** 24 states

The publicly traded parent company of Sylvan Learning Centers, Educate offers private tutoring in more than 1,000 centers as well as online tutoring through eSylvan and tutoring for school districts through Catapult Learning.

### Babbage Net School

**Website:** [www.babbagenetschool.com](http://www.babbagenetschool.com)

**Headquarters:** Port Jefferson, N.Y.

**Approved in:** 21 states

Babbage is a virtual high school offering courses in English, math, science, social studies, foreign language, music and art via the Internet.

### EdSolutions

**Website:** [www.edsolutionsinc.com](http://www.edsolutionsinc.com)

**Headquarters:** Nashville

**Approved in:** 21 states

The company was founded in 1996 to provide elementary school extended day academic programs for school districts. It now operates at 200 sites in 14 states.

### I CAN Learn Education Systems

**Website:** [www.icanlearn.com](http://www.icanlearn.com)

**Headquarters:** New Orleans

**Approved in:** 20 states

The company name is an acronym for Interactive Computer Aided Natural Learning. I CAN Learn is a software company that creates computer tutoring programs.

### HOSTS

**Website:** [www.hosts.com](http://www.hosts.com)

**Headquarters:** Vancouver, Wash.

**Approved in:** 19 states

Since 1971, the company has worked with school districts to provide teacher training to improve one-on-one student instruction.

*Source:* The Supplemental Education Services Quality Center, a service for families, funded by a grant to the American Institutes for Research from the Office Of Innovation and Improvement of the U.S. Department of Education. The data is from December 2004.

equivalent to the problems that beset the student loan program before monitoring and eligibility was tightened.

## Where to start

Public dollars mean a paper trail. Start with the company's application to the state that may provide useful details about the company. The key document to obtain is the contract between the school district and the vendor, which is individually negotiated and includes issues of cost and other factors.

A few tutoring companies are publicly traded, which is helpful because they are forced to be more open about their finances and management. Ask the company for a proxy statement, which will include such information as the salaries of senior managers and the stock price performance graphed against industry peers.

Even if the companies are not publicly

traded, you may find useful information about them at the secretary of state's office. Information can include the articles of incorporation showing the principals of the company, and uniform commercial code data showing the company's assets if they have taken loans.

For non-profit organizations involved in

supplemental services, ask to see 990 tax forms, which must be filed with the IRS. These forms often list the key players in the organization and financial data and may be available online.

And of course, work your sources in the school district and at the school level or within the companies themselves.

## Questions to ask

1. Who is providing supplemental services in your area? A list should be available from the state.
2. What is the track record of the companies operating in your area? What evidence of effectiveness did they present to the state to receive approval?
3. How many kids in your area are eligible for supplemental services? How many are receiving them? Is the district effectively communicating to parents their options?
4. How much is the district paying private companies for supplemental services?
5. Are other Title I services being scaled back to allow for the cost of supplemental services?
6. How are the supplemental service providers evaluated?

## Sources

**Henry Levin or Clive Belfield**  
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## Websites

**Arizona State University's Commercialism in Education Research Unit**  
<http://www.asu.edu/educ/eps/CERU/>  
The center conducts research about private companies working in public education.

**Association of Community Organizations for Reform Now**  
[www.acorn.org](http://www.acorn.org)  
A national group with affiliates nationwide interested in education, among other community issues.

**Center on Education Policy**  
[www.ctredpol.org](http://www.ctredpol.org)  
An independent national group that advocates for public education.

**The Education Industry Association**  
[educationindustry.org](http://educationindustry.org)  
This group is a trade organization for providers of education services including SES.

**GuideStar**  
<http://www.guidestar.org>  
Site archives federal 990 forms that all non-profits are required to file and allows users to look up non-profit organizations through a search function.

**Harvard Civil Rights Project**  
[www.civilrightsproject.harvard.edu](http://www.civilrightsproject.harvard.edu)  
A research group focused on integration and civil right issues in schools.

**Hoovers Online**  
[www.hoovers.com](http://www.hoovers.com)  
A helpful site for looking up information about companies.

**The National Center for the Study of Privatization in Education**  
<http://www.ncspe.org/>  
Site contains links to lots of research, including some studies about supplemental services.

**Reason Public Policy Institute**  
[www.rppi.org](http://www.rppi.org)  
The institute advocates for competition and market-based reform, including in education.

**Securities and Exchange Commission**  
[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)  
Offers information about publicly traded companies.

**Tutors for kids**  
<http://www.tutorsforkids.org>  
An extremely helpful U.S. Department of Education-sponsored site about supplemental education services with information about No Child Left Behind provisions, state programs and companies involved in tutoring.

"Evaluating Supplemental Services Providers: Suggested Strategies for States," 2005; By Steven Ross of the University of Memphis and the Supplemental Educational Services Quality Center, American Institutes of Research.

## About the Education Writers Association

The Education Writers Association, founded in 1947, is the professional association of education reporters and editors. Its nearly 1,000 members include education reporters and editors in the print, broadcast and online media and associate members (writers working in education policy or research organizations and school and college public information officers). Annual dues are \$65.

Members receive a bimonthly newsletter, *Education Reporter*, and other publications free of charge, including *Standards for Education Reporters*, *Money Matters: A Reporter's Guide to School Finance*, and *Covering the Education Beat: A Current Guide for Editors, Writers and the Public*.

Services include helpful listservs for both higher education and K-12 reporters, national and regional seminars on timely topics, and an annual writing contest—the prestigious National Awards for Education Reporting and the Fred M. Hechinger Grand Prize for Distinguished Education Reporting.

EWA's publications and online services include the following:

- **Money Matters: A Reporter's Guide to Education Finance** (2003). \$12 or free with membership. Online at [www.ewa.org](http://www.ewa.org) for members only.
- **Standards for Education Reporters** (2002). A set of voluntary guidelines on the skills, knowledge and ethics needed for excellence on the education beat. \$10 or free with membership. Online at [www.ewa.org](http://www.ewa.org).
- **Covering the Education Beat: A Current Guide for Editors, Writers, and Public** (2001). \$60 or free with new membership. Online at [www.ewa.org](http://www.ewa.org) for members only. (5th edition available fall 2005).

- **Education Reform.** Brief reports on critical topics in education with expert sources. Free to members. Online at [www.ewa.org](http://www.ewa.org).
- **EWA's Web site, [www.ewa.org](http://www.ewa.org):** An excellent 24-hour resource for reporters and the public. Features new studies and research in education, breaking education news and general information about EWA's seminars and contest. Register online, learn about contest rules and deadlines, and search for jobs, announce new programs or find other members in the "members-only" section.
- **Listservs:** Join your colleagues from national and local media online. The listservs for K-12 and higher education reporters are gold mines for story ideas, sources, and varying perspectives on the pressing issues faced by journalists every day. A listserv is also available for Associate members to discuss marketing and communications issues.

### Special Reports:

*Effective Superintendents, Effective Boards: Finding the Right Fit* (2003)  
Online at [www.ewa.org](http://www.ewa.org).

*Searching for a Superhero: Can Principals Do It All?* (2002) Online at [www.ewa.org](http://www.ewa.org).

*New Networks—Old Problems: Technology in Urban Schools* (2001) \$12.

*Barriers and Breakthroughs: Technology in Urban Schools* (1999) \$10.

*Wolves at the School House Door: An Investigation of the Condition of Public School Buildings* (1989) \$10.

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