

Private Sector Solutions for Failing Public Schools

by Chris Patterson, Research Director

A new approach to school accountability was proposed during the 79th Session of the Texas Legislature—turning failing public schools over to private sector education management organizations (EMOs). Some legislators expressed concerns about EMOs, describing them as unknown, untried, risky, and radical. Because facts suggest otherwise, a better understanding is warranted to identify how EMOs can help improve student achievement and the financial efficiency of Texas public schools.

EMOs are primarily for-profit corporate entities that contract with school districts and chartering authorities to operate conventional public schools and charter schools. Although managed by private sector corporations, these schools continue to function as public schools—receiving tax dollars, and fully complying with state mandates, just like other public schools. Over the past decade, the number of for-profit EMOs has grown rapidly, cataloged by the Arizona State University, Education Policy Studies Laboratory. Today, EMOs operate 463 public schools in 28 states—most, but not all, are charter schools (81 percent)¹. Edison Schools is the largest EMO, educating 71,593 students and operating 157 public schools in 19 states, plus the District of Columbia.²

Some EMOs also operate *private* schools; Nobel Learning Communities, for example, is the largest non-sectarian operator of private schools in the nation, operating 150 schools in 13 states, including Texas.³ Some EMOs operate *both* public and private schools; SABIS Educational Systems, for example, educates 25,000 students, operating 27 schools, both public and private, in 11 nations.⁴ Over the last sev-

eral years, a new form of EMOs has emerged, offering virtual charter schools; today, 17 virtual schools in 11 states educate approximately 11,000 students.⁵ A small number of EMOs incorporate as non- or not-for-profit, instead of for-profit, schools; Aspire Public Schools, for example, operates 11 public schools in California and educates about 4,000 students.⁶ Unlike their for-profit counterparts, non-profit EMOs are not cataloged and their number is unknown.

Although EMOs are relative newcomers to public education, partnerships between public schools and private companies are neither new nor radical. For decades, public schools have contracted with private businesses to cut costs on such things as transportation, food services, security, technology, and custodial work; in 1998, over 80 percent of all school districts in the U.S. were reported to be outsourcing from one to four services.⁷ Public schools also commonly contract with private sector companies to improve academic services. Sylvan Learning Centers, for example, provides Title I services for remedial education in school districts throughout the nation,⁸ and Princeton Review is now working with 20 schools in Texas to increase post-secondary readiness.⁹

Public schools contract with private sector educational experts for several reasons: (1) to supplement existing programs; (2) to reform and improve educational practices; (3) to obtain better student outcomes; and (4) to reduce costs and improve resource management. Public schools may also contract with an EMO as a consequence for chronic low-performance; one of the corrective options for failing to meet requirements for adequate annual progress is, according to

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the federal *No Child Left Behind Act*, to contract with an EMO. Consequently, 14 states have now enacted policies to turn chronically low-performing schools over to private sector management.¹⁰

Although EMOs are relatively new, there is a growing body of research on their financial and academic impact. Studies have found that EMOs:

- Appear on the average to be doing as well or slightly better than non-EMO schools,¹¹ providing a true educational alternative for students in failing schools.
- Demonstrate significant achievement gains above some traditional public schools.¹²
- Maximize the share of education funds spent at the school level and limit the amount spent on administration, regulation and support.¹³

- Do a better job than the average public school in personnel selection, teacher training, and curriculum—and provide greater accountability.¹⁴

These results refute assumptions about the motivations of profit-seeking businesses in public education—concerns that EMOs attempt to operate public schools at the lowest costs in order to maximize profits, without regard for the educational experience of children. Instead, the facts show that EMOs offer an innovative management tool that state policymakers can use to improve the efficiency of school operations and improve student achievement. These facts suggest the words “realistic” and “responsible” are the best descriptions of private sector solutions for failing public schools.

¹Alex Molnar, Glen Wilson, and Daniel Allen. *Profiles of For-Profit Education Management Companies, Sixth Annual Report, 2003-2004*, Education Policy Studies Laboratory, Arizona State University, Tempe, AZ 2004, 3 and 9, <http://www.asu.edu/educ/eps/CERU/Documents/EPSSL-0402-101-CERU.pdf>.

²Edison Schools Inc., <http://www.edisonschools.com>.

³Nobel Learning Communities, <http://www.nobellearning.com>.

⁴SABIS Educational Systems at <http://www.sabis.net>.

⁵Alex Molnar, Glen Wilson, and Daniel Allen. *Profiles of For-Profit Education Management Companies, Sixth Annual Report, 2003-2004*, 6.

⁶Aspire Public Schools, <http://www.aspirepublicschools.org>.

⁷*Creating a Revolution from the Boardroom to the Classroom: New Partners in Education*, Center for Education Reform, Washington, DC, July 1998, 2, <http://www.edreform.com/index.cfm?fuseAction=document&documentID=658>.

⁸Ibid.

⁹“The Princeton Review joins with school districts in Dallas and South Texas to expand college and post-secondary options for 35,000 students,” *Press Release*, The Princeton Review, New York, NY, 28 Oct. 2005, http://www.princetonreview.com/footer/pressreleases/pressrelease_102805.asp.

¹⁰Todd Ziebarth, “State Policies for School Restructuring,” *ECS State Notes*, Education Commission of the States, Denver, CO, Dec. 2004, 2, <http://www.ecs.org/clearinghouse/57/02/5702.pdf>.

¹¹Guilbert C. Hentschke, Scot Oschman and Lisa Snell. *Trends & Best Practices for Education Management Organizations*, WestEd, San Francisco, CA, 2003, p.6, <http://www.reason.org/pb21.pdf>.

¹²*Comparison of Achievement Results for Students Attending Privately Managed and Traditional Schools in Six Cities*, Report to the Chairman, Committee on Education and the Workforce, House of Representatives, United States Accounting Office, GAO-04-62, Oct. 2003, 3 and 4, <http://www.asu.edu/educ/eps/EPRU/documents/EPRU-0310-45-OWI.pdf>; and Brian P. Gill et al., *Inspiration, Perspiration, and Time: Operations and Achievement in Edison Schools*, RAND, 2005. xxviii and xxix, http://www.rand.org/pubs/monographs/2005/RAND_MG351.sum.pdf.

¹³Paul T. Hill, “Reinventing Education,” RAND, 1994, <http://www.rand.org/publications/MR/MR312/>.

¹⁴Clive R. Belfield and Henry M. Levin, *Privatizing Educational Choice: Consequences for Parents, Schools, and Public Policy*, Paradigm Publishers, Boulder, CO, 2005, 173.

